

Research report

Understanding the relationship between pensioner poverty and material deprivation

by Mehul Kotecha, Sue Arthur and Steven Coutinho

Department for Work and Pensions

Research Report No 827

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Abbreviations and glossary of terms

Equivalised income	Household income is adjusted by household size and composition in order to make it more directly comparable. Household incomes are divided by household equivalence factors which vary according to the number of adults and the number and age of dependants in the household.
Family Resources Survey	The UK Department for Work and Pensions (DWP) Family Resources Survey (FRS) is a large, continuous household cross-sectional survey. The study provides facts and figures about the living conditions and resources of households in United Kingdom. For more information on the FRS see http://research.dwp.gov.uk/asd/frs/
Income before housing costs	Income Before Housing Costs (BHC) includes a number of components, including net earnings from employment, self-employment, benefits, credits and pension income.
Income after housing costs	Income After Housing Costs (AHC) is derived by deducting a measure of housing costs from Income Before Housing Costs. These include rent (gross of housing benefit), mortgage interest payments, water rates and ground rent and service charges.
Households Below Average Income	Households Below Average Income (HBAI) statistical report uses household disposable incomes, after adjusting for the household size and composition, as a proxy for material living standards. It principally gives information on the income distribution in GB/UK using cross-sectional data from the FRS.
Relative low income/ relative poverty	The definition of relative low income or poverty used for selecting the sample from the FRS was living in a household with an equivalised income below 60 per cent of contemporary median income after housing costs (based on 2009/10 figures and inflated to 2011). This report also uses the term 'low income' in a more general sense to mean people whose income is below average income.
Material deprivation	A suite of questions designed to explore the material deprivation experienced by pensioners aged 65 or over has been included in the FRS since May 2008. Respondents are asked whether they have access to 15 goods, services and experiences, and reasons why they do not have a good or service. The material deprivation score for a family is the sum of the score of each item which they lack. See Appendix A for more details.

Summary

Background and research objectives

The National Centre for Social Research (NatCen) was commissioned by the Department for Work and Pensions (DWP) to provide qualitative insight into poverty and material deprivation among older people. In 2011, the DWP published material deprivation statistics for pensioners aged 65 or over for the first time, alongside income poverty statistics, in the annual Households Below Average Income (HBAI) series¹. This data provides knowledge about older peoples' living standards but there are a number of areas that merit further exploration.

The study aimed to provide insight into what the data was telling us and to add context to the figures, as well as improving DWP's understanding of the material deprivation measure to inform any future development of the measure. A key motivation for this research was to understand more about the relationship between material deprivation and low income, specifically exploring the non-income factors that 'pushed down' or 'pulled up' respondents' material circumstances across four categories: basic needs, dealing with financial shocks, housing needs and meeting social needs². This would help explain why some pensioners are below the poverty threshold, but not materially deprived and others are materially deprived even though they are not below the poverty threshold.

Research design

The research comprised 29 in-depth interviews with pensioners aged 65 and over who had taken part in the Family Resources Survey (FRS) 5–12 months previously. This enabled us to identify individuals for the research with particular characteristics in terms of low income and material deprivation indicators³. These respondents were selected to be on relatively low income (with an equivalised income 70 per cent or below of household median income, after housing costs). Most were living on income below the poverty threshold (60 per cent), but there was also interest in the circumstances of people living just above the poverty threshold. They fell into two groups: those defined by the FRS as materially deprived and those not materially deprived.

The evidence was based on an analysis of 'push and pull' factors that:

- enabled greater or more restricted access to goods, services and experiences, shaping levels of deprivation; and
- influenced how respondents felt about how materially deprived they were.

Living on low income

The routes into low income in retirement were shaped by one or more of the following: low earnings in employment, minimal financial planning for retirement and the impact of key life events on this planning, such as divorces and deaths.

¹ Series available from <http://research.dwp.gov.uk/asd/index.php?page=hbai>

² The 15 pensioner material deprivation questions asked within the Family Resources Survey have been broadly categorised by DWP for analysis purposes into 4 thematic groups; basic items, financial items, social items, housing items. These same broad categories have been used in this study.

³ See Appendix E for a detailed description of the sample design.

Respondents across the income groups experienced varying levels of restrictions in their access to a range of goods and services. Some respondents commented that they were restricted in pressing areas, such as meeting basic needs, for example being able to eat and pay their bills, or dealing with the financial shock of replacing goods. Others felt more restricted in areas such as their social life, for example not being able to go on holiday. These restrictions sometimes affected their quality of life by compelling respondents to either reduce their spending on goods, services and activities or, in the most severe cases, to make do without them.

Although income had an influence on levels of deprivation, the relationship between different levels of low income and the access that people had to goods, services and activities was not straightforward. This was because there were a number of other factors that contributed to either 'pulling up' or 'pushing down' respondents' material circumstances. These were:

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

Housing and area

Housing and area factors had the ability to either pull up or push down levels of material deprivation. This was also underpinned by respondents' attitudes which played an important role in how they felt about their housing or area. Those who had lived somewhere for a long time or were comfortable in their house tended to feel settled and happy, regardless of negative aspects of the house or area.

There were four factors which helped to pull respondents out of material deprivation:

- having formal or informal support in relation to maintaining their house;
- being fit and able to carry out repairs and decoration on their house themselves;
- having a good local community, which provided social contact and a 'safety check'; and
- having good access to public transport and local amenities, such as inexpensive shops and doctors surgeries.

The following factors pushed respondents towards material deprivation:

- having responsibility for owning and maintaining their property, particularly when it was costly to maintain;
- feeling unsafe or experiencing trouble in their local area, and/or feeling afraid of going out by themselves; and
- limited access to public transport and local amenities, and having to use more costly transport to meet their needs.

Financial and material support

Having informal support from family and friends, and government support, had a significant positive impact on the material circumstances of those living on low incomes in three ways:

- providing financial assistance that supplemented low incomes and helped deal with unexpected large expenditure;
- giving respondents access to goods and services, such as transport or help around the house, that they would not otherwise have been able to afford; and
- enhancing their social lives and reducing the sense of isolation that they felt.

The positive impact of support received from non-government organisations was felt mainly when respondents had a particularly low income, during episodes of crisis (e.g. debt), lived alone and had significant challenges in managing to live independently.

Effects of health

Health had a significant impact on material deprivation. Poor health 'pushed down' material circumstances by undermining the ability of respondents to be independent, as well as imposing additional costs of living. A good state of health had the reverse effect.

The extent to which poor health impacted on respondents was shaped by the severity of the condition(s) and the capacity for individuals to accommodate these. This capacity rested on both income and non-income-related factors, which included largely physical and emotional support from friends, family and neighbours. This support enabled them to access goods and services which they otherwise may not have been able to afford and provided them with the emotional connection needed to protect against social isolation. Other non-income-related factors which also had a bearing included attitudes and priorities, previous life experience which sometimes shaped attitudes and priorities, and their life stage.

Financial management approaches

All respondents had an awareness of their financial situation, although their financial management approach varied. Their approach was underpinned by attitudes towards risk aversion and financial planning, as well as the influence of previous personal circumstances or attitudes such as: past experience, an adaptation to and acceptance of financial limits of life in retirement, or a wish to be independent or secure.

The ability to manage finances had a tangible impact on material circumstances. It is clear that approaches geared toward helping respondents meet basic costs and/or dealing with financial shocks helped to limit the restrictions respondents faced in their material circumstances. These approaches included budgeting, reliance on debt/credit, savings and informal financial support.

Attitudes towards material circumstances

Attitudes around living on a low income had a significant effect on how materially deprived individuals felt and also how they prioritised and organised their spending. These attitudes played an important role in shaping respondents' levels of material deprivation and their feelings about these in two ways:

- individual preferences and priorities for spending had a direct influence on the extent of the impact of low income on material deprivation; and
- 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.

These feelings appeared to have sometimes had an influence on the way in which respondents had answered the FRS material deprivation questions.

Concluding remarks

The evidence presented here shows that although income level does have an influence on material circumstances, a wide range of other factors influence the extent to which pensioners living on relatively low incomes are materially deprived. It was not possible to observe any clear pattern of differences between respondents who were categorised as materially deprived and those who were not, or between respondents living in different categories of low income. Instead, the qualitative experiences of these respondents can be explained as a spectrum of material deprivation. Their position along this spectrum is determined by a number of different factors, which combine to push down and pull up material circumstances.

Social support, health, financial management and attitudes had large implications and spanned across all four categories of basic needs, financial shocks, housing needs and social needs. Needless to say, there was a degree of interrelationship between some of the factors which meant that the 'pulling' and 'pushing' factors could counteract each other.

Section 1

Introduction and background

1 Introduction

1.1 Background and rationale for study

In May 2011, for the first time, the Department for Work and Pensions (DWP) published material deprivation statistics for pensioners aged 65 or over, alongside income poverty statistics, in the annual Households Below Average Income (HBAI) series⁴. The statistics are based on a block of questions inserted into the Family Resources Survey (FRS), which were developed by the National Centre for Social Research (NatCen)⁵ and Steve McKay⁶ at the University of Birmingham for the specific purpose of measuring material deprivation amongst older people. These statistics enable analysts and policy makers to better understand the relationships between low income and material deprivation.

Respondents are asked if they have access to 15 goods, services and experiences, and reasons why they do not have a good or service. The questions asked are within four broad areas: basic costs, dealing with financial 'shock', housing, and social costs⁷. These new questions attempted to address a number of difficulties felt to exist with the standard questions (asked for families with children), a central aspect of which was that older people tend to report not having a particular item because they do not want it, rather than because they cannot afford it. New follow-up questions were introduced, which give a number of different options for why respondents do not have or do not take part in a range of items/activities: reasons include the item not being a priority, being prevented by health/disability, and not having anyone to help or do it with. The items are scored, with higher scores allocated to those items which most families already have via a system of prevalence weighting. The material deprivation score for a household is the sum of the score of each item which they lack.

The data on income poverty and material deprivation together provide a great deal of new knowledge about older people's living standards, but there are a number of areas which merit more in-depth, qualitative exploration, to provide better understanding of what the data is telling us and add context to the figures, as well as potentially improving measurement in the future.

The key objectives for this research were to provide a better understanding of:

- the situations of those in various states of poverty and/or material deprivation;
- the measurement and analysis of material deprivation, with a view to making improvements if necessary.

⁴ Adams *et al.* (2012) *Households Below Average Income: An analysis of the income distribution 1994/95 – 2010/11*. DWP: London. DWP (2011) *Households Below Average Income publication – pensioner material deprivation indicator technical note*. DWP: London.

⁵ Legard, R., Gray, M. and Blake, M. (2008) *Cognitive testing: older people and the FRS material deprivation questions*. Working Paper No. 55, DWP: London.

⁶ McKay, S. (2008) *Measuring material deprivation among older people: Methodological Study to revise the Family Resources Survey questions*. Working Paper No. 54. DWP: London. McKay, S. (2009) *Using the new Family Resources Survey question block to measure material deprivation among pensioners*. Working Paper 89, DWP: London.

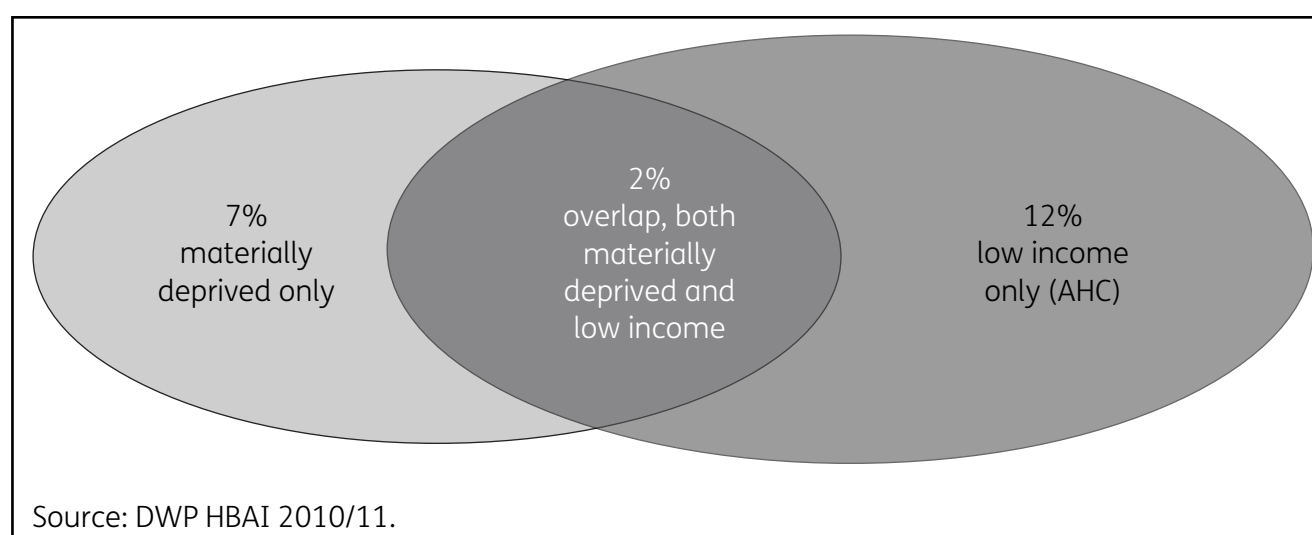
⁷ See Appendix A for more detail on the material deprivation questions.

A central motivation for this research was to understand more about the relationship between material deprivation and low income⁸ among pensioners. The diagram below illustrates the proportion of pensioners:

- 1 in material deprivation but not on low income;
- 2 on low income but not in material deprivation; and
- 3 on low income and in material deprivation⁹.

It can be seen that the overlap between low income and material deprivation is relatively small. The study was designed to explore the reasons, or push and pull factors, which help explain why some pensioners are below the poverty threshold, but not materially deprived and others are materially deprived even though they are not below the poverty threshold.

Figure 1.1 Income and material deprivation



1.2 Overview of the research design

A qualitative approach was adopted to address the research objectives, using in-depth interviews with pensioners aged 65 and over. The method was not designed to test or validate the FRS material deprivation questions, but to understand more about material deprivation from the perspective of respondents in two respects:

- what is important to them in terms of their access to goods, services and experiences, and
- what factors apart from income influence the level of access they have to these things.

