

Life on a low income

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The reality of poverty for older people in Wales
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Living on a low income in later life

All older people should have an adequate standard of living in later life. No-one should need to endure a calamitous reduction in their standard of living when they retire, or be resigned to a life where they are forced to choose between basic essentials on a daily basis in order to make ends meet.

Yet throughout this report are real examples of what life is like for older people living on low incomes. It is a story of having to make stark compromises and tough choices every day. For those who are reliant on the State Pension, or small personal pensions, it can be difficult to pay for even basic essentials from a meagre income.

Perhaps it has begun to sound like a cliché, but some older people really do face a choice between heating and eating during the winter. Some choose to heat just one room during the day and either sleep in a chair at night or have to face a cold bed.

Others do not eat a satisfying meal every day because they cannot afford to.

Some older people barely leave the house and do not take part in social activities because even small charges for these, or the costs of getting there, are beyond them.

Others cut back on buying things for themselves because they want to support their families financially or buy presents for their grandchildren.

The consequences of all of these choices put people's health and wellbeing at risk or exacerbate problems of loneliness and isolation.

Unfortunately, these are not exceptional situations. They are examples of the older people who seek help from Age Cymru organisations around Wales every day.



84,000 older people in Wales live in poverty

The local services Age Cymru provides, such as information and advice, income maximisation and advocacy play a vital role in helping people to live within their current means, or improve it.

The examples throughout this report illustrate how the work of valued local services, staff and volunteers has made a real difference to people's lives.

The names and pictures have been changed to protect people's anonymity but nobody should be in any doubt that these are real people, and that there are many more like them.

We are grateful to everyone who spoke to us to share their story or contributed to the development of this report.

The finances of older people in Wales

84,000 older people are currently estimated to live in poverty in Wales - 14% of everyone aged 65 or over.

This means older people living on a weekly household income of £220 or less after their housing costs are deducted.

Even more concerning is the fact that 8% of older households in Wales live in severe poverty on £183.50 per week or less – just under 50,000 people.¹

As with other age groups, even larger numbers of older people live with incomes just above the relative poverty threshold but are virtually no better-off in practice. For many this is because of the minimum income guarantee aspect of Pension Credit, which acts as a top-up to the basic State Pension, or because of small occupational or personal pensions.

Unclaimed Pension Credit is worth £168 million each year in Wales

What is poverty?

The most common way of defining poverty is relative poverty. This means that households with an income below 60% of the median UK household income are regarded as being in poverty. Those with incomes below 50% of median household income are referred to as being in severe poverty.

According to the most recent official figures, the UK poverty line is £220 per week and the severe poverty line is £183.50 per week (2011/12 prices).

These figures are calculated based on income after housing costs (AHC) are deducted. Higher numbers of older people (114,000 people in Wales) are below the relative poverty threshold before housing costs are removed; however the AHC figure is commonly used for older people because fewer pay mortgages or other housing costs than the general population. This masks some specific difficulties for older people paying rent or mortgages however.

The main alternative approach to defining poverty is to look at measures of deprivation.

This means comparing people's living standards and access to certain goods and services that are 'typical' in society, in addition to their income.

The Department for Work and Pensions (DWP) publishes a material deprivation indicator, which considers factors such as:

- social networks and support
- costs and outgoings (including additional costs and restrictions due to disability or ill health)
- where someone lives, including their home and local area
- savings and financial capability
- attitudes and expectations.

9% of people aged 65+ (over 50,000 people) in Wales were classed as materially deprived in 2011/12, the most recent year for which figures are available.²

For simplicity, we have used the relative poverty measure (60% median household income after housing costs are calculated) for the figures used elsewhere in this report.

¹Households Below Average Income 2011/12, Department for Work and Pensions, June 2013

²ibid

In the 1990s and early 2000s some progress was made in reducing pensioner poverty in the UK. New policies which put more money directly in the pockets of older people such as the introduction of Winter Fuel Payment in 1997 and Pension Credit in 2003 meant a real terms increase in the incomes of many older people.

In Wales, Welsh Government policies such as free bus travel and assistance for people to improve the energy efficiency of their homes helped reduce major costs faced by older households.

