

Older People in Northern Ireland: Report 2: Financial circumstances

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The first report in this series 'Older people in Northern Ireland: Setting the scene' is available at www.governance.qub.ac.uk/olderpeople.html

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Introduction

This is the second of a series of publications on the needs and circumstances of older persons in Northern Ireland. In our first fact sheet we set the scene presenting a wide range of facts and information on the lives of older persons in this part of the United Kingdom (UK). In this publication our focus is on levels and sources of income amongst persons of pensionable age and the prevalence of low incomes and poverty amongst pensioners in Northern Ireland.

As we noted in our first publication, the aim of the project as a whole is not to undertake original research but to bring together information which is scattered across a number of sources and present it in a comprehensible and accessible manner.

At first glance this is a relatively easy task but in looking at the data on pensioner income and poverty in Northern Ireland we have encountered a number of difficulties. First, many data sources rely on household income – where the income of pensioners is aggregated with that of others in the household - and gross income. Thus much of the data does not give us a clear view of what pensioners actually have, in their own right, to meet their needs. Secondly, and more importantly, we have become concerned that the methodologies conventionally used to determine whether persons can be said to be living on a low income or in poverty present an overly positive view of the financial circumstances – and by implication living standards – of persons with disability who are likely to be older persons. At root, the problem is the treatment of benefits intended to cover the extra costs of disability as being available to meet normal weekly household expenditure. We set out our concerns in more detail in Technical Note 1 at the end of this fact sheet and note that similar concerns are beginning to surface amongst those in the voluntary sector representing persons with disability. There is clearly an issue here that needs to be addressed by the research community in the UK as a whole.

The incomes of pensioners in Northern Ireland

Tables 1 and 2 give an overview of the incomes of pensioners in Northern Ireland. Whilst the caveats noted above apply, the tables indicate the sharp variation with regard to income between pensioner and non-pensioner households and the degree of income inequality that exists amongst those of pensionable age. Single female pensioners have the lowest incomes.

Table 1: Gross weekly household income by household composition and age of household reference person

	Mean
	£
Household composition	
Pensioner households with one or two adults.	148
Non-pensioner adult households	422
Households with children	577
Age of household reference person	
Under 30	406
30-49	574
50-64	455
65 and over	254

Source: Expenditure and Food Survey 2002/03

Table 2: Annual gross income of pensioners in Northern Ireland (Benefit units)

Pensioners living in households without others	£
Pensioner Couples	16,007
Single male pensioners	11,124
Single female pensioners	9,498
All	11,466

Source: Northern Ireland Household Panel Survey 2002 (N=480)

Table 3 indicates that both pensioner couples and single pensioners in Northern Ireland have incomes below the figures for the UK as a whole.

Table 3: Gross weekly income of pensioner units UK and NI

	UK	NI
	£	£
All pensioner units	276	242
Pensioner couples	387	347
Single pensioners	203	175

Source: National Statistics - The Pensioners' Income Series 2002/3

Sources of income of pensioners in Northern Ireland

Table 4 details the income sources of pensioners in Northern Ireland. It can be seen that the vast majority are in receipt of the state retirement pension. As was noted in our first fact sheet, receipt of occupational pensions varies, with single females being least likely to have such provision in their own right. A minority of single females are in receipt of an occupational pension on the basis of inheritance of their husbands' entitlement. The compensatory element here should not, however, be overestimated as widows typically

receive only half of the spouse's occupational pension. We noted in our first publication the impact that caring responsibilities have on women's capacity to build up entitlement with regard to state and occupational provision. One outcome of this is evident in the last line of the table – the heavier reliance amongst single female pensioners on means-tested Income Support.

A further element that stands out from the table is the extent to which pensioners in Northern Ireland are reliant on Attendance Allowance (AA) and Disability Living Allowance (DLA). In all, 38% of pensioner benefit units are in receipt of one or other of these benefits. This is not entirely surprising. Data in the early 1990s indicated that Northern Ireland had the highest rate of adult disability of any UK region. Account must also be taken of the silting up effect that occurs with regard to benefits for persons with long term disabilities whose conditions are very unlikely to improve. As the extent of receipt of DLA – which must be claimed before the age of 66 – demonstrates, a significant number of persons in Northern Ireland are already in receipt of a benefit denoting disability when they reach retirement age.