The research took as its starting point a sample of respondents who were defined by the FRS as being in one of the four groups of interest:

- Low income and materially deprived.
- Low income and not materially deprived.

⁸ Below 60 per cent of household median income (after housing costs).

⁹ Adams *et al.* (2012) *Households Below Average Income: An analysis of the income distribution 1994/95 – 2010/11*. DWP: London.

- Just above low income and materially deprived.
- Just above low income and not materially deprived.

A respondent is defined as having a low income if they live in a household with an equivalised¹⁰ income below 60 per cent of household median income, after housing costs. We were also interested in two levels of low income, a ‘low’ and a ‘very low’ income group (below 50 per cent of household median income). For respondents who were not in this low income group, we set an upper threshold, of 70 per cent of median income. These three groups are shown in the table below, with an income value also given. The income values are based on 2009/10 figures, inflated to 2011, and represent equivalised income.

Table 1.1 Income groups used for sampling

Group	Threshold	Income value per week
Very low income group	Below 50% of household median income	Below £185
Low income (below the poverty line but excluding the very low income group)	Between 50% and 60% of household median income	Between £185 and £223
Just above the poverty line group	Between 61% and 70% of household median income	Between £224 and £259

The sample was drawn from FRS participants who had taken part in the survey 5–12 months previously (between April 2011 and September 2011) and using FRS data to define the sample groups.¹¹ The following table shows the achieved characteristics of the study sample, and the criteria which were used to make a purposive selection of respondents. Respondents were scattered around the UK, living in range of different rural/urban environments.

Table 1.2 Achieved sample in relation to the primary sampling criteria

Income group (FRS data)	61–70 per cent of median income	8
	50–60 per cent of median income	14
	Below 50 per cent of median income	7
Material deprivation	Materially deprived according to FRS	16
	Not materially deprived according to FRS	13
Age	65–74	16
	75+	13
Gender	Male	15
	Female	14
Household status	Single	17
	Lives with others	12
		Continued

¹⁰ Equivalisation adjusts incomes for household size and composition, taking an adult couple with no children as the reference point. See Appendix E for more details of how equivalisation was calculated.

¹¹ See Appendix E for more detail.

Table 1.2 Continued

Housing situation	Home owner	10
	Tenant	19
Health	Has health condition	19
	Does not have health condition	10
<i>Total number of respondents</i>		29

1.3 Conduct of the interviews

Interviews were carried out in respondents' homes over a period of three months (February to April 2012). A topic guide was designed in discussion with DWP; the guide enabled key areas and lines of questioning to be covered within the interview in a flexible and responsive way so that meaning and explanation could be elicited from the respondent's perspective. Financial information was collected in a more structured way. Prior to the interviews, researchers also completed a short proforma noting light touch observations on the following aspects of respondents' locality and housing situation: crime, transport links, other residents, amenities (e.g. proximity of shops and libraries), other environmental factors (e.g. noise) and housing situation (type of housing, outward evidence of repair/disrepair). Where appropriate, these observations were introduced sensitively and in an informal way into interviews by the researcher to stimulate discussion about material circumstances. Interviews lasted up to 90 minutes, and £20 was given to each respondent to thank them for their time in taking part in the research.

The topic guide, observational proforma and recruitment documents are included in the appendix to this report.

Analysis was conducted using the Framework approach¹². The method involves comparison across and within cases to identify key themes and categories in a way which is comprehensive across the whole data set. It is based on ordering the qualitative data in a matrix according to a number of key descriptive categories. This approach enables a systematic and transparent analysis of the data.

1.4 Context and structure of the report

Although the income and material deprivation definitions within the FRS were the starting point for this study, it was not the intention to replicate the FRS measures. In the qualitative interviews we therefore used less structured definitions of income and material deprivation. It should be noted, the terms 'poverty' and 'material deprivation' were not used in the fieldwork (nor are they used in the FRS), as this was felt to be inappropriate labelling. Discussions with respondents therefore focused on respondents' own understandings and feelings about their income and on more widely-used concepts such as 'standard of living'. Not surprisingly, these qualitative assessments sometimes differed from the quantitative measures collected in the FRS, and meant that the qualitative data is based on a spectrum of deprivation rather than a binary variable (deprived/not deprived). The ways in which measures of income and material deprivation differed and how this can help generate insight into the FRS measures are discussed in detail in Chapter 8.

This report is divided into three sections. The first section introduces the issue of material deprivation and includes this background chapter and a first substantive chapter (see Chapter 2).

¹² Ritchie, J. and Lewis, J. (2003) *Qualitative research in practice: A guide for social science students and researchers*. Sage: London.

The substantive chapter provides an introduction to the lives of respondents in relation to their routes into low income in old age, and their experience of living on a low income, including an overview of their access to goods, services and experiences.

Section 2 contains the main chapters of this report, which provide evidence based on an analysis of the ‘push and pull’ factors that:

- enabled greater or more restricted access to goods, services and experiences, shaping levels of deprivation; and
- influenced how respondents felt about how materially deprived they were.

Chapters 3 – 7 report findings on key over-arching factors: housing and area (Chapter 3), financial and material support (Chapter 4), health (Chapter 5), financial management (Chapter 6) and the influence of underlying attitudes towards material circumstances (Chapter 7).

The final section of this chapter links the findings of the study to the FRS measures of material deprivation (Chapter 8), as well as providing an overall conclusion for the report (Chapter 9).

All quotes and case studies presented in this report indicate respondents’ income levels and material deprivation. The income information is based on the answers given in the qualitative interview (and shows unequivalised household income after housing costs), and the material deprivation information is based on the FRS measure.

2 Living on a low income

This chapter explores respondents' key experiences of living on a low income. This includes their route into low income in retirement (Section 2.1), their expenditure patterns (Section 2.2) and their day-to-day experiences in relation to four key areas (Section 2.3):

- Basic needs (such as food and clothing).
- Dealing with financial shocks (meeting unexpected costs and replacing key goods).
- Housing needs.
- Social needs (including socialising and looking after oneself).

In so doing, this chapter provides an insight into what living on a low income was like for respondents before the report moves on (in Part 2) to consider the push and pull factors which influenced levels of material deprivation.

As described in the previous chapter, all respondents were selected to be on a weekly household income of below 70 per cent of median income. Not all therefore were on incomes below the poverty threshold (60 per cent), however, they were well below average income. This chapter draws on the experiences of all study respondents, and not just those on incomes below the poverty threshold.

In the qualitative interviews, respondents provided information on their main sources of income. After deducting housing costs, this income ranged from £350 a month (for a single pensioner) to a couple whose income was above £1,000 a month. Around a third of our sample were single pensioners who reported living on less than £600 a month¹³.

2.1 Routes into low income in retirement

The routes into low income involved interplay between three key factors: low earnings during working life, the level of financial planning undertaken for retirement and the effect of key life events on these plans. The interplay between these factors led to four key routes into low income in retirement; these are arranged in the table below according to the degree of financial planning that was undertaken for retirement.

Table 2.1 Routes into low income in retirement

Group A	Not thinking about retirement (see Case Study 1)
Group B	Thinking about retirement but not being financially able to plan for it (see Case Study 2)
Group C	Those that were able to put financial plans in place for retirement but life events affected these coming into fruition (see Case Study 3)
Group D	Evidence of financial planning – but only modest returns from plans (see Case Study 4)

Respondents in groups A and B tended to be, though not exclusively, those that had fragmented work histories characterised by part-time/shift, casual work and occasional or frequent periods of unemployment. This included individuals who took time out to raise children or had lengthy periods

¹³ The way that income information was collected in the qualitative interviews was less structured than in the FRS, and has not been treated in the same way to come to a final measure. See Appendix E for more details.

of training to enter a profession late on in their life. Respondents in these groups were 'present' orientated during their working life insofar as focusing on making-ends-meet on a day-to-day basis in the face of uncertainties surrounding their employment situation and their low income. This was particularly the case where respondents reported struggling financially to raise their families. In common with the other groups, they also tended to lack awareness and knowledge about pension opportunities available, particularly at work.

Case Study 1: Julia did not give much thought to retirement

Although Julia worked all her life as a cleaner, the jobs tended to be part time and low paid. She also had a career break for 6–7 years in order to raise her children. She never really thought about retirement and thought that she would go on working until she was well into her 70s.

She now gets a State Pension but also a bit of her husband's pension, who has passed away.

(Female, aged 60–74, £151–200pw, deprived)

Case Study 2: Bob would have liked to plan for retirement but...

Bob has worked in a number of jobs throughout his life, including in the manufacturing industry and catering. He would have liked to make financial arrangements for his retirement, but could never really afford to contribute to pensions or build savings up as he was in low paid employment and struggled to make ends meet.

(Male, aged 75+, £200+pw, not deprived)

Low income during working life and trying to raise families were also key considerations which made it difficult to plan for retirement for those in groups C and D. However, these respondents tended to have employment stability in relation to two key factors: having continuity in the sector/industry they worked in and being engaged in permanent work, usually on a full-time basis. This stability sometimes came later in life and so they were able to make some financial arrangements, even if this was done only a few years before retiring. This stability enabled them to contribute to private and company pension schemes, as well as to build up modest savings (including Individual Savings Accounts (ISAs) and Tax Exempt Special Savings Accounts (TESSAs)) and a small portfolio of shares.

Despite this forethought and ability to plan for retirement, those in group C experienced key life events which undermined the modest income they had planned for retirement:

- Relationship-related issues. This included the financially damaging effects of divorce and the loss of a partner.
- Reduced monetary value of pension policies. This involved pension policies being lost¹⁴ or their monetary value undermined.

¹⁴ Some individuals lost track of the pension policies they had contributed to, sometimes as a result of the firms they worked for going bankrupt.

Case Study 3: Bernard's life events affected his plans

Bernard had always been conscious of making retirement plans when he was working as a truck driver and, later, in a bar. His plans included being able to own his home in retirement and living off three pensions, some of which were private. Despite his best planning, a number of events undermined his financial provision for retirement – including a costly financial divorce with his first wife, which led to the house being sold, the loss of a part of his pension, and the value of his pensions being eroded by the finance company losing money on the stock market.

(Male, aged 65–74, £101–150pw, deprived)

Case Study 4: George was able to plan a little due to continuity of employment

George had worked for over 25 years for a public transport company as a bus driver. Although George never earned enough to save he was able to contribute to a company pension during his largely uninterrupted service to the company. This means that George now receives around £227 per month, which compliments the State Pension he receives and the various benefits, such as Pension Credit and Housing Benefit.

(Male, aged 75+, £200+pw, deprived)

2.2 Patterns of expenditure

Across the sample, the goods and services that respondents bought and/or used on a regular basis varied, shaped by needs and preferences (discussed further in Chapter 7). This included:

- consumption of daily items, food, housekeeping items, fuel;
- ownership of cars;
- access to communication services: phone, cable TV or internet;
- use of domestic services, such as carers or gardeners;
- spending on personal items, habits or hobbies, such as smoking, clothes and bingo;
- paying off debts: loans and hire purchase.

There was also variation in whether and how respondents invested in 'peace of mind' or 'safety nets', for example regular saving, topping-up bank accounts, and payments on insurances for house contents, durable goods, cars and funeral cover.

The amounts spent on these items were perhaps surprisingly different across the sample, given the relatively low incomes of all respondents, with the following table providing examples of the range of spending on different common categories of regular expenditure. These are broadly in order of size of monthly spend. Figures are not necessarily a precise measure as people were asked to give approximations.

Table 2.2 Estimated monthly household expenditure

Area of spending	Typical monthly spend	Range
Weekly shop – food, housekeeping	£100–£300	Very variable
Fuel bills	£70–£100	£30–£250
Utility bills (e.g. Council Tax, water)	No ‘typical’ spend	£50–£150
Phone, TV, internet	No ‘typical’ spend	£15–£80
Car (petrol, insurance)	Petrol: £40–£70 Insurance: £30–£40	£0–£150

Less ‘typical’ spends included one couple who spent £180 a month on smoking, a single woman with care needs who spent £420 a month on employing home carers, and another woman who was paying instalments of £190 a month to purchase her car. No clear patterns emerged in this sample between the amount spent on different items by couples or single people.

2.3 Day-to-day experiences of living on a low income

Mirroring the above variations in expenditure, respondents across the three income groups (identified in Table 1.1) also experienced varying degrees of limitations in accessing goods and services. These are outlined below in relation to four key categories:

- meeting basic needs;
- dealing with financial shocks;
- meeting housing needs; and
- meeting social needs.

Where these restrictions were severe, they affected the quality of life of individuals in one of two ways: it either meant that they had to cut back on goods and services as they struggled to make ends meet or, in more extreme cases, they had to make do without.

2.3.1 Basic needs

At a fundamental level, respondents experienced varying limitations around being able to meet their basic and most immediate needs, including being able to have enough to eat and/or afford adequate quality of food, being able to afford clothes and care. The three case studies below illustrate the challenging circumstances individuals faced in meeting these needs.

Case Study 5: Nathan makes do without regular meals

Nathan is 68 years old and has worked in various manual professions all his life – his last job was as a self-employed pallet provider for building sites. He is now divorced and finds himself living alone in social housing with an income of £120 per week. Nathan is also a diabetic, which means he has to eat regularly and to have good quality fruit and vegetables. Nathan feels his income does not allow him to do this; he can only afford to have two meals a day and cannot afford to buy the quality of meat and vegetables he needs. He knows that it is vital to manage his blood glucose levels and does this by supplementing meals with frequent intakes of cheap, sugary tea. He feels grateful when his children come over as they sometimes help him buy groceries, but he knows they are struggling too.

(Male, aged 65–74, £101–150pw, deprived)

Case Study 6: Alice has to limit her spending on clothes

Alice is 72 and has trouble managing on her limited income. She cannot afford to buy clothes very often and so makes what she has last. When she does go clothes shopping, she makes sure she buys items that do not go out of fashion very easily, as she can not afford to replace them.