However, recently progress has stalled. Mirroring the rest of society, the finances of many older people have become increasingly pressurised by a combination of the rising costs of essential goods such as food and fuel, historically low interest rates on savings and plummeting annuity rates for those reaching retirement with private pensions.

This has meant that the incomes of many older people have remained static (and reduced in real terms) whilst the prices of many things they buy have rapidly increased. Older households tend to spend a higher proportion of their incomes on essential goods which makes them especially vulnerable to price increases.

Recent increases in the level of basic State Pension thanks to the UK Government's 'triple lock' policy have been very welcome. However they mask the fact that the State Pension is starting from a very low base and that, in Wales, relatively small numbers of older people in Wales have additional income from occupational or personal pensions.

70% of pensioner households in poverty do not receive any major state benefits



Mrs Parry, Swansea

Mrs Parry is a 91 year old widow who lives in a small council flat. She has a number of health issues.

When she was visited by Age Cymru Swansea Bay she was desperately short of money and was drying toilet paper on the radiator so it could be re-used. Her friends would peel potatoes and put them in a saucepan. Each day she would take one or two and boil them for a meal.

The advisor carried out a full benefit check, which revealed that Mrs Parry was receiving the State Pension and a small occupational pension from her late husband. She was afraid that she would not be able to pay her rent and Council Tax and that she would be evicted.

Age Cymru Swansea Bay were able to advise her that she would be entitled to Pension Credit with immediate effect, which would entitle her to free Council Tax and rent and help with teeth and glasses. Mrs Parry was so overcome that she broke down crying.

As a result of the visit, Mrs Parry's income weekly income increased from £141.64 to £328.51. She now also saves £78 per week on her rent and Council Tax.

Mrs Parry can now afford nourishing food daily as well as household goods, and she is being offered other support by Age Cymru Swansea Bay.

Unclaimed benefits

This means that many older people should be supported by the means-tested Pension Credit. This is an important benefit as it seeks to top-up people's weekly income to a guaranteed minimum level set by the Government. This income is intended to bring people just above the poverty threshold and can itself be considered recognition of the relatively low level of the basic State Pension.

Regrettably, Pension Credit has been under claimed since it was introduced. It is estimated that around one-third of eligible older people do not claim or receive it.³ This severely hampers efforts to reduce levels of pensioner poverty.

The value of unclaimed Pension Credit has been estimated by the UK Government to be between £1.9 and £2.8 billion per year across the UK. A conservative estimate based on this is total unclaimed Pension Credit of £168 million in Wales. By rights this income should be being shared by around 94,800 people not currently claiming. This would mean an average additional unclaimed income of £34 per week, or £1,772 a year⁴ - money which could make a real difference to the lives of many older people.

The reasons for this under claiming include: a lack of information about the support available; people not believing that they will be eligible; stigma around asking for help; reluctance to disclose personal financial information; being turned down because of a mistake when applying; or not receiving support to apply.

These are in common with other benefits for older people including Attendance Allowance, Disability Living Allowance and Carer's Allowance. However, Pension Credit is crucial in efforts to reduce poverty because it is intended for that purpose and because it also acts as a gateway to a range of other entitlements.



Mr Lewis, Cardigan

Mr Lewis visited Age Cymru Ceredigion after all his benefits had stopped when he reached 65. He had received a letter from the council stating that his Housing Benefit had stopped and that he had rent arrears. He had been to the Job Centre Plus office who had suggested he go to Age Cymru Ceredigion for help.

A telephone application for Pension Credit was completed, and Mr Lewis was awarded the full rate of £142.70 with the money paid into his bank 3 days later. He had previously been living on £70 per week, so was very pleased with the increase. The council also confirmed that his Housing Benefit had been reinstated and backdated to when the other benefits had stopped.

Mr Lewis called into the office to say thank you and said that he had just done his grocery shopping and "It was nice to pick things up and put them in my basket without having to think if I can afford it. I have even bought a frozen duck for Christmas Day as a treat!"