These and other issues will be considered in more detail in our next publication on health and caring. For our purposes here two issues are of concern: the extent to which so many pensioners in Northern Ireland rely on these benefits in making ends meet and the particular pertinence in this part of the UK of the reservations expressed in our introduction concerning the assessment of the extent of poverty amongst older persons with disability.

Table 4: Sources of income of pensioners in Northern Ireland - pensions and benefits

	%		
	Couples	Sole males	Sole females
State retirement pension	98	95	88
Occupational pension	58	41	21
Occupational pension of spouse	-	-	15
Attendance Allowance	15	28	28
DLA care component	13	4	9
DLA mobility	11	1	7
DLA component not known	7	2	4
Annuity	12	1	4
Income support	6	23	36

Note: Excludes benefits received by under 5% of respondents

Source: Northern Ireland Household Panel Survey (2002)

Table 5 indicates that pensions and benefits account for the larger part of pensioners' incomes in Northern Ireland.

Table 5: Sources of income as a % of total pensioner income

	% of income from:		
	Earnings	Savings/dividends	Other – pensions, etc
Couples	12	6	82
Single males	8	2	90
Single females	7	2	91
All	10	4	86

Source: Northern Ireland Household Panel Survey (2002)

Assets of pensioner households in Northern Ireland

It is often assumed that, whilst older people may have relatively low incomes, they have significant assets to fall back on. Table 6 indicates that, whilst a minority of pensioner households own property worth £150,000 or more, the homes occupied in the majority of cases is of a more modest value. The value of the home is, of course, of limited immediate assistance where there is a sudden call on income. Here what matters is savings. Whilst account must be taken here of a degree of underreporting, Table 7 suggests that many pensioners in Northern Ireland have little to fall back on in the event of a bill that is larger than expected, or a substantial household expense.

Table 6: Value of property occupied by pensioners

Value	%
Under £100,000	67
£100,000-£125,000	10
£125,000- £150,000	8
£150,000 plus	15
All	100

Source: Northern Ireland Household Panel Survey (2002) (N=350)

Table 7: Pensioner benefit unit by amount of savings

	%	
	Pensioner couples	Single females
No savings	27	48
Less than £1,500	15	15
£1,500-£2,999	11	11
£3,000-£7,999	18	15
£8,000-£19,999	11	4
£20,000 or more	19	6

Note: single males are excluded, as numbers are too small

Source: NISRA - Family Resources Survey 2002/03

The prevalence of poverty and low incomes amongst pensioners in Northern Ireland

There are a variety of ways in which the extent of low incomes and poverty may be measured. One indicator is receipt of means-tested support. This is a useful measure from our perspective as the assessment of entitlement is based on net income, claimants are required to make full and clear disclosure of income and benefits to cover the extra costs of disability are disregarded. On this basis Table 8 is of interest and indicates the extent to which pensioners - particularly single female pensioners - in Northern Ireland are assessed as having incomes insufficient to cover their rent and/or rates.

Table 8: Receipt of housing benefit by household type

	%	
	Yes	No
Single female pensioner	70.4	29.6
Single male pensioner	57.4	42.6
Pensioner couples	38.5	61.5
Total	56.7	43.3

Source: NISRA, Continuous Household Survey 2002/03

A second approach to identifying those who are most hard pressed financially in Northern Ireland which has developed in recent years is the risk of being in the bottom 30% of income distribution. Whilst the concerns outlined in our introduction need to be taken into account here, Table 9 is of considerable interest and indicates that, after lone parents, those most at risk of being on a low income in Northern Ireland are single pensioners who are predominantly female. Taken as a whole these data suggest that, as a minimum, well over one third of single pensioners and over one quarter of pensioner couples in Northern Ireland can be said to be hard pressed financially.

Table 9. Family type and age of those in bottom 30% of income distribution* - 1999

	Risk ratio**
	%
Family type	
Single with children	77
Single pensioners	37
Pensioner couples	28
Single without children	34
Couples with children	24
Couples without children	12

* Based on gross income.

** Risk Ratio = Number in group below the 30% threshold as a percentage of the total number in the group.

Note: Data relates to benefit unit as opposed to household

Note: Technical Note 1 applies

Source: OFMDFM - New TSN Research: Poverty in Northern Ireland (2002).