(Female, aged 65–74, £50–100pw, not deprived)

Case Study 7: Gill can't afford to access the care she needs

Gill is in her 70s and lives alone. She has a number of health conditions that profoundly affect her ability to manage independently, including arthritis and cardiac issues. This means she often needs help bathing and dressing, as well as with her shopping. Changes in her benefits means that she can no longer afford to have the frequency of care that she needs. She has had to cut down the number of times a carer comes in from seven days a week to three days a week.

(Female, aged 75+, £200+pw, deprived)

2.3.2 Dealing with financial shocks

Respondents also experienced varying levels of difficulties in meeting sudden and/or unexpected costs, particularly around replacing key durable goods when they broke down, such as white goods (e.g. fridges) and televisions. The case study below illustrates this challenge.

Case Study 8: Sally experienced the shock of trying to replace her television

Sally is 69 years old and lives on her own. She feels that she just about manages to meet her day-to-day costs on her income of £137 per week. However, she feels very anxious about replacing expensive goods should they break down and so tries to limit the use of certain goods, for example her tumble dryer, to increase their longevity. Her past experience of coping with the unexpected costs of replacing durable goods has not been very positive – for example, she had to sell her prized ornaments in order to raise enough money to replace her old television.

(Female, aged 65–74, £101–150pw, deprived)

2.3.3 Housing needs

Living on a low income often had varying implications for respondents in terms of meeting their housing needs (see Chapter 3 for the range of factors affecting experiences). Those that particularly struggled did so because:

- they struggled to meet their regular utility bills (e.g. gas, electricity and water bills);
- they were unable to keep their house as warm as they would like it, particularly if insulation or draught-proofing was poor;
- they were unable to maintain their property, either structurally (e.g. dealing with damp or guttering problems) and/or in terms of decoration, carpets and old-fashioned kitchens or bathrooms; and
- their home had problems around access given their limited mobility, for example use of stairs or the bath was difficult or impossible.

The two case studies below illustrate this.

Case Study 9: Revisiting Sally: she cuts back on her heating

Sally’s circumstances have already been discussed in Case Study 8. Although she lives in a Housing Association property, she struggles to pay for her bills and is very conscious of being able to afford utility bills, such as gas and water, on her fixed income. As a result, she cuts back on her use of the central heating substantially in the winter. She tries to make do without it as much as possible, preferring to wrap herself up to keep warm and to use a hot water bottle. Whenever she does use it, she only puts the heating on for a short period at a time.

(Female, aged 65–74, £101–150pw, deprived)

Case Study 10: Ben can’t afford to maintain his property ...

Ben used to be a decorator. He now lives alone and tries to manage on around £140 per week. Although his house is decorated to his liking, there are some key defects, such as the electric sockets needing to be mounted properly on the walls. He cannot afford to pay someone to do this work for him and lacks the expertise and health to do this himself. So he makes do as best as he can by, for example, propping up the sockets using makeshift wooden props. He acknowledges this could be dangerous but does not feel he has many other options available to him.

(Male, aged 75+, £101–150pw, not deprived)

2.3.4 Meeting social needs

Not surprisingly, living on a low income also affected respondents’ access to other goods and services that were perhaps less pressing, but which, nonetheless, had an impact on the quality of their life. Meeting social needs was a clear example of this. These activities are outlined in Table 2.3, along with the limitations experienced by respondents. These tended to relate to four main categories – holidays, social activities¹⁵, self-care and transport.

Table 2.3 Limitations in access to non-urgent goods and services

Goods and services	Limitations experienced by respondents
Holidays	Respondents no longer being able to afford to go on holiday and so stayed at home. Limitations and cut backs to holidays included: <ul style="list-style-type: none"> • Cutting back on day trips. • Cutting back on foreign travels (e.g. to see friends and family). • Cutting back on the number of trips they had in a year. <div style="text-align: right;">Continued</div>

¹⁵ Although there was a great deal of variation in respondents’ willingness and capacity to have an active social life, respondents across the sample were able to engage in some forms of inexpensive leisure activities. These included one or more of the following: watching television, listening to the radio, physical activity (e.g. going for a walk) and engaging in inexpensive hobbies (e.g. reading, cooking or knitting).

Table 2.3 Continued

Goods and services	Limitations experienced by respondents
Social activities (These were activities that involved other people, including seeing family and friends (e.g. meals, outings), online activities (e.g. participating in online communities), local community-based activities (e.g. volunteering work and participation in residents committees).	Limitations and cut backs included: <ul style="list-style-type: none"> • Being reliant on family and friends to provide financial and material support to socialise. • Only being able to engage in relatively inexpensive forms of socialising – e.g. visiting friends, going to cafes. Not having a social life, but only being able to engage in inexpensive personal hobbies.
Self-care	Limitations and cut backs included making do without or relying on friends and family to cut their hair
Transport	Not being able to afford to run a car or only being able to use the car for essential trips (e.g. shopping and hospital visits).

The three case studies below highlight some of these restrictions. Where leisure activities are concerned (i.e. holidays and social activities), the effects of income were sometimes offset by two factors:

- access to inexpensive forms of these activities through social support received by friends and family and connections with the local community (see Chapter 4 for more information on social support),
- attitudes towards these activities. These attitudes were informed by respondents' personalities – with those preferring a solitary life tending not to miss access to social activities – and previous experiences and priorities. The latter had a mixed effect on how respondents felt. Those that had travelled extensively or been engaged in certain social activities (e.g. bingo or dog competitions) during their working lives either felt they missed these during retirement or, conversely, felt they had exhausted their desire for these (see Chapter 7 for a discussion of the influence of attitudes).

Case Study 11: Mary limits her domestic holidays

Mary is 71 years old and lives with her partner. She loves to go to Blackpool and feels it is important to go out to the seaside as often as possible to get a change of scenery. She used to go once a week, but now can no longer afford the travel costs and the expense of eating and doing activities once there. She has cut down her trips to once every six weeks or so.

(Female, aged 65–74, £151–200pw, deprived)

Case Study 12: Julia can no longer afford to socialise

Julia's circumstances were briefly touched on in Case Study 1. She is 71 years old and her husband passed away a little while ago. Julia now lives alone and feels that social interaction with other people is important the older she gets. She loves going to bingo and used to go up to three times a week when her husband was alive. After his death, her income fell and she could not afford to go. She misses going very much as it was an excuse to talk with others over a shared activity and perhaps even to win some extra money. She now plays online bingo and talks to an online community of players, which isn't quite the same for her.

(Female, aged 65–74, £151–200pw, deprived)

Case Study 13: Gary makes do without a car

Gary is a 68 year old retired plasterer. He is divorced and has two children, but now lives alone. He gets a weekly income of £140 per week and has only recently felt secure in his housing situation, having been moved from private rented to social housing. He used to own a car, which he enjoyed driving around and it was useful for him to run errands. However, he had to give this up as he could no longer afford to run it; the insurance and petrol costs were beyond his financial reach. He gave the car to his son and now tries to manage on public transport. However, having moved to his current block of flats, he has made a strong friendship with one of the residents and is considering halving the costs of a second hand car with his friend.

(Male, aged 65–74, £101–150pw, deprived)

Aside from challenges accessing these goods and services respondents also felt, to a lesser extent, that living on a low income limited their ability to financially help their immediate family, such as children and grandchildren. This was an issue particularly for respondents who sensed that their family were struggling and/or wanted to reciprocate the support they were given. The types of financial help respondents wanted to give their family ranged from occasional treats or outings for grandchildren, help with housing deposits, or regular help with essentials such as bills or food.

2.4 Summary

Routes into low income in retirement involved the interplay between low earnings in employment, the level of financial planning for retirement that was undertaken and the impact of key life events on this planning, such as divorces and deaths.

Respondents across the income groups experienced varying levels of restrictions in their access to a range of goods and services, some of which were more pressing (e.g. meeting basic needs, such as being able to afford to eat or dealing with the financial shock of replacing goods) than others (e.g. being able to go on holiday). These restrictions sometimes affected their quality of life by compelling respondents to either cut back on items or, in the most severe cases, to make do without.

Section 2

Impact of key factors on material deprivation

3 Impact of housing and area on material circumstances

This chapter looks at respondents' housing situation and the influence of this and local area conditions on living standards and material deprivation. It describes the factors that operated to pull up or push down material circumstances and the links between where respondents lived and their housing situation.

3.1 Impact of housing situation on material circumstances: 'push' and 'pull' effects

It was clear that income played a role in how materially deprived respondents' housing situation was, for example whether they could afford to redecorate or carry out maintenance or repair on their home. However, the links between income level and housing deprivation were also shaped by a range of other factors which influenced how much money respondents actually needed to spend on their house:

- Costs of home maintenance.
- Responsibility for maintenance: owners versus tenants.
- Ability to carry out own maintenance.
- Awareness and use of free government help.

These four aspects are described in turn below.

3.1.1 Costs of home maintenance

These varied depending on the age of the home, the type and size of property, and the condition it was in when the respondent retired. Some respondents had deliberately modernised their home (for example, wiring, central heating, double glazing) before they retired in order to do so out of pre-retirement income and before their income became fixed.

3.1.2 Responsibility for maintenance – owners versus tenants

There was a significant difference between respondents who were home owners and therefore responsible for all aspects of maintenance and upkeep of their home, and respondents who were tenants and who depended on their landlord for maintenance. Home owners incurred far more expense and were therefore more likely to be unable to address problems with their home, compared to tenants. This caused considerable anxiety for some respondents in thinking about future costs. On the whole, tenants felt positively about the fact that they did not have any financial responsibility for maintaining their home and that landlords were reliable about getting things fixed quickly, especially in emergencies.

However, others had less positive experiences of landlords not getting things done, for example not repairing the heating, not dealing with damp in the bathroom, not fixing draughty windows. Landlords did not tend to take responsibility for decoration and funding this was a significant issue for tenants. One or two tenants had found that Housing Associations had recently started charging for repair call outs, and felt concerned about how this would impact on their finances in the future.

You phone them up and say what you think it is, and they say they're busy at the moment, they'll come in a week or a fortnight ... but the last time they didn't do it properly did they, and it still leaked. But at one time you just phoned them and they came and they did it. Well now, you phone, and they'll come and do it, but the prices are terrific, they're really, really high

(female, aged 75+, £101–150pw, not deprived)

3.1.3 Ability to maintain themselves, or with help from others

Respondents varied in the extent to which they felt able to decorate or carry out repairs in their home. This was partly linked to whether it was something they had always done or not (for example, being done by a partner who had died), but also due to limits respondents started to feel on their abilities as they got older. Keeping their house clean or the garden maintained was also something which some respondents felt they were no longer able to do.

Feeling physically unable to maintain their own home left respondents reliant on others. Paying for others to do these jobs tended not to be seen as a priority, although there were respondents who paid for cleaners and gardeners. However, informal help from others (particularly adult children or grandchildren) meant that some respondents had these jobs done for free, and in some cases this involved substantial work, for example plumbing or building work (see Chapter 4).

3.1.4 Awareness and use of free government help

Some respondents had made use of government grants to insulate their homes and had been able to improve their housing situation. However, not all respondents appeared to be aware of this government help.

The following case illustration shows how housing circumstances can make a difference to how materially deprived people feel.

Case Study 14: Mike is well looked after in his Housing Association home

Mike and his wife live in a Housing Association house, and in a quiet, safe area on the edge of a market town. They like their house very much. The Housing Association are very good at responding to repairs and the couple are happy to do their own decorating. It is well-insulated and easy to keep warm. Their joint income is just over £900 a month, placing them below the poverty threshold. Although their income restricts them in terms of holidays and going out, his wife manages the finances very carefully, and they don't feel a great impact on their lives from low income.

(Male, aged 75+, £200+pw, not deprived)

3.1.5 Attitudinal influences

The extent to which these push factors made respondents feel materially deprived was shaped by a range of attitudinal factors, including: their expectations of the condition or warmth of their home; and the degree to which they 'offset' any dissatisfaction with aspects of their housing against their emotional attachment to their house as a home or to the wider area where they lived. The influence of the local area on material deprivation is discussed next.

3.2 Impact of area on material circumstances: ‘push’ and ‘pull’ effects

Respondents’ feelings about their area and their sense of how deprived it was can be divided into four areas which are discussed below:

- Safety and disturbance.
- Sense of community.
- Access to essential amenities.
- Access to public transport.

3.2.1 Safety and disturbance

Being able to live in a peaceful and quiet area tended to be valued highly. For respondents living in more rural areas, this was highlighted as a real benefit, but others living in a more urban or suburban setting also talked about the peace and quiet of their particular area or housing estate.

Peace and quiet meant different things to different respondents, but primarily it meant an absence of noise and trouble, or being disturbed by others. Respondents found it difficult if an area was very noisy, either through traffic noise or residents making noise on the street.

Feeling safe in their local area was very important. Where respondents felt unsafe, this was either due to ‘trouble’ in their area, for example drug dealers or users, beggars, or young people ‘hanging around street corners’, or direct experience of crime, in particular burglary. Feeling unsafe meant that respondents did not trust the people in their area and, in some cases, did not want to go out of the house alone.

How safe respondents felt in their area was also linked to how settled or involved they felt with their local community. Having lived somewhere for a long time, or being involved with the local community groups, tended to offset any worries about potential crime or disturbance in their area.

3.2.2 Sense of community

Local community played a significant role in some respondents’ lives, and is described in more detail in Chapter 4. Having a friendly community was valued and some respondents reminisced about the past when people were friendlier. However, not all respondents felt strongly about having regular contact with their neighbours and some described it as positive when ‘neighbours keep to themselves’.

Having neighbours who were of a similar age, and who were around during the day (not out working) but not causing ‘trouble’, tended to be seen as a positive benefit. Underpinning the value of community or like-minded neighbours was a key need to feel that someone would be around to ‘check’ on them or help if anything was wrong. This was particularly linked to a concern about issues relating to health or reduced capacity, and finding themselves in need of either urgent medical care or help with domestic tasks, such as mowing the lawn.

They don’t pester you, they’re friendly. If they haven’t seen you for a while, they would notice, and they would say, ‘are you alright?’ They’re concerned neighbours, you know ... everybody knows everybody else, it’s a nice friendly community

(Female, aged 65–74, £101–150pw, deprived).