³Income Related Benefits: Estimates of Take-up, Department for Work and Pensions, 2012

⁴Age Cymru calculations based on population estimates and Income Related Benefits: Estimates of Take-up, Department for Work and Pensions, 2012

Perhaps most strikingly, 70% of pensioner households in poverty and 80% of households in severe poverty are not currently in receipt of any major state benefits (Pension Credit, Housing Benefit, Attendance Allowance or Disability Living Allowance).⁵ This highlights the importance of reaching those people and providing the financial support that they are likely entitled to but are not receiving.

In all cases income maximisation services, as well as information and advice, can play a vital role in helping people to identify and claim the sources of support available to them. These services are often provided by the third sector, however funding is scarce and current resources are thinly stretched.

Cutting back

In research carried out by Age Cymru this year,⁶ over a quarter (28%) of people aged 65 and over in Wales reported not being able to afford everything they needed without being worried whether they could afford it. This is equivalent to 168,000 people – double the official poverty figure.

Energy bills were of the greatest concern to older people. 57% stated that they were worried about how to afford gas and electricity bills, whilst significant numbers were also concerned about water and Council Tax bills.

Most worryingly, more than a third of retired households reported cutting back on areas of spending in recent years:

- **36% have cut back on the amount or quality of food that they buy**
- **35% have cut back on the amount of heating or electricity they use**
- **34% go out less or have cut back on social activities**
- **37% have bought fewer or cheaper consumer goods.**

These figures are all equivalent to around 200,000 older people in Wales and the striking similarity between the responses to different categories

strongly suggests that the same households have cut back in multiple areas.

In addition, 7% of people aged 65+ indicated that they had got into more debt during recent years, equivalent to 42,000 people.

As a result we believe there is cause to have a major concern over the financial health of many older people in Wales.



Mr and Mrs Greer, Pontypridd

Mr Greer contacted Age Cymru to ask if he could get help for the funeral costs of his 105 year old mother, who had recently died. His wife has Parkinson's Disease and they were finding it difficult to manage financially.

Mr and Mrs Greer were offered a benefits check which showed that they were entitled to Pension credit and that Mrs Greer was entitled to the higher rate of Attendance Allowance. The Age Cymru advisor helped them to apply for these, and for Carers Allowance for Mr Greer.

These applications were all successful resulting in extra income of approximately £240 per week for Mr and Mrs Greer.

8% of older households live in severe poverty

⁵Households Below Average Income 2011/12, Department for Work and Pensions, June 2013

⁶ICM Opinion Poll for Age Cymru, February 2014. (Sample: 1000 adults 18+ in Wales)

Patterns of poverty in later life

Even whilst the overall levels of pensioner poverty were falling, the figures masked a group of older people living on very low incomes with few, if any, financial resources.

Many older people in poverty will have lived on a low income during their working life and not had the opportunity to build up a pension or savings for retirement. Others may have seen a dramatic fall in their income due to retirement, bereavement or other circumstances.

Once retired most older people have fixed incomes and are heavily reliant on annual increases to the State Pension or other benefits, or the interest they receive from (usually minor) savings or investments. This can mean that older households are less resilient to substantial bills, costs or price increases. Many simply live 'hand to mouth', stretching their weekly pension income as far as it will go.

In general, **single older people living alone are the largest group affected by pensioner poverty**. Often widows, many have lost a partner's income and have little or no pension entitlement themselves because they previously paid 'reduced rate' married woman's National Insurance contributions.

Poverty trends

- In general, the older a person is, the greater the likelihood is that they have a low income.⁷
- A higher proportion of single pensioners living alone are in low-income households than any other group in society,⁸ and single older people are more likely to be in poverty than couples, irrespective of their age.⁹
- Pensioners with no occupational or personal pension are much more likely to be in poverty than those with some income from these sources.



- 70% of pensioner households in poverty and 80% of households in severe poverty are not currently in receipt of any major state benefits.
- Pensioners living in families where someone is disabled are almost three times as likely to be in material deprivation compared to those living in families where no-one is disabled.
- Pensioners living in a household headed by someone from an ethnic minority are more likely to be in a low-income household. This is particularly the case in households headed by someone of Pakistani or Bangladeshi ethnic origin.¹⁰

Overall, levels of poverty and social exclusion are highest amongst older women living alone.¹¹

⁷Households Below Average Income 2011/12, Department for Work and Pensions, June 2013

⁸ibid.