More recent data are contained in the Households Below Average Income Report for Northern Ireland (DSDNI, 2004), which draws on the FRS for 2002/03. The data must be treated with caution but Table 10 indicates the skewing of pensioner incomes towards the two lower income quintiles - the bottom 40% - with pensioners being the next group at risk of low income after lone parents.

Table 10: Quintile distribution of net income after housing costs for individuals by family type

	Net equivalised disposable household income		
	% of individuals		
	Bottom and second quintile	Third quintile	Fourth and top quintile
Single with children	69	21	11
Pensioner Couples	44	25	30
Single pensioners	41	27	22
Couple with children	39	24	37
Couples no children	27	16	57
Single no children	37	23	40

Note: Equivalised income - includes DLA/AA (see Technical Note 1)

Source: DSD - Households Below Average Income, Northern Ireland, 2002/03.

Table 11 draws on the same source and demonstrates clearly the way in which the risk of being on a lower income increases with age.

Table 11: Quintile distribution of net income after housing costs for pensioners

	% of pensioners		
	Net equivalised disposable household income		
Pensioner groups	Bottom and second quintile	Third quintile	Fourth and top quintile
All pensioner couples	43	26	31
Household Head over 75 years	51	24	25
All single males	42	23	35
All single males over 75	44	31	26
All single females	41	28	31
All single females over 75	49	24	28

Note: Equivalised income - includes DLA/AA - Technical note 1 applies.

Source: DSD - Households Below Average Income, Northern Ireland, 2002/03.

Table 12 is of interest for two reasons. Firstly, there is the very clear divide between those with and without occupational or personal pensions. Secondly, it can be noted that very few of those with AA or DLA fall into the bottom quintile. It would appear that the concerns we have about this methodology might have resulted in an uplifting of incomes, which is not a totally accurate representation of circumstances.

Table 12: Quintile distribution of income for pensioners after housing costs by various income sources

	% of pensioners				
	Net equivalised disposable household income				
Pensioner groups	Bottom quintile	Second quintile	Third quintile	Fourth quintile	Top quintile
All couples	15	28	26	19	12
Couple no OP/PP	23	51	17	7	1
Couple one OP/PP	14	18	33	21	14
Couple both with OP/PP	4	4	28	36	29
All single	15	26	27	23	9
Single no OP/PP	21	32	28	14	5
Single with OP/PP	7	16	24	37	16
DLA	3	35	33	20	8
AA	5	34	30	26	5

Source: DSD - Households Below Average Income, Northern Ireland, 2002/03.

As we indicate in Technical Note 1, a method of measuring the extent of low incomes, which is now widely used, is the calculation of the proportion of households falling below the threshold of 60% of equivalised household income. Table 13 provides data in relation to this methodology. It can be noted that the data for couples seems consistent with that presented above but somewhat confusingly, a rather more positive picture of single pensioners emerges.

Table 13: Risk of pensioners being below various thresholds

	Median net equivalised household income	
	Below 50%	Below 60%
Pensioner couples	9	19
Single male pensioners	8	16
Single female pensioners	8	17

Source: DSD - Family Resources Survey 2002/03

Measuring pensioner poverty: alternative approaches

Given the difficulties noted throughout this paper, it is of relevance that in recent years a rather different approach has been favoured by some researchers focusing on older people in Northern Ireland. A similar strategy has been adopted by organisations - most obviously Age Concern in England - who represent older persons. In essence, this revolves around the amounts calculated as being required to provide different standards of living for pensioners using net income after housing costs and disregarding benefits to assist with the extra costs of disability.

The first attempt to deploy this methodology in Northern Ireland produced startling results. As Table 14 shows, in 1999/2000, research indicated that the majority of single female pensioners in Northern Ireland had incomes - as defined above - less than that estimated as being required to provide a minimal, low cost standard of living (Parker, 2000). In addition, just over half of male single pensioners and two fifths of pensioner couples could be said to be hard pressed.