Respondents who belonged to a residents' association were very positive about the social benefits and community belonging this gave them.

Case Study 15: Thomas feels a lack of community in his local area

Thomas owns his house, and is happy living there, he likes to have his own space, and doing DIY on the house is his hobby. He realises that a lot of work needs doing on the house, including some structural work and damp, although he says he is happy to do this himself. He has mixed feelings about his local area; he has been burgled several times and doesn't find his neighbours friendly. He has a strong sense of independence and coping financially, but his monthly income of £620 restricts his ability to pay his bills, for regular food and for new clothes.

(Male, aged 65–74, £101–150pw, deprived)

3.2.3 Access to essential amenities

There was a similarity of view in what were seen as essential amenities: the doctor and hospital, and a supermarket or other inexpensive shop for the weekly shopping. A number of considerations influenced how easy respondents found it to travel to these amenities.

- Distance: within walking distance was seen as ideal, but was dependent on physical ability to walk without help or without feeling very tired. Hilly terrain could make a short distance more tiring.
- Shopping approach: respondents varied in whether they preferred to shop at local shops which were easy to get to, or supermarkets that tended to be harder to reach, but were less expensive.
- Transport: journeys to shops or doctors were made easier if respondents had their own car, had a convenient and frequent bus route, or had the opportunity to get a lift from family or friends. However, running their own car also incurred costs, and meant that some respondents chose to limit how much it was used. Taxis were expensive and were not used as a regular means of transport.
- Health and mobility: not all respondents were able to walk a distance or use the bus and, if they did not own a car, were reliant on taxis or lifts (health issues are discussed in Chapter 5).

3.2.4 Access to public transport

As mentioned above, being able to use a bus was a positive benefit for respondents and a cost-saving measure compared to a car or taxi. Respondents were pleased to have a bus pass which meant they could travel cheaply, and some used this to travel longer distances.

However, access to buses was variable, and in rural areas respondents felt that the public transport service did not help them get around, either because the service was less convenient, less frequent, or stopped after a certain time in the day. They were far more reliant on using a car if they had one, or having to accept that they could not make the journeys that they would like to make, for example visiting their family.

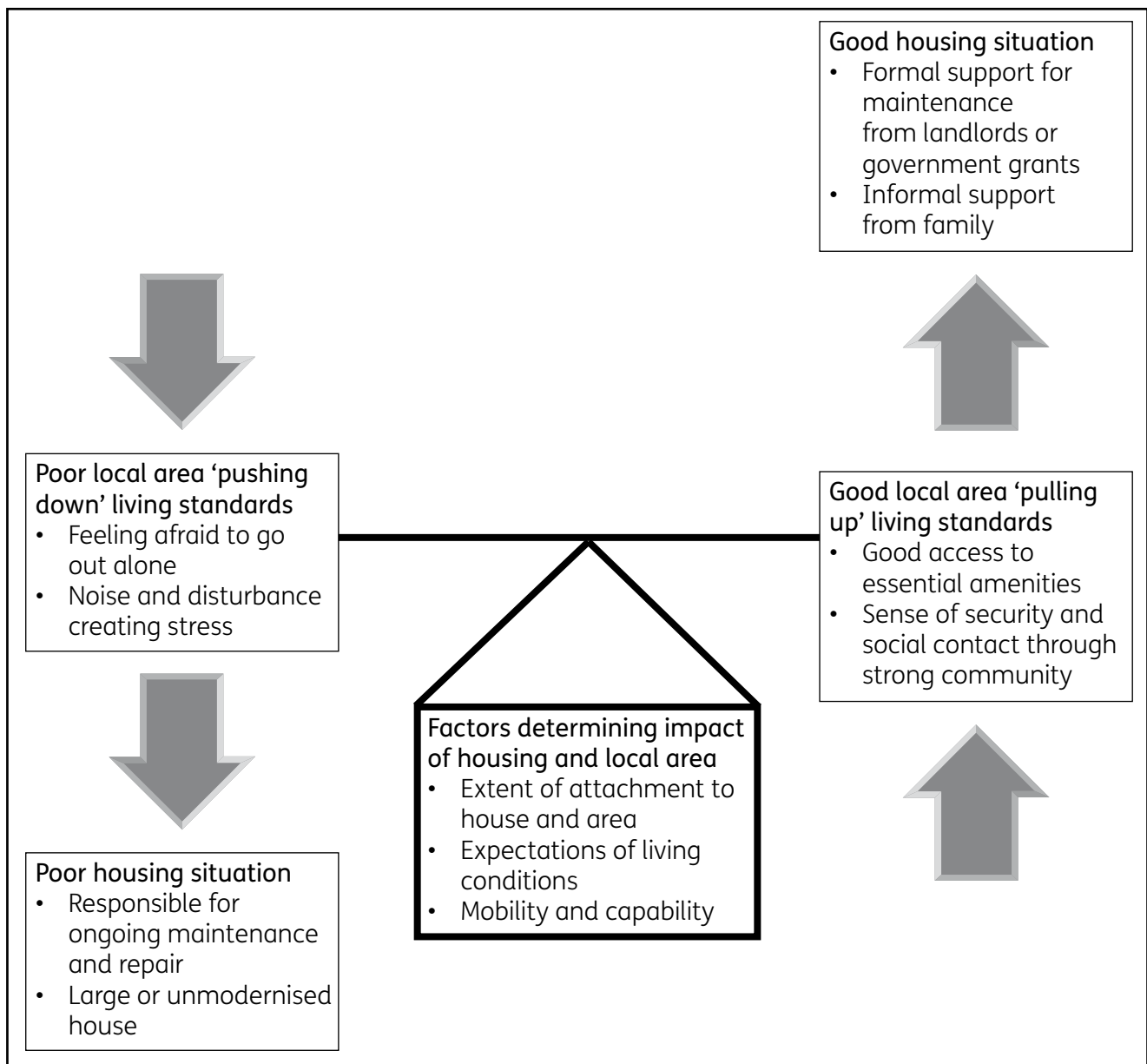
Many of the differences between areas tend to be linked to rural versus urban issues. Rural areas were valued for their peace and tranquillity, and for the opportunity to enjoy scenery and nature; however, transport links tended to be less well developed and this sometimes meant spending more money on travel or shopping. Urban areas, on the other hand, had the potential to have more 'trouble' and noise, but the convenience of public transport and nearby shops balanced these.

Overall, respondents in this study tended to be happy or at least content about the area they lived in. Those respondents who were unhappy tended to feel unsafe and afraid of going out, or found

it very difficult to travel about. As with the example above of rural and urban areas, respondents tended to offset what they disliked about their area with what they valued about it.

Figure 3.1 represents the key pull and push factors relating to area and housing which influence material circumstances and levels of material deprivation.

Figure 3.1 Impact of housing and area



3.3 Summary

In relation to where respondents lived, there were a range of factors which both pulled up and pushed down levels of material deprivation.

The factors which helped to pull respondents out of material deprivation were:

- Having formal or informal support in relation to maintaining their house, i.e. in the form of landlords carrying out maintenance, government grants, or family help.
- Being fit and able enough to carry out repairs and decoration on their house themselves.
- Having a good local community, which provided social contact and a 'safety check'.
- Having good access to public transport and local amenities, such as inexpensive shops and doctors surgeries.

Conversely, the key factors which appeared to push respondents towards material deprivation were:

- Having responsibility for owning and maintaining their property, particularly where it was in a condition or size that made it costly to maintain;
- Feeling unsafe or experiencing trouble in their local area, and/or feeling afraid of going out by themselves;
- Limited access to public transport and local amenities, and having to use more costly transport to meet their needs.

Attitudes also played an important role in how respondents felt about their housing or area: when respondents had lived somewhere a long time or felt very comfortable in their house, they tended to feel settled and happy there, regardless of negative aspects of the house or area.

4 Impact of financial and material support on material circumstances

This chapter explores the sources of financial and material support drawn on by respondents and its importance to their material circumstances. In the process, the chapter will detail how various forms of support, and sometimes the absence of these, ‘pushed down’ or ‘pulled up’ material circumstances.

There were two kinds of support systems offering financial and material support: formal support networks relating to financial/other support acquired from both government and non-government organisations, and more informal networks. Both forms of support exerted a clear influence on respondents’ material circumstances. They are discussed in turn in the sections below.

4.1 Impact of formal and informal support: ‘push’ and ‘pull’ effects

4.1.1 Formal support

A key source of formal support was the financial assistance provided by the Government around housing, towards paying for utility bills and care. To a much lesser extent, respondents also drew on a limited range of non-government organisations, including the Citizens Advice, various carers’ organisations, Housing Associations, residents’ associations, age-specific organisations such as Age UK, and faith-based organisations, such as churches. Respondents tended to make occasional use of this form of support and largely approached such organisations for advice – whether financial, such as how to save on utility bills or where to get cheap car insurance, or legal, such as to resolve disputes around magazine subscriptions. To a lesser extent, organisations were approached to provide a befriending service or funding for day-to-day personal care.

In terms of formal support, government support was generally felt to be a significant financial benefit when living on a low income. Respondents described how they would not be able to manage if it was not for the help they received from government, including:

- housing: receipt of Housing Benefit and/or Council Tax Benefit for some or all of their Council Tax or housing costs. This provided a basic safety net so that respondents could have access to accommodation, sometimes in areas of their choosing, that they would not otherwise be able to afford. Also, tenants generally had help from social landlords in repairing and maintaining their home (see Chapter 3);
- utility bills: receipt of income or grants as part of the Warm Front scheme and winter fuel payments;
- care: receipt of Disability Living Allowance, Attendance Allowance, or local authority grants to pay for carers. Again, the receipt of this to cover additional costs of health conditions made a huge difference to some individuals and couples;

- transport: bus passes and disabled badges for cars. Respondents were very enthusiastic about the bus pass. Respondents said they would not be able to travel without it, or would have to use their car, which would be much more expensive;
- other expenses: help towards TV licence and medical costs.

Free bus passes, Housing Benefit, Council Tax Benefit and Pension Credit were particularly valued by respondents for the above reasons.

I do appreciate [Pension Credit] because that does help you know to build it up ... I mean if I had to live on the normal pension ... Well, it helps with food and rent.

(Female, aged 75+, £101–150pw, deprived)

It is important our bus pass isn't it, to get out and about ... [Without bus pass] we'd have to use the car more wouldn't we instead of putting £10 a week petrol in it we'd have to put £20 in ... Well, it's [not having a bus pass] going to make it short on other things isn't it? Like groceries ...

(Male, aged 75+, £200+ pw, not deprived)

Given the importance of government support, not receiving state benefits, such as Housing Benefit, Council Tax Benefit, Pension Credit or disability benefits, was a source of great frustration to some respondents, especially if they knew others who did receive them. Their views were underpinned by a sense of injustice if they were not eligible for benefits because they had saved during their working lives.

In contrast, the formal support provided by non-government organisations was not something respondents tended to rely on as a regular source of support. The exception was accessing support from carers and caring organisations on a regular basis. Such support represented a significant factor that could help 'pull up' an individual's living standard by helping them to remain independent. Those that experienced financial and/or legal crises were more likely to use and appreciate the support provided by non-government organisations, for example debt advice given by the Citizen's Advice Bureau.

Those in the lowest income groups (i.e. 50 per cent or below median income) were particularly – though not exclusively – likely to source help and derive benefit from non-government organisations, particularly in relation to financial advice. This may be due to three reasons:

- they lacked access to resources (e.g. computers) that enabled them to search for information on their own;
- being on the lowest income, they were more likely to enquire about ways to save money and get more financial help' and
- they were more likely to experience critical financial episodes (e.g. debt crisis) requiring external support.

4.1.2 Informal support

Respondents tended to draw on informal support networks frequently where these were available. There were four sources of informal support:

- friends (usually those in similar age groups and/or with similar interests);
- family, usually children and grandchildren;
- partners; and
- neighbours/local community.

They drew on this support for a wide range of help, listed below. Partners were particularly important as they tended to provide respondents with support on many, if not all, of the levels listed below.

- Financial support. There were two main types of financial support drawn on:
 - occasional support around fixing or replacing expensive durable goods such as televisions and computers; and
 - more frequent support around meeting the day-to-day costs of living such as utility and internet bills, as well as support running a car.

Financial support was not always about respondents being ‘given’ money by loved ones (including friends) without expectation of return. Rather, there was evidence to indicate families sometimes engaged in a system of informal loans where respondents would gradually pay back money that was lent to them.

- Physical support. This involved non-financial help that supported respondents to manage physically on a daily basis. There were three key types of support offered:
 - providing access to key goods and services which respondents could not afford to have otherwise, such as a friend giving a haircut or sons/daughters offering use of a tumble dryer;
 - helping with day-to-day manual tasks, including DIY (e.g. gardening and decorating) and domestic help (e.g. cooking and cleaning); and
 - providing support around mobility issues, such as help doing shopping if they could not get to the shops, withdrawing money from banks/post offices and being driven to hospital appointments.
- Emotional support. This involved support networks helping to reduce the sense of isolation that respondents felt by providing them with a range of often inexpensive social activities to do and rich opportunities for social interaction (e.g. birthdays, family meals, looking after grandchildren, community and neighbourhood activities).
- Safety mechanism. Respondents drew on social support networks as a way of ensuring that their safety needs were met, including daily contact with family as a form of safety blanket; ensuring a fall or other medical emergency would be discovered quickly to more infrequent check-ins from neighbours who they could rely on in case of emergency.

Of the above types, respondents tended to draw more on the physical and emotional support offered by support networks. This was particularly the case where health issues prohibited them from socialising and/or performing essential day-to-day activities. Financial support from informal networks tended to be drawn on less frequently by respondents and was less prominent in their accounts. This may be due to two key reasons:

- respondents valuing particularly their financial independence from loved ones, as illustrated in the quote below; or
- not being able to rely on support networks for this type of assistance. This could be because their immediate family were also financially struggling to make ends meet.