⁹Gender, marital status, and ageing: linking material, health, and social resources, Arber, S., Journal of Ageing Studies. 2004

¹⁰Households Below Average Income 2011/12, Department for Work and Pensions, June 2013

¹¹Pensioners, poverty and social exclusion, Patsios, D., Poverty and social exclusion in Britain: the millennium survey. 2006

The solutions

Future pensioners

In recent years, UK Government policy has focused on reforms to pensions which should help to ensure a more reliable source of income for people reaching retirement age in the future.

These include reforms to the State Pension for future generations, which will ensure that everyone with 30 years of contributions receives an individual state pension just above the current single person's Pension Credit guarantee income (£148.35 in 2014). This is a welcome recognition of the need to move away from the current reliance on means-testing and will provide for a higher income for low income older people in the future.

The Government is also rolling out a system of 'auto-enrolment' in workplace pensions which, it is hoped, will increase the numbers of people making additional pension provision in the future.

Further changes announced by the UK Government in the 2014 budget should also provide people with more flexibility over how to use their pension pots and could provide a solution to unprecedentedly low annuity rates.

Current pensioners

The policies above have the potential to improve the pension income of many older people in future generations. However they will not improve the incomes of older people in poverty today, whose stories feature in this report.

To make sure these people are not left behind we must develop a coherent strategy for taking them out of poverty by improving their incomes.

The state pension remains the largest source of income for the majority of pensioners. The UK Government has introduced a 'triple-lock' which means that, until the end of this Parliament, the

basic State Pension will increase by whichever is the highest out of earnings, prices or 2.5%. This has already started to increase the incomes of current older people more consistently (and to slightly reduce levels of poverty). This policy must be committed to for the long term.

However, it will take a very long time until the basic State Pension for current pensioners provides protection against poverty.

In order to make genuine progress towards eradicating pensioner poverty more attempts must be made to ensure that all older people entitled to further financial benefits are receiving them. It has been estimated that if all means-tested benefits were taken up pensioner poverty could be reduced by around 40%.¹²

Between November 2010 and March 2011 the DWP undertook a small pilot study into whether a different approach to claiming Pension Credit could increase take-up. Payments were made directly to 2000 people likely to be eligible, based on data already held by the Government, and stopped after 12 weeks at which point people were invited to make a claim to continue receiving it. Unfortunately the cost of the pilot meant that it was judged to be unsuccessful even though it did result in an increase in the number of people who subsequently received the benefit.

The Age Cymru network delivered £13 million in extra entitlements for older people during 2012/13



¹²The implications of Government policy for future levels of pensioner poverty, Pensions Policy Institute, 2011



Mrs Jenkins, Cardiff

Mrs Jenkins is 85 years old and lives alone. She was diagnosed with Alzheimer's disease in 2012 and is cared for by her daughters. She was receiving the State Pension and a small occupational pension from her late husband, and had a small amount of savings. On this income it was very difficult for her to afford everything that she needed to stay living on her own.

In summer 2013, Age Cymru supported Mrs Jenkins family to apply for Attendance Allowance to help her to continue living independently. The Age Cymru advisor helped to complete the forms and advised what information was relevant. Mrs Jenkins qualified for the higher rate, which is worth £81.30 a week and a back payment of over £600.

The advisor also suggested that Mrs Jenkins apply for Pension Savings Credit, which she now receives of £11.88 per week. Though as result she was reassessed by council for domiciliary care charges and now has to pay £9.50 for a weekly visit to a day centre.

Mrs Jenkins' family had also inquired about a discount in her Council Tax due to her Alzheimer's but without success. The Age Cymru advisor informed them which form to request and this has also now been approved.

In total, Mrs Jenkins now receives extra income of £93 a week, back payments of £1,263 for what she was owed and a significant sum on her Council Tax.

Advice services in Wales

What the DWP pilot clearly demonstrated was that the most effective way to increase take-up was through home visits and face-to-face advice. Whilst this approach was judged too expensive for the DWP to expand, it is exactly the successful approach adopted by Age Cymru organisations and other trusted third sector advice services.

The Welsh Government has a vital role in ensuring that people in Wales have access to this kind of information and advice services.