Table 14: Pensioners with incomes insufficient for low cost standard of living

	Pensioner couples	Single males	Single females
Below threshold	40	53	59
Above threshold	41	36	29
Don't know/missing	19	11	12
Total	100	100	100

Threshold –Married couple £135, single pensioner £90 net weekly income after housing costs and excluding AA and DLA

Source: Northern Ireland Life and Times (1999/2000)

Following on from this, we have sought to provide a more up-to-date picture by constructing two further poverty lines and applying these to data from the Northern Ireland Household Panel Survey for 2002. The first threshold is based on the weekly amounts within Pension Credit – known as the Guarantee Credit – below which it is intended by government that no pensioner should fall. By virtue of the availability of a variety of other benefits for pensioners such as the winter fuel allowance and free prescriptions, the actual standard of living government intends pensioners to enjoy can be said to be slightly higher than the Guarantee Credit. To capture this, therefore, we have constructed a poverty line consisting of the Guarantee Credit plus 20%. Secondly, to provide some insight into actual living standards amongst pensioners we have constructed a measure which is derived from the work of the Family Budget Unit. This threshold consists of the amounts which can be said to be needed by pensioners to secure a modest but adequate standard of living. For both thresholds, income means net income after housing costs and disregarding benefits intended to cover the extra costs of disability.

The results of this exercise are presented in tables 15 and 16. A note of caution must be entered because of the size of the samples involved. Nevertheless, the data give grounds for concern and clearly warrant further more extensive work. On the basis of these data, poverty amongst pensioners appears to be more prevalent than other methodologies suggest. More than half of single pensioners - the majority (77%) of whom are female - have incomes below the first threshold. Moreover, as Table 16 indicates, half of all pensioner

couples and three quarters of single pensioners have incomes which are insufficient for the provision of a modest but adequate standard of living.

Table 15: Pensioner households with net weekly incomes after housing costs below the state poverty line plus 20%

Type	%		
	Below poverty line	Above poverty line	Total
Couples	41.2	58.8	100
Single pensioners	56.7	43.2	100
Total	50.5	49.5	100

Threshold – married couples £179.76, single pensioners £117.78

*Note - excludes pensioners living with others

Source: Northern Ireland Household Panel Survey (2002) (N=408)

Table 16: Pensioner households with net weekly incomes after housing costs below that needed for modest but adequate standard of living (ASL)

Type	%		
	Below ASL	Above ASL	Total
Couples	50.3	49.7	100
Single pensioners	76.5	23.5	100
Total	65.9	34.1	100

Threshold – Married couples £218.12, single pensioners £152.54

*Note - excludes pensioners living with others

Source: Northern Ireland Household Panel Survey (2002) (N=408)

Conclusion

In this publication we have tried to set out data on the financial circumstances of pensioners in Northern Ireland. In doing so we have had to negotiate a complex and confusing set of problems. We consider that there are good grounds for concluding that the problem of poverty amongst pensioners in Northern Ireland is an extensive one. We are concerned that the extent of this problem is not adequately captured in the methodologies conventionally used, and recommend urgent review by the research community of the issues we have raised. We have also been hampered in our efforts to overcome these by the small numbers of pensioners in the data relied on. We recommend a large-scale survey be conducted. Preferably this should be a joint effort by the various bodies - most obviously the Office of the First Minister and Deputy First Minister - whose agendas now clearly include the needs and circumstances of older people in Northern Ireland.

Technical Note 1

The threshold conventionally used as a cut-off point in work relating to low incomes and poverty is 60% of median equivalised household income. Equivalisation is the process whereby actual income is adjusted to reflect the fact that, for example, a married couple without dependent children with a weekly income of £500 net will have a higher standard of living than a married couple with the same net income who have two dependent children. On this side of the equation therefore the presence - and costs - of dependent children are taken into account. On the other side of the equation, in calculating total income, account will be taken of earnings and benefits payable including those such as child benefit for dependent children.

With regard to persons with disability, the effects of this process are somewhat different. No account is taken in the equivalisation process of the extra costs of disability - which are well documented. However, when income is being calculated, benefits intended to cover these extra costs i.e. AA/DLA - are taken into account in full, and treated as being available to meet normal weekly expenses. It should be emphasised that AA and DLA are not income - replacement benefits payable to disabled persons as such. They are payable to those with long term disabilities to cover the extra costs of disability. In consequence, in the assessment of entitlement to means-tested benefits such as pension credit, the practise of government has always been to disregard these benefits and in our reconfiguration of the Northern Ireland Household Panel Survey we have adopted the same convention.

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