[When asked if he would ask sons for financial help] No. If I was really [in trouble] they would help me. But I won't go to 'em, I do everything possible to keep meself on the straight and narrow, survive my own way. 'Cause I'm the 'ead of the family now, and I don't see why I should have to go to them, 'cause they've gotta keep their families. They can't keep me as well. They shouldn't have to keep me as well.

(Male, aged 65–74, £101–150pw, deprived)

It is worth noting that support relationships between respondents and their loved ones were not only in one direction. There was evidence of reciprocity, with respondents providing financial, emotional and childcare support wherever possible to friends and family members.

Respondents varied in how reliant they were on family, friends and neighbours. There were three levels of reliance:

- no reliance;
- occasional reliance for financial support; and/or
- help with health-related emergencies, and regular reliance with support drawn on more frequently, such as help with shopping, managing personal care and help paying bills.

Income was not a significant factor in explaining the variation in how dependent respondents were on these informal support networks, with individuals from across the three income groups drawing on a range of support provided by loved ones. However, there were three factors which could help make sense of this variability:

- Attitude. Respondents valued being able to live independently from loved ones as much as possible, particularly in relation to their finances.
- Previous life experiences. Respondents who had always managed to survive without much help from loved ones were less likely to access this support.
- Family circumstances. Even when respondents were inclined to draw on this support, it may not have always been possible to do so as they may be living alone, their immediate family may be struggling financially themselves and/or they may be either physically or emotionally distant from family members.

As with government support, receiving informal social support, even if this was occasional, tended to have an overwhelmingly positive impact on the lives of respondents. It even compensated for the shortfall in income by giving them

- access to physical help they did not have to pay for (e.g. decorating, gardening, cleaning);
- financial assistance to be able to afford everyday items (e.g. paying bills, grocery shopping, clothes); and
- making them feel less isolated and providing them with a source of inexpensive social activities (e.g. family meals), particularly if respondents had strong family ties and were connected to the local community (e.g. local faith groups, Residents Associations and interest groups).

The following case studies provide contrasting examples of the way in which informal support can influence levels of material deprivation.

Case Study 16: Joe has no support and is struggling

Joe lives in sheltered housing in a very crowded, urban area. His monthly income is around £750, after he has paid his rent. He feels very restricted in his spending as he struggles to pay his bills, can't afford to socialise or to buy the kind of food he would like. He feels the lack of social life has a big impact on his standard of living. Most of the time he stays indoors and watches TV. He has no children and no partner, and doesn't have any support from anyone else.

(Male, aged 75+, £151–200pw, deprived)

Case Study 17: Ken has a strong support network

Ken lives in a Housing Association house in quiet, suburban estate. His monthly income is very low, around £560. However, he doesn't feel that his income restricts him and is happy with his quality of life, largely because he gets a lot of informal support from neighbours and family. This includes lifts to the shops or hospital and visits from his granddaughter, and help with jobs around the house and meals from his neighbours. This help means he doesn't have to spend money on these things, but also gives him regular social contact.

(Male, aged 75+, £101–150pw, not deprived)

Quite clearly, both government support and the informal social support received by respondents were key factors that served to 'pull up' material circumstances by partly offsetting the effects of having a low income. However, the significance of these forms of support was mediated by two factors.

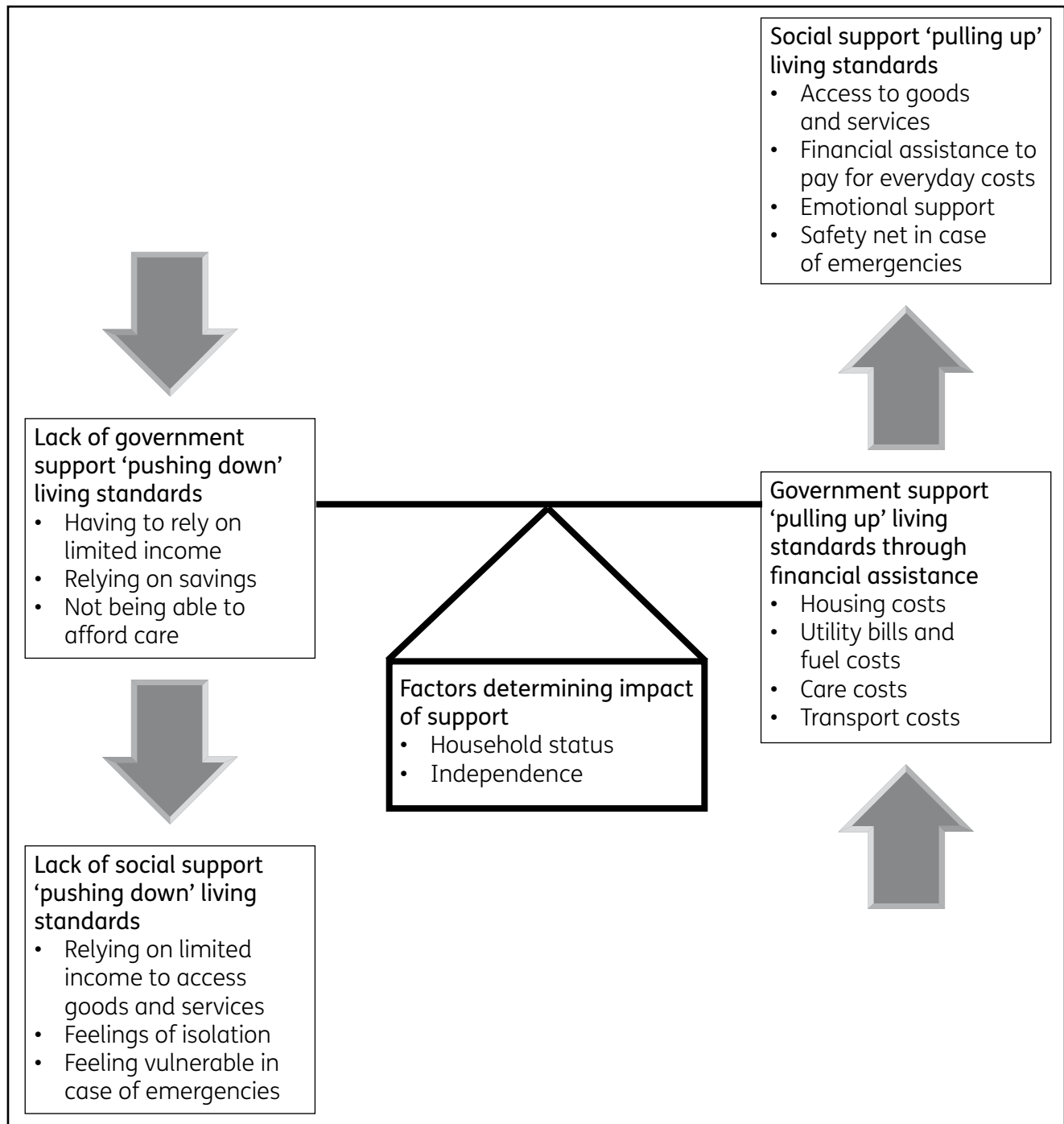
- Household status. Strong social support networks were important to respondents across the sample. However, emotional and physical support provided by non-family members (e.g. neighbours and friends) and non-government organisations (e.g. voluntary befriending services) made a particular difference to those who were single and did not have/could not rely on children.
- Ability to live independently. Informal social networks and, to a limited extent, support from non-government organisations made a significant difference to those who felt unable to manage day-to-day basis without help. This included those with language barriers and severe health issues – particularly if they could not afford care (see case study below).

Case Study 18: Ben's memory is failing and he needs support...

As discussed in Chapter 2, Ben used to be a decorator in working life. He separated from his wife after their daughter was born and he raised her on his own. She is now grown up and has her own family, so he rarely gets to see her. He feels quite bitter about this as he has a health condition which means his memory is failing. As such, he finds paperwork difficult – this includes paying his bills and filling out various forms – and he desperately would like her help. He feels quite alone and a little abandoned.

(Male, aged 75+, £101–150pw, not deprived)

Figure 4.1 summarises the 'push' and 'pull' factors effects of the various support received by respondents.

Figure 4.1 Impact of formal and informal support

4.2 Summary

The presence of informal support and, in particular, government support, had a significant positive impact on the lives of those living on low income in three key ways:

- financial assistance that supplemented low incomes and helped to cope with unexpected large expenditure;
- giving respondents access to goods and services they would not otherwise have been able to afford; and
- enhancing their social lives and reducing the sense of isolation they felt.

The positive impact of social support received from non-government organisations was felt most keenly where respondents had a particularly low income, during episodes of crisis (e.g. debt), if they lived alone and had significant challenges in managing to live independently.

5 Impact of health on material circumstances

This chapter explores the types of health issues faced by respondents and the ways in which states of poor and good health ‘pushed down’ or ‘pulled up’ material circumstances, as well as the factors that mediated this.

Respondents experienced three types of health issues:

- physical health conditions, which included a variety of cardiovascular conditions, chronic diseases such as diabetes, and issues with joints and bones (e.g. arthritis);
- cognitive impairments such as memory issues; and
- mental health issues, such as a history of depression.

Where health issues existed, it was typical for respondents to suffer from multiple conditions.

5.1 Impact of health on material circumstances: ‘push’ and ‘pull’ effects

State of health had a profound impact on material circumstances. Good health ‘pulled up’ material circumstances regardless of income in two key ways:

- by enabling respondents to maintain their sense of independence; and
- by removing/minimising the financial burden of dealing with health issues.

Being able to manage and function independently also sometimes had associated advantages in terms of minimising other costs of living by, for example, enabling respondents to participate in inexpensive social and leisure activities such as walking.

Conversely, poor health ‘pushed down’ material circumstances by imposing significant restrictions on the ability of respondents to manage their own self-care and by the financial costs associated with poor health. These costs sometimes constituted a key drain on finances and ranged from paying for occasional physical support (e.g. needing a gardener or a decorator) to the more costly support needed to manage day-to-day personal care. This included the costs of employing carers, being able to eat the right food and accessing the means to be mobile (e.g. mobility scooters and paying for taxis to get around).

Whether health had an impact on material circumstances rested, in the first instance, on whether a health condition existed and the severity of this condition. Table 5.1 highlights the levels of severity experienced by individuals, with those in group C being particularly affected by poor health.

Table 5.1 Impact of health

Impact	Nature of impact
Group A. No restrictions on living standard	Health issues were relatively minor and/or respondents had learned to manage their condition well and so this had very little or no impact on material circumstances.
Group B. Minor restrictions on living standard	Existing health conditions had minor restrictions on the day-to-day activities. These minor restrictions typically tended to be mobility-related, such as respondents not being able to walk as far as they were able in the past.
Group C. Significant restrictions	Usually complex and multiple health conditions that had a profound impact on respondents' ability to manage independently. These included mobility and health issues that affected respondents' ability to manage basic self-care functions (e.g. getting dressed or being able to bathe). To a lesser extent, respondents also referred to the limitations placed by these issues on their ability to get out and about to socialise.

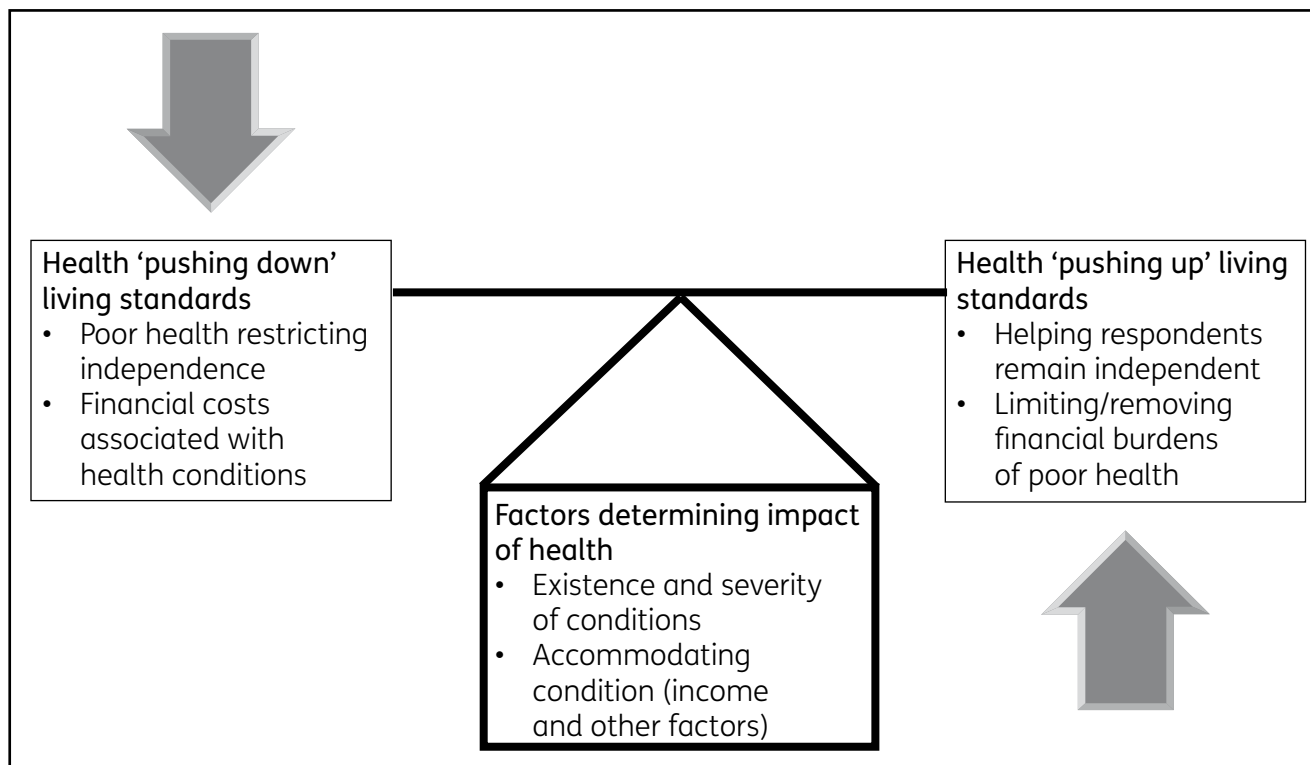
Other factors also mediated the degree to which health impacted on material circumstances. These factors relate to the ability of individuals to accommodate health issues in terms of attitude, income and other material resources.