It has provided welcome funding to a number of information and advice services in Wales, including to the Age Cymru partnership to deliver and further develop information and advice services at local and national levels. This partnership consists of a network of local Age Cymru partners that provide trusted and valued information and advice services throughout Wales including face-to-face in local offices and people's own homes, or over the phone.

Age Cymru's local and national services delivered a total of £13 million in extra entitlements for older people in Wales during 2012/13.

Recently the Welsh Government has been undertaking a review of advice services in Wales, in light of the unprecedented challenges faced by not-for-profit providers due to funding decreases and rising demand. Age Cymru's information and advice services have faced exactly these challenges since the economic downturn.

Conclusions from the review have not been published at the time of writing, but we hope that the wealth of evidence the Welsh Government has received will enable it to set out a clear picture for how it will help to support a strong, fit for purpose and accessible advice sector in Wales.

Importantly this must ensure that tailored advice is available to the groups who need it, building on the strengths of existing third sector provision. For older people this frequently means face-to-face advice provision and, vitally, income maximisation support for those on low incomes, in light of the financial issues highlighted in this report.

Tackling poverty

The Welsh Government published its Tackling Poverty Action Plan in 2012 and produces annual progress reports which outline the ways in which it is using its powers and responsibilities to mitigate the impacts of welfare reform and support people with low incomes.

Unfortunately the current Tackling Poverty Action Plan makes only passing reference to older people and lacks many targeted actions to help older people living on very low incomes. This must change and we believe the Welsh Government should use the Tackling Poverty Action Plan to make a commitment to ensuring older people on low incomes are supported to claim all the entitlements available to them.

If the Welsh Government, working with Welsh local authorities, made a commitment to ensure income maximisation services were available to older people in Wales it could make a substantial contribution to reducing pensioner poverty.

It is a win-win scenario: these services put money directly in the pockets of older people on low incomes in Wales, at very little cost to the Welsh Government's own budget.

As well as benefitting the older people they support, these services bring additional money into Welsh communities and the Welsh economy on a daily basis. There is much more untapped potential given that the value of unclaimed Pension Credit in Wales could be up to £168 million per year. This is money that older people in Wales are entitled to and which could make a real difference to many lives.



Mrs Matthews, Caernarfon

Mrs Matthews is 82 and lives alone. Her sight has deteriorated in recent years and she also suffers from arthritis, asthma, lung disease and incontinence. She depends on assistance and support from a neighbour.

Her neighbour contacted Age Cymru expressing concern that Mrs Matthews was receiving no physical or financial help. An Age Cymru Gwynedd a Môn benefit officer visited Mrs Matthews to carry out a benefit check and helped her to apply for Attendance Allowance. After an appeal she was found to be entitled to the Higher Rate of Attendance Allowance worth £81 per week.

This has made increased Mrs Matthews' weekly income and also opened the door for eligibility to other benefits. Mrs Matthews said that she had been unaware that extra help was available to "people like her, unable to manage on their own."

As her claim was backdated Mrs Matthews received a small lump sum, which she could use to buy a bigger television as she had been forced to stop watching a long time ago because of the deterioration in her sight.

Action needed

We believe it is time for a redoubling of efforts to tackle pensioner poverty in Wales.

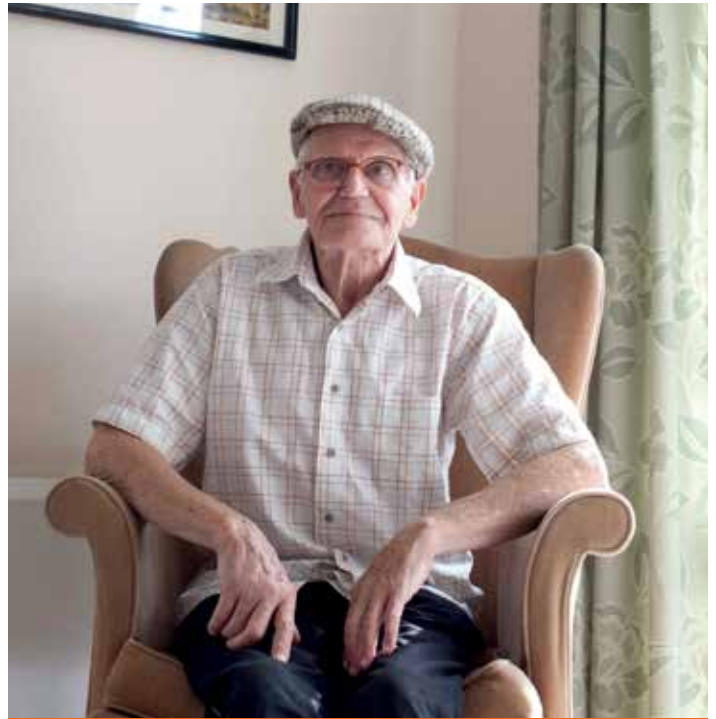
Age Cymru is calling on those in power to take action in these 6 key areas:

Information, advice and income maximisation

These services have a proven track record in helping people to access services and entitlements. Last year the Age Cymru network delivered an additional £13 million in extra entitlements for older people in Wales through advice and income maximisation services.

Action needed

- **The Welsh Government should set out a clear picture for how it will help to support a strong, fit for purpose and accessible advice sector for Wales, following its Advice Services Review.**
- **The Welsh Government should work with local authorities to ensure adequate funding is available across Wales so that all older people on low incomes have access to income maximisation services, which help them to claim their entitlements.**
- **The Welsh Government should include a new focus in the Tackling Poverty Action Plan on increasing the number of older people receiving their entitlements to Pension Credit and other benefits in order to reduce pensioner poverty.**



Pensioner poverty could be reduced by 40% if all means-tested benefits were taken up

Energy prices

The cost of energy is a major strain on the finances of many older people (and not only those with low incomes). Assistance is currently available to help people improve the efficiency of their homes including through the Nest and Arbed schemes funded by the Welsh Government. Energy companies also operate the Warm Homes Discount for vulnerable customers.

Action needed

- **The Welsh Government should use the current Housing (Wales) Bill to legislate that all properties being privately rented must achieve an energy performance rating of D before they can be re-let.**
- **The UK Government should commit to utilising income from carbon tax receipts to fund a major new programme to improve home energy efficiency.**

Financial scams

More than 2,500 scams were reported to trading standards departments in Wales between February 2012 and February 2013, though it is estimated that only 5% of scams are ever reported. Older people are the group most susceptible to scams and financial abuse. The Welsh Government has committed to increasing the numbers of No Cold Calling Zones in Wales, and has provided funding to support the establishment of new zones.

Action needed

- **The Welsh Government and local authorities should continue to develop No Cold Calling Zones to provide older people with better protection and confidence against doorstep scams.**
- **Communications companies should work with government to ensure that sufficient protection is provided to older people who are vulnerable to scams. This includes postal companies, telephony companies and Internet service providers.**

1/3 of eligible older people do not receive Pension Credit

Care costs

For older people with care needs the cost of services in their own home, or in residential homes, can be a real struggle. The Welsh Government took a step forward in 2011 with the introduction of a maximum charge for home care services (currently £55 per week).

Action needed

- **The Welsh Government should bring forward reforms to how much people pay for residential care in Wales, following reforms being implemented in England. Reforms should seek to ensure that people in Wales do not pay more for services, with equivalent access to care and support.**

Transport costs

Public transport can act as a lifeline for older people on low incomes, helping them to reach essential services and amenities, take part in social activities, or provide an opportunity to see friends and family. Welsh Government funded free bus travel for older people provides important help for older people on low incomes. However, funding to the scheme has recently been reduced and some routes have been withdrawn in recent months.

Action needed

- **The Welsh Government and Welsh local authorities should closely monitor the impact of funding cuts on the availability of vital bus services. A free bus pass is only as valuable as the buses available for people to use and there is a danger that vital services are being lost.**

Council Tax support

Despite concessions for people living alone, Council Tax bills can hit older households hard because the location or size of their property may not match their current circumstances. At the same time there can be a number of practical barriers preventing them from moving.

Action needed

- **Responsibility for Council Tax support for people struggling to pay their bills has transferred to the Welsh Government. The Welsh Government should protect entitlements for eligible older people under any new system because of the specific circumstances older households face.**



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