- Financial resources. The ability to pay for goods and services to enable respondents to live as independently as possible (e.g. paying for a carer or a gardener). Financial assistance from a variety of sources was drawn on by respondents across the three income groups, including benefits from the Government (e.g. Disability Living Allowance and Carer's Allowance) financial assistance from charities and family and friends. Access to these resources limited the impact of poor health on respondents.
- Access to informal support networks to assist independent living. Informal support from the range of social networks outlined in Chapter 5 was important, sometimes in place of financial resources, as a source of assistance with personal care (e.g. assistance around dressing, bathing and ensuring respondents were taking medicines) and regular domestic help (e.g. cleaning). It is worth noting that although respondents were less likely to want to rely on loved ones for financial assistance, they had less reservations drawing on the other forms of support offered. Again, access to informal support helped to limit the impact of poor health.
- Attitude. How accepting respondents were of their condition also had an impact on the degree to which health was felt to affect them. The acceptance that poor health was a part of the ageing process and feeling 'grateful' that these issues were not as severe as they could be helped individuals to come to terms with their conditions.
- Previous experiences of health and illness. Respondents who were accustomed to good health and were active throughout their lives often felt the impact of poor health in retirement much more acutely than those who had experienced it throughout their life. This may be because respondents who had a history of suffering from ill-health were more habituated to the restrictions that health placed on their life and/or had more experience in developing strategies to deal with it.

- Life stage. There were respondents who felt they were much more able to manage their health conditions, such as diabetes, in retirement than when they were working. This was because they were able to regulate their lives more easily. For example, how often and when they ate, and control in the activities they could do, like being able to rest when they wanted to, which they did not have in working life.

Figure 5.1 summarises the ‘push’ and ‘pull’ effects of poor health and the factors that mediate this.

Figure 5.1 Impact of health



Accordingly, those most deprived were respondents with complex health conditions that significantly affected their ability to live independently and who lacked the financial means and/or social support needed to accommodate these conditions. This was also true for respondents who may not have had health issues themselves, but had to care for a partner who did. The three case studies below illustrate the way in which the severity of health conditions and the ability to accommodate these can impact differently on material deprivation.

Case Study 19: Barbara spends a high proportion of her income on care

Barbara has a number of limiting health conditions. She needs to wear a pacemaker, she has severe arthritis and also hearing difficulties. She lives by herself and is very reliant on her granddaughter to take her out, and without this is mainly housebound. Her monthly income is around £890, but out of this she pays just over £400 on care – three mornings a week for someone to help her dress and wash, and a gardener and cleaner. She has recently had her benefits reduced and has had to reduce her care from seven to three mornings a week. Spending on her care meant that her remaining income was very limited.

(Female, aged 75+, £200+pw, deprived)

Case Study 20: Sylvia's health conditions are made easier through her family support

Sylvia's monthly income is around £600. She has a number of health conditions, but these do not impact greatly on her day-to-day life. She is relatively young and keen to stay active and independent. Her income does restrict her, but she has good financial strategies in place to make her money stretch further, her approach all her life has been to make do and not waste. She lives by herself, but gets emotional support from her family and is in very regular contact with them.

(Female, aged 65–74, £101–150pw, not deprived)

Case Study 21: Daiana feels more independent now she can afford care

Daiana was born in a small village in Eastern Europe. She came to England later on in life and does not speak much English. She lives with her granddaughter and her son-in-law's mother. In addition to language barriers, Daiana also has multiple health issues that affect her mobility. These include the effects of hip and knee replacement operations and chronic respiratory problems. These health issues render her pretty much housebound and reliant on her granddaughter, which she feels very guilty about.

However, Daiana has recently been given financial assistance by a charitable organisation to pay for a carer who can speak her language. This has had an overwhelmingly positive impact on her life as she now feels less reliant on her granddaughter and also able to talk to someone outside her family in her own language. The health issues have not gone away, but Daiana's quality of life has significantly improved.

(Female, aged 75+, £200+pw, deprived)

5.2 Summary

Health, along with social support, had a significant impact on material deprivation. Poor health 'pushed down' material circumstances by undermining the ability of respondents to be independent, as well as imposing additional costs of living. A good state of health had the reverse effect.

The degree to which poor health impacted on respondents rested on the severity of the condition(s) and the capacity for individuals to accommodate these. Capacity rested not only on income, but also on non-income factors. Key among these was the largely physical and emotional support received from friends, family and neighbours. Such support enabled them to access goods and services which they otherwise may not have been able to afford and to provide them with the emotional connection needed to protect against social isolation. Other non-income related factors also had a bearing. These included:

- attitudes and priorities;
- previous life experiences, which sometimes shaped attitudes and priorities;
- life stage.

6 Impact of financial management approaches on material circumstances

This chapter will discuss the financial management approaches respondents employed to deal with their low income and the impact the approaches had on material deprivation. Approaches will be discussed in relation to two key areas:

- stretching income to meet the types of basic costs (transport, food health etc ...); and
- managing money to deal with financial shocks.

Approaches that overlapped both of these areas will also be discussed.

Respondents had varying attitudes towards financial management and the approach to take. Some of these attitudes were common across the sample, whereas others were particular to a few. All respondents across the sample had an awareness of their financial situation and made a conscious decision on how to manage their finances.

There were two overarching attitudes which underpinned respondents' current approaches: their attitude to risk aversion and to financial planning.

- Risk aversion. Risk aversion tended to be a key consideration for respondents in thinking about how to manage their finances¹⁶. There were varying attitudes towards risk and whether an approach was seen as risky. In some cases respondents engaged in risky situations to avert further risk. For example, some respondents felt that they needed to get into debt to manage their financial situation and did not necessarily see this as risky. Much of this debt was short term and involved overdrafts, although long-term debt, such as bank loans, were used to pay for specific items or to alleviate financial difficulty (see Section 6.3).
- Financial planning. There were varying degrees of financial planning and this could increase or decrease at certain times during the year (as will be discussed below). Some felt they were unable to plan for future expenditure and therefore focused on the present by living on an 'as and when basis'. Others felt they needed to use approaches that took into account future expenditure. A few respondents made long-term plans. For example, one respondent made savings to cover funeral costs for him or his wife.

There were also a number of more personal circumstances or attitudes that influenced what financial approach respondents took:

- past experience: either due to specific negative experience of poor financial management or previous money management habits;
- adaption to and acceptance of financial limits of life in retirement;
- a wish to be independent or secure.

¹⁶ It is important to note that no value judgment is placed by researchers on the approach respondents took and whether it was risky.

These attitudes underpinned the broad financial management approaches towards dealing with basic costs as well as financial shocks; budgeting, debt, saving and social support (detailed in the sections that follow). These approaches were not mutually exclusive and at times respondents used more than one approach to manage their finances. Approaches were not always deliberate or used consciously.

6.1 Meeting basic costs

Budgeting was the most common and wide-ranging approach reported in dealing with basic costs, such as affording food, transport, paying bills and meeting health-related costs. This could be broken down into basic budgeting, managing bills, cutting expenditure and maximising resources. These budgeting approaches were not mutually exclusive.

At a general level, respondents on low income managed basic costs through basic budgeting. This involved simple planning of general income and expenditure, including spending within the means available, living on a tight budget or spending little. Although some respondents adopted these approaches to adjust to their low income, there were others who had always lived like this or who had done so after a negative experience of financial management.

More targeted approaches of budgeting were also used to manage finances. One of these approaches involved managing bills: the planning and payment of bills. When planning bills some respondents set aside different income streams to pay for bills or had an account devoted to paying bills.

Because the way I've worked it out is the monthly pension credit more or less covers me bills. So, what I get weekly is more or less me food.

(65–74, female, £101–150pw, deprived)

Respondents also changed the way they paid their bills to make it more manageable. One approach was to reorganise how and when bills were paid. The most immediate method was to pay bills as soon as they were received. This gave one respondent a feeling of comfort. Where this was not possible, bills were made more manageable by the use of direct debits or standing orders, or by paying them in instalments. Some respondents felt this was cheaper and helped to avoid large, unaffordable bills. The structure provided clarity for respondents as costs were fixed and it made them aware of the monthly cost.

I pay all my bills through direct debits. So I know when the bills come out, on what dates on a month.

(65–74, male, £101–150pw, deprived.)

Meters and top-up cards were also used as an alternative to bills. Those who used these methods generally accepted they could not afford to pay bills. By pre-paying respondents were in control of how much to spend.

Because, it's a job to put enough money away for when they send you the bill. So this way it works out no money no gas

(75 and over, male, £200+pw, not deprived.)

A continual theme across all four approaches was cutting back on expenditure. However, there were some clear approaches for reducing expenditure. This included cutting variable costs or being as efficient as possible with costs and resources.

Cutting back on variable costs related to expenditure that respondents were willing to live without. This approach was either used all year round or during periods of financial constraint. Respondents

entered financially constrained periods when bills were due, when in overdraft, when savings got too low or when they had little money left. Conversely, some respondents spent more during periods where more money was available. For example, one respondent bought things during the two months where she had no Council Tax to pay.

There were five main categories of variable costs, which mirror the types of basic costs outlined earlier:

- Social costs. Cutting down on socialising to cut expenditure.
- Health costs. Specific to those who had health problems. This included cutting down on health-related costs, such as reducing the amount of paid carer time.
- Shopping. There was a varying scale of how respondents cut down on shopping. At one extreme, this involved completely cutting out certain items like cigarettes. Other approaches included shopping at places seen as 'cheaper', buying second-hand items or buying cheaper items. It was acknowledged items were cheaper when they were nearing their sell-by date, when they were part of a deal or in sales, or when bought in bulk.
- Bills. Respondents lowered the cost of bills by reducing their usage of heat, water, electricity and telephone; or even by not incurring bills where they could. Methods of doing this included not using the dryer, limiting use of the dishwasher, not flushing the toilet every time it was used, using energy efficient light bulbs, and using the telephone only to call freephone numbers, or to make calls when it was cheaper or free to use.
- Transport. Using the car less to reduce petrol costs.

Respondents prioritised variable costs in order of importance when deciding what expenditure to cut. Important costs included bills, heating, electricity and food, although this varied across the sample. Some respondents also prioritised among their bills, as they could not afford to pay them all. In such cases, the most urgent bill was seen as the priority. One respondent did this by paying as much as she could on certain bills one week and the same for other bills the week after. This method of prioritisation did not appeal to all respondents and some had the attitude that bills could not be prioritised differently as they all had to be paid.

It is worth noting that respondents did not necessarily cut down on items they considered as non-essential. Some items were clearly needed but were cut down nonetheless. Others refused to cut down on 'essential' items such as heat and food. One respondent saw items like hairspray as essential. Attitudes towards spending priorities are discussed further in Chapter 7.

Case Study 22: Sally does not compromise on 'essential' items

Sally felt that she has adjusted to living on low income. She employs a range of financial management approaches including shopping at cheaper shops and cutting back on non-essentials. However, she refuses to compromise on essential items like heating and good food.

(Female, 65–74, £151–200pw, deprived)

An alternative approach for reducing expenditure involved being as efficient as possible with costs and resources. This included the following:

- Making things last. Prolonging the use of items for as long as possible. This included making clothes and washing powder last. One respondent did this by buying clothes that would not go out of fashion.
- Cutting down on wastage. Reducing/removing items of unwanted or unused expenditure to cut down on bills. For example, respondents not renewing their television licence if they were unlikely to watch much TV.

- Paying for things only when needed. This included not paying for an MOT until the exact due date, or only replacing car tyres or buying clothes when needed.
- Making energy bills cheaper through energy providers. Shopping around for cheaper utility providers or consolidating gas and electricity providers as it was cheaper.

Case Study 23: Rachel saved money by switching from a water bill to a meter

Rachel was originally paying over £300 a year on water. However, she felt she was paying too much and so decided to switch to a meter. Her bill has since gone down to £66 a year.

(Female, 65–74, £101–150pw, deprived)

- Maintenance. There was an acknowledgement that paying for items now prevented facing unaffordable costs later on. A few respondents paid for insurance on goods in case they broke. One respondent maintained her windows as it would involve a big expense if they rotted.

A final and less common budgeting approach was to maximise the resources available to them. This involved respondents being self-sufficient when possible. This included completing own DIY tasks or growing vegetables to save money.

6.2 Dealing with financial shocks

Savings were a key tool used by respondents to deal with the financial shock of meeting sudden and/or unexpected costs. For those respondents able to do so, reasons for saving were:

- To provide emotional security. Saving to feel secure, for reassurance, or to counter general uncertainty.
- To cover known costs. This included saving for future bills or in anticipation for known costs, such as Christmas presents or funeral expenses. This could also include saving for things generally, such as holidays.
- In preparation for unexpected costs or emergencies. This included house-related emergencies and appliances breaking down.

The above reasons clearly indicate some element of risk aversion and financial planning that informed savings, insofar as respondents did not consider saving as an end in itself, but as a way to prepare for future costs, or as a means to a sense of security. This reflected the general uncertainty that respondents felt when living on low incomes.

The intended aims sometimes differed in practice. Some respondents reported that they had to use their savings to pay for unexpected costs, but this was not their original intention.

Case Study 24: Joy sometimes dips into her savings

Joy makes weekly savings of between £40 and £50 to pay for quarterly electricity and gas bills. However, she sometimes ‘robbed Peter to pay Paul’ and drew on her savings for unexpected expenditure such as repairing her cooker. When this happens she makes sure she pays money back into her savings by cutting expenditure, even if this includes essential items such as food.

(Female, 65–74, £101–150, deprived)

There were various ways to save money, ranging from traditional to more creative methods. Traditional methods included putting money into an account or ISA, or leaving money in an account to build up. Creative methods were used by only a few respondents and included keeping a car

as an asset that could be sold if the respondent found themselves in financial difficulties. Other respondents paid extra on their bills as a form of saving. This could then be used if bills increased or could be rebated at the end of the year.

Some respondents also tried to ensure their savings or accounts stayed at a certain level. Again, this was used for emergencies and security.

Not surprisingly, there were also respondents who did not save as they could not afford to. One respondent had tried to save but found it difficult. Another respondent deliberately chose not to as he perceived he would otherwise forfeit benefits. Although he chose not to save he had clearly done so with some element of financial planning in mind.

6.3 Overlapping approaches

There were three other approaches which were used by respondents to deal with both basic costs as well as financial shocks; debt, informal financial support and obtaining extra income through ad-hoc work. These are discussed in the sub-sections below.

6.3.1 Debt

Debt was the most contested financial approach across the sample population. Although there were varying attitudes towards debt, some completely refused to entertain the idea of getting into debt. These feelings can be grouped into the following categories.

- Previous experience. Refusing to get into debt due to a previous negative experience. For example, one respondent had a bad experience of getting into debt after her husband died and therefore refused to do so again.
- Previous habit. Having always lived like this. One respondent refused to borrow and this had been instilled by her parents.
- Risk aversion. Refusing to get into debt due to risks involved, specifically not being able to afford repayments, which in turn would cause significant anxiety. One respondent was against the idea of using debt, but consciously decided to take out a mortgage as it was cheaper than paying rent.

Respondents sometimes referred to more specific forms of debt, rather than debt *per se*. For example, some respondents on principle did not like borrowing or owing people money. Similarly, others were against using credit or credit cards as it was a struggle to pay off at the end of the month or because there was a cost involved. In this respect, if someone was against one form of debt, it did not necessarily mean they were against other forms of debt.

Case Study 25: Jessica does not believe in credit cards but uses loans

Jessica does not believe in credit cards and is not tempted by them. She thinks that it would be a struggle to pay them off at the end of the month which would fill her with worry about it. She feels that this is probably a reason why so many people were in debt. However, Jessica is not against bank loans and had taken one out to pay for her car. She feels that this is different to a credit card. If anything happened to her car the insurance would cover it and therefore she would still be able to pay back her loan.

(Female, aged 65–74, £200+pw, deprived)

Given the low incomes of this sample, it was not surprising that some respondents used debt as a financial management approach to deal not only with financial shocks, e.g. replacing white goods or paying unexpected bills, but also as a way of managing day-to-day living, such as supplementing weekly/monthly incomes to pay for needed items. Debt was not ever used to pay for items that were considered as 'luxury': rather it was used to pay for things that respondents felt were needed.

The following types of debt were used across the sample.

- Government help. Borrowing from the Social Fund to replace broken appliances.
- Catalogues. Borrowing from catalogues instead of paying for things. One respondent acknowledged this was cheaper than hire purchase.
- Bank loans. One respondent used a bank loan to pay for her car. Another took out a bank loan as she could not manage financially.
- Overdrafts.
- Credit cards.

Although those using debt were using more risky approaches to manage finances, it was unclear whether they saw it this way. Respondents who used debt tended to combine it with other approaches, suggesting they engaged with debt as a rational response to their financial situation.

Case Study 26: Mark needs his overdraft

Mark uses a mixture of various budgeting strategies to manage his finances. He also uses an overdraft as a financial approach and acknowledges that he would be in 'dire straights' without this. Mark eases up on his spending when he is in overdraft and does not buy anything until he moves out of overdraft.

(Male, aged 75+, £200+pw, deprived)

Debt tended to be incurred as a result of low income in retirement, rather than being brought forward from working life. An exception to this was a respondent who had brought a mortgage into retirement but had to remortgage as a result of being unable to manage financially. As previously discussed, there were also those who had long-term debts during their retirement in the form of bank loans which were used to buy specific items or to alleviate financial difficulties. Another respondent was paying off a long-term credit card debt.

6.3.2 Informal financial support

The subject of social support itself has already been discussed in detail in Chapter 4. Financial support from friends, family and neighbours was also used as an explicit approach to managing finances when respondents were aware they could fall back on friends or family when needed, either on a regular basis to meet day-to-day costs of living or occasionally to replace goods. In this respect, family and friends sometimes paid for things or let respondents borrow money. One respondent acknowledged that she relied on her friends to buy things.

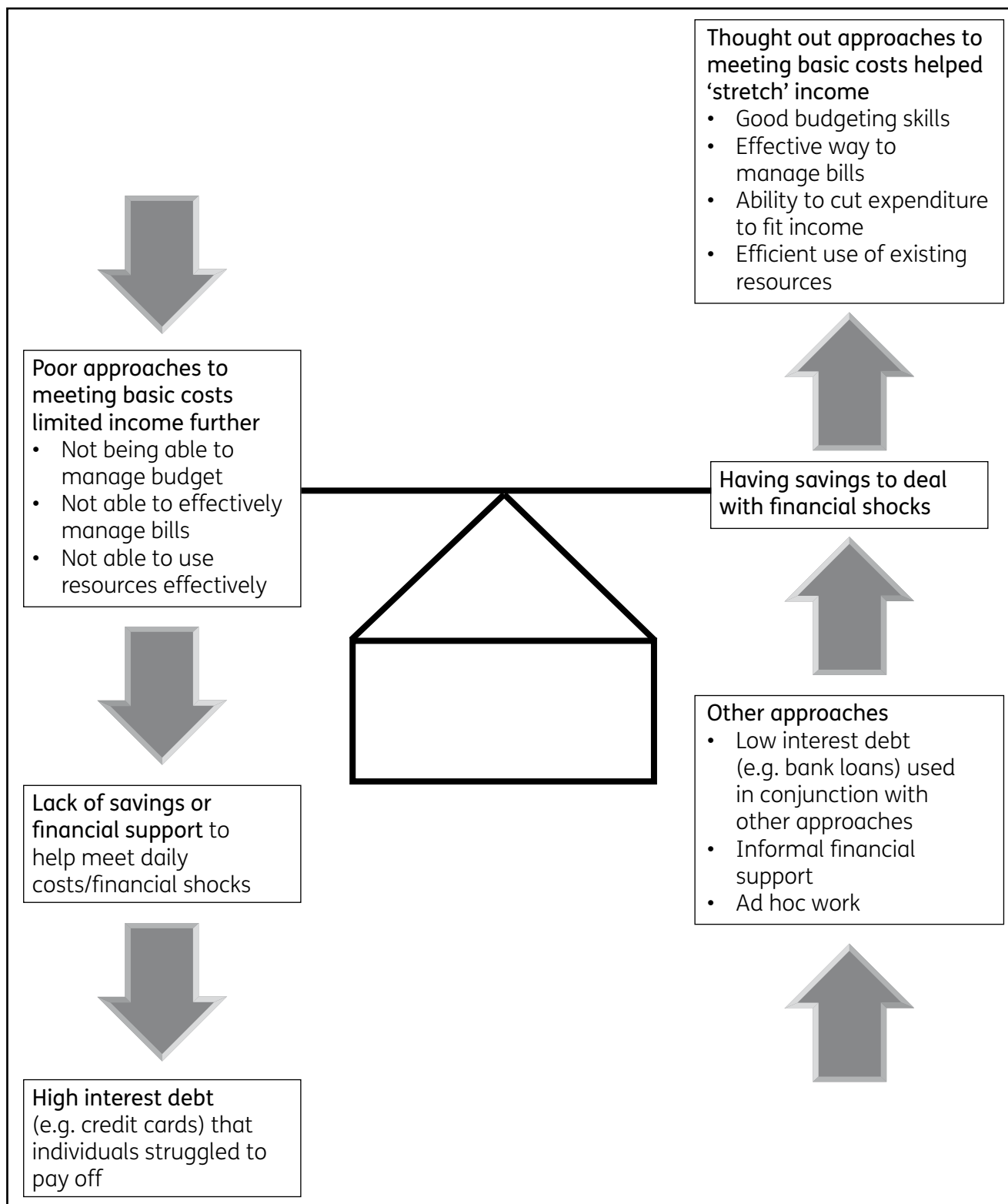
6.3.3 Extra income: ad-hoc work

The approaches already discussed were adopted within the context of a fixed retirement income. However, a less typical but significant approach was to increase money through employment. For example, one respondent earned money through dog walking and used this to pay for tango dancing lessons and to boost savings if they started to get low. Another respondent had a pizza delivery job and used the money he earned from this as 'play money' and not for paying bills.

6.4 Impact of financial approaches on material circumstances: 'push' and 'pull' effects

The ability to manage finances had a tangible impact on material circumstances. It is clear that approaches geared toward helping respondents meet basic costs and/or dealing with financial shocks helped to limit the restrictions respondents faced in their material circumstances. Figure 6.1 summarises the 'push' and 'pull' effects of these financial management approaches.

Figure 6.1 Impact of financial approaches



6.5 Summary

All respondents had an awareness of their financial situation and made a conscious decision how to manage their finances. However, how they managed and what approaches they took varied. This was underpinned by the respondents' attitudes towards risk aversion and financial planning, as well as the influence of previous personal circumstances, an adaptation to and accepting financial limits of life in retirement, or a wish to be independent or secure.

The approaches taken in the face of income limitations affected the extent to which restrictions were experienced and so served to pull up material circumstances. These approaches focused on meeting basic costs and/or dealing with financial shocks and included budgeting, reliance on debt/credit, savings and informal financial support.

7 Attitudes towards material circumstances

This chapter looks at the attitudes which underpin material deprivation. The attitudes discussed here are important to the discussion of material deprivation because they have two different types of influence:

- A direct influence on respondents' financial situation and therefore the way in which their income level impacted their material circumstances: this includes attitudes toward organisation of money by respondents, priorities for spending, and attitudes toward independence and self-sufficiency.
- An indirect influence, which shaped whether respondents felt they were materially deprived, in terms of their expectations for their material circumstances in retirement; how they compared themselves to others; and to their working-age standard of living. This evidence is also useful in terms of helping to explain how attitudes may influence the way respondents answered the material deprivation questions in the Family Resources Survey (FRS).

These will be discussed in the two sections of this chapter.

7.1 Priorities and choices in financing daily living

When it came to prioritising expenditure, two categories were prioritised above any other area and were effectively seen as 'fixed' costs and non-negotiable. These were housing costs (rent, mortgage) and utility bills (council tax, water). These costs were not commented on by respondents except in the context of needing to pay these before other, more 'variable' expenditure.

You can't eat and then pay your bills with what's left. You don't go like that, you have to pay your bills and eat what's left

(Male, 75+, £101–150pw, not deprived).

After paying fixed costs, the amount of money spent on other items was shaped by respondents' attitudes toward what was 'essential' and what was 'additional', or 'needs' and 'wants'. The variability in what was seen as essential costs was influenced partly by preferences and partly by circumstances, for example how easily accessible shops and transport were, and issues around the extra costs of ill-health and mobility (see Chapters 3 and 5 for a discussion of these).

There were three main areas that tended to be seen as essential across the sample, and without which respondents felt a significant loss to their well-being:

- food;
- heating; and
- transport.

For respondents with significant health problems, regular personal and domestic care was also seen as an essential item.

However, within these broad categories, perceptions of what was essential and what was extra varied. For example, the type and quality of food respondents felt they needed to purchase varied, as did the amount of heating needed, and the extent to which they needed to use their car.

Although tending not to be considered an essential item, communication through TV and phone (and the internet, to a slightly lesser extent) were items that respondents generally spent their income on, and only a handful of respondents said they had not prioritised these items.

Beyond basic food, heating and transport, the following items showed the most variability in terms of respondents' attitudes towards how essential they were for a reasonable standard of living (even taking into account differences in individual circumstances that affect needs, for example limited public transport options):

- owning and running a car;
- socialising and outings (seeing family tended to be seen as more important than other forms of socialising);
- personal items – clothes, make-up;
- saving and/or buying insurance;
- the use of debt or credit;
- helping others financially, particularly family.

As discussed in Chapter 6, one of the ways respondents coped with living on a low income was to adopt different budgeting or spending strategies, or cut back on variable costs to make their money stretch further. The items respondents felt they had to cut back on reflected their personal prioritising of needs and wants. For example, one woman kept dogs, spending £60 a month on their care, whereas another respondent had taken the decision to sell her dog because she could not afford the expense. Another respondent prioritised spending on her car because this was very important to her ability to have contact with her family and help out with her grandchildren, despite being on a very low income and having to make cutbacks elsewhere.

There were a small number of areas of spending that tended to be seen across the sample as 'extras' or wants, but that could not be afforded on current levels of income. These included holidays (particularly overseas), hobbies, and 'treats', such as more expensive food or clothes and presents for others. However, even while seeing these as non-essential items, the lack of them made some respondents feel distressed, because their inability to afford them affected their sense of who they were, their independence, their appearance or their sense of generosity.

7.2 Attitudes towards material deprivation

A range of attitudinal factors and personal experience underpinned how respondents felt about their restricted spending and consumption, and the extent to which they felt 'materially deprived'. These attitudes had two different effects: either that how they felt did not match how they were classified by FRS, or how they felt appeared to have influenced how they responded to the survey questions on material deprivation:

- Where respondents felt less materially deprived, this was linked:
 - to having always lived within a tight budget and noticing little difference; and/or
 - having relatively low expectations for their living standards as they got older and/or less mobile and active, in other words accepting (or being resigned to) reduced circumstances and independence.

Respondents' rationalised their acceptance of restricted consumption by referring to having had those items when they were younger (for example holidays abroad or extensive socialising) and not needing them now. Some respondents also expressed a preference for inexpensive and simple items or activities.

I don't know ... I can't afford it, I know that I can't afford it so there's no point in worrying about that, even thinking about it. I'm happy.

(Male, 65–74, £151–200pw, deprived).

When you're getting older you find out when you're there, you don't need that much.

(Male, 65–74, £101–150pw, deprived).

- Where respondents felt more materially deprived, this was influenced by three different factors:
 - comparisons with the way they used to live: missing certain items or ways of living, for example socialising or holidays abroad, or a previous level of health;
 - comparisons to other people and feeling that others are better off than themselves. Sometimes this was through a belief that other pensioners were getting a higher level of government support than themselves, which led to a sense of injustice;
 - anxiety about their current and future finances: this was sometimes related to owning their home and being responsible for its maintenance, but was also linked to worries about replacing durable goods, fuel costs and rising costs in the context of fixed pension incomes, and fears for declining health. It was underpinned by a wish to avoid becoming dependent on others, for financial or care support. As one respondent said in relation to rising costs not matched by rising income:

So you're going backwards and backwards and backwards. You're not going forwards and forwards and forwards. You're not keeping in advance of it all the time.

(Male, aged 65–74, £200+pw, deprived).

Central to this was a lack of acceptance of the need to change lifestyles in retirement as income changed. This tended to be particularly the case where respondents experienced a substantial drop in their income post-retirement. Such respondents still prioritised or felt a significant lack of the activities they did in working life (e.g. trips abroad, making regular savings, or more expensive leisure/social activities). This affected both their actual deprivation level as well as their feelings about deprivation. Acceptance of the financial limitations placed on them, in terms of access to pressing items (e.g. limiting their use of heat and lighting) and less pressing ones (e.g. holidays, redecorating, socialising), enabled them to prioritise goods and services and so cope with their low income situation.

The following case studies illustrate the influence of attitudes, both in terms of how respondents prioritised their expenditure (which had had a direct impact on other aspects of their spending), but also the apparent influence of their anxieties and expectations about money on how they feel about their financial situation (and therefore potentially how they answer the FRS questions).

Case Study 27: Jean feels materially deprived despite fairly secure financial circumstances

Jean lives in a pleasant rural area with good amenities close by. Her monthly income is just over £800, and she has savings of around £23,000. She owns her house and this is a source of significant anxiety for her. It is important to her to continue saving £100 a month as a security for future costs. She cuts back on her heating, can't afford to redecorate her house, and can't afford to run a car. She was used to a better quality of life when she was younger, and feels very restricted in the clothes she can buy, her limited social life, and the holidays she can take.

(Female, aged 65–74, £200+pw, deprived)

Case Study 28: Geoff is worried about rising costs and his ability to cope

Geoff feels he is struggling financially, even though he admits to being better off than people just receiving the State Pension. His income and lifestyle have dropped compared to when he was working: he can no longer go out much, take holidays or treat the grandchildren, and is worried about paying the bills or meeting unexpected costs. Despite having a supportive partner and family, and a secure housing situation, he worries about the future. He is able to run a car and is grateful to be able to do this: it costs him roughly £125 a month. He is also able to spend roughly £50 a month on telephone/TV/internet connections.

(Male, aged 65–74, £200+pw, deprived)

7.3 Summary

Attitudes around living on a low income greatly affected how materially deprived individuals felt and also how they prioritised and organised their spending. Attitudes played an important role in shaping respondents' levels of material deprivation and their feelings about these in two ways:

- individual preferences and priorities about spending had a direct influence on the extent of the impact of low income on material deprivation; and
- 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.

These feelings appeared to have an influence on the way in which respondents had answered the FRS material deprivation questions and is discussed further in the next chapter.

Section 3

Conclusions

8 Linking findings to FRS measures

Carrying out follow-up interviews provided an opportunity to review the measurement of material deprivation by the Family Resources Survey (FRS), by exploring the issues it covers in greater depth with participants. The interview allowed us to ask participants about their experiences of various aspects of deprivation, and to talk about what was important to them in relation to these issues and other factors. This means that it can add to the FRS measure by providing a more broad assessment of material circumstances. However, the interview did not aim to replicate or capture a precise measure of material deprivation along the same lines as the FRS. The discussion in this chapter is based on the interpretation of evidence from the qualitative findings and linking this to the survey responses. It does not therefore aim to comment on the validity of the material deprivation questions, rather to point to areas that may help improve understanding of the measurement.

8.1 Comparing FRS data and qualitative data

The key question for the research – why is there not a strong correlation between income poverty and material deprivation among older people? – necessitated returning to the FRS data to understand how the survey had defined and measured material deprivation. The FRS asks respondents 15 questions, asking if people possess certain items or services, and, if they say no, questions why not. The follow-up questions include whether it was because they were not able to afford it, it not being a priority on current income, if the respondents do not want it, and/or due to restrictions related to their health. The 15 questions broadly fit into the areas of: housing conditions, social life, access to goods and services (food, clothes, holidays, heating, haircut), and financial management/reserves (meeting an unexpected cost of £200 or replacing a cooker, ability to pay bills).

The starting point for this analysis was looking at the explanation for why groups of older people are living below the poverty threshold, but are not being measured as materially deprived, and groups who are living above the poverty threshold and are being measured as materially deprived. What we found on further examination was that there were circumstances where the FRS may not have fully captured people's broader experiences in relation to material deprivation, as explained to us during the qualitative interviews. This is discussed below.

We also found that the household income derived from FRS data did not always match the income that respondents disclosed in the qualitative interviews. This did not appear to be the result of changes in income over time between the two interviews as, to a large extent, respondents' income was stable and fixed. It is more likely to reflect the two different approaches to capturing and reporting income data. The FRS collects a great deal of financial information in detail, and the final income figure used for our sampling was based on a calculation which deducted all housing-related costs (not just mortgage or rent payments) and included all possible sources of income. Within the qualitative interviews, less detailed questions were asked.

It is worth noting, however, that in all cases where a large difference in income between the two interviews was recorded, the qualitative interview recorded a higher income level (after deducting mortgage/rent payments and equalisation).

In particular, apparent very low income levels recorded from the FRS, i.e. below £100 a week, did not appear to be as low as this when information was collected from the qualitative interview. In practice, only two respondents appeared to have incomes below 50 per cent of median household income (both were in couples with household income of around £160 a week). This meant that we were unable to address one of the original research questions: to understand more about how some people live on very low incomes. Seven respondents reported incomes of between 50–60 per cent of median household income, with the remainder of the sample reporting incomes of over 60 per cent, i.e. above our ‘low income’ threshold (see Chapter 1). It is possible that this provides part of the explanation for why some people were recorded as being on low incomes, but were not in material deprivation (i.e. their incomes were in fact above the poverty threshold).

8.2 Insight from the qualitative research on measuring material deprivation

Survey responses from the FRS tended to mirror the material discussed in the qualitative interview. However, there were a number of cases where we felt the information provided in the qualitative interview suggested that respondents’ experience of material deprivation was different to that measured in the FRS. There are a number of factors which emerged from our data analysis that appear to go some way in explaining this:

- **the impact of informal support:** as described in the report, informal support (particularly from family) played a significant role in helping people’s material circumstances, by providing direct financial help (e.g. replacing a broken TV) and providing services that would otherwise cost (e.g. lifts, cleaning, maintaining a property). Some respondents who did appear to be struggling financially had a lot of informal support, and this may be one reason why they did not feel they were lacking in some of the categories on the FRS definition. The support enabled them to feel financially secure, because they felt there would be someone to fall back on.
- **attitudes to material circumstances:** it seemed quite likely from our interviews that some respondents might not have wanted to acknowledge the real extent of their financial difficulties. Significant anxieties about making ends meet and paying bills did not always appear to be reflected in FRS answers. Attitudes may also influence how participants answered questions which have a more subjective aspect to them, for example if their ‘home is kept adequately warm’, their ‘house in a good state of repair’, or if they are ‘struggling to pay bills’.
- **impact of area deprivation:** in a small number of cases, it appeared the respondents’ experiences were quite strongly affected by the area they lived in, for example that they were unwilling to go out by themselves because they felt unsafe. The two aspects that strongly pointed towards greater deprivation here were areas with high levels of crime or anti-social behaviour and areas where amenities (in particular day-to-day shops and the doctors’ surgery) were hard to get to. This is not currently recorded as part of the FRS measure.

There were also a handful of cases where, on the FRS measure, respondents were materially deprived when the qualitative interview suggested they were less so than other respondents. The explanation for this appeared to be linked to expectations for retirement: where respondents were not as well-off as they felt they should be, this appeared to lead them to answer more questions in a negative way, i.e. that they did not have the item due to money constraints. As identified in Chapter 7, these expectations come from a number of different positionings, for example making comparisons to other people (particularly where a) participants socialised or lived in more affluent areas, or b) they felt other people had greater financial support from the State than they did) and making comparisons to their working life and what they used to be able to do. These expectations

were also underpinned by anxieties about coping financially now and in the future, which may have influenced respondents' FRS responses. As discussed above, these attitudes or anxieties may particularly influence responses to the more subjective elements of the measure.

8.3 Summary

The discussion in this chapter is based on the interpretation of evidence from the qualitative findings and linking this to the survey responses. It does not therefore aim to draw conclusions about the validity of the material deprivation questions, rather to identify issues that may add insight to the measurement. The starting point for this analysis was to look at the explanation for why groups of older people are living below the poverty threshold but are not being measured as materially deprived, and why groups who do live above the poverty threshold are being measured as materially deprived. Partly this may be because there were some broader aspects to people's experiences of material deprivation, explained during the qualitative interviews conducted for this study, which may be outside the scope of the FRS measure.

Our interpretation suggested the following factors may have a bearing in considering the FRS measure of material deprivation:

- Attitudes toward material circumstances: the extent to which respondents felt deprived in relation to their current and future situation may have influenced the way they responded to the more subjective aspects of the FRS questions.
- The impact of informal support from family or friends for financial, practical and emotional help may have meant respondents understated the extent of their restricted circumstances in the FRS.
- The impact of area deprivation: the FRS does not ask about local area issues, but a few respondents' experiences were quite strongly affected by the area they lived in, for example that they were unwilling to go out by themselves because they felt unsafe.

9 Conclusion

The starting point for this research was to explore the statistical finding that among pensioners there is, according to the FRS measure of deprivation, a relatively small overlap between the group living on a low income and the group who are materially deprived. The evidence presented here shows that, although income level does have an influence on material circumstances, a wide range of other factors influence the extent to which pensioners living on relatively low incomes are materially deprived. It was not possible to observe any clear pattern of differences between respondents who were categorised as materially deprived and those who were not, or between respondents living in different categories of low income. Instead, the qualitative experiences of these respondents can be explained as a spectrum of material deprivation. Their position along this spectrum is determined by a number of different factors, which combine to push down and pull up material circumstances.

This chapter provides an overview of the five broad types of factors which influenced material circumstances (see Section 9.1) and then looks at how these factors impacted on the four broad categories of material deprivation – basic costs, dealing with financial shocks, housing needs and social needs (see Section 9.2). Finally this chapter raises a number of issues for wider discussion (see Section 9.3).

9.1 Key factors influencing material circumstances

9.1.1 Social support networks

Where respondents had access to the informal social support received from families, friends, neighbours and partners this exerted a strong ‘pull’ factor on respondents’ material and financial circumstances. This support included occasional and frequent financial help, physical help to assist respondents to manage on a day-to-day basis (e.g. giving them access to ‘free’ key goods and services, such as DIY help or lifts in their car), emotional support to lessen their sense of isolation and support through emergencies.

Even where support was drawn upon only occasionally, it offset low income by giving respondents access to help, goods and services that they would have otherwise needed to pay for (e.g. care, gardening assistance and inexpensive ways of socialising), as well as access to additional financial resources (e.g. the help they received from children to pay for bills).

Conversely, the absence of informal support networks left respondents solely reliant on their limited income and their own capability to meet all of the needs outlined earlier. At best, this led to respondents feeling financially and materially insecure in being able to meet needs such as being unable to afford care or to replace expensive durable goods. At worst, it led to respondents being unable to access goods and services at all.

9.1.2 Health

Poor health – either the respondent’s own or that of a partner – had financial consequences, such as the costs of occasional or regular physical support (e.g. carers and mobility equipment). These constituted a drain on their already limited finances, which became increasingly financially problematic as the severity of ill-health increased and the availability of social support decreased. In such cases, respondents again had very little but their limited income to rely on. Where respondents received disability benefits, they were welcomed hugely as they helped to meet these extra costs.

Those in a good state of health did not have these additional ‘drains’ on their income. These respondents had a higher level of disposable income than others on a higher financial bracket, but who had health costs to contend with.

9.1.3 Financial management approaches

Not all respondents had a targeted approach to managing their finances. Those who did employed one or more of the following four broad approaches:

- budgeting;
- debt/credit;
- saving; and
- social support.

The effect of these approaches was to enable respondents to ‘plan’ their finances in such a way as to make them ‘stretch’ to meet their needs and wants. This enabled them to make the most of their limited income, giving them a sense of financial security.

Those that lacked the above financial approaches experienced challenges around making their limited income stretch to meet their needs. This included those that had health issues, such as memory problems, which rendered them confused and unable to budget and manage bills. The absence of these approaches led to a sense of financial insecurity such as, for example, confidence around being able to pay bills on time.

The structure of their finances also shaped what income respondents had available for day-to-day or more occasional and larger spending: for example, whether respondents chose to keep money in savings or paid off debt or bought insurance policies. Diverting income towards savings or insurance reduced available income for other goods and services, but gave longer-term security in terms of providing for things that might go wrong. Debt was also sometimes seen in a positive way, to fund short-term shortfalls.

9.1.4 Area and housing support

Living in an area that was peaceful, safe and had essential amenities nearby, such as shops and post offices, tended to offset living on a low income. For example, those who lived in what they perceived to be a safe area felt more able to engage in inexpensive forms of leisure activities, such as walking or visiting friends and relatives. Similarly, those who had amenities nearby tended to spend less on travel when engaging in day-to-day activities. The reverse was also true, with those living in areas perceived to be unsafe, noisy and lacking in basic amenities reporting their quality of life being affected: socialising less and incurring higher costs to access the nearest basic amenities.

Housing was also an important factor in offsetting the effects of low income. This was particularly the case for those with low income who lived in social housing and received support to maintain their properties, such as help with expensive repairs and equipment like boilers and radiators. This gave a sense of financial security because they did not feel a need to put aside money for property maintenance, which would have constituted an additional drain on their limited finances. The absence of support with maintenance led to financial and material insecurity as respondents either could not maintain their property and/or were anxious about how they would do so in the future. This was particularly the case for respondents who owned their home and who were therefore solely responsible for the costs associated with maintaining it structurally (e.g. fixing roofs and leaks and keeping property warm and well-insulated) and in terms of decoration. To a lesser extent, this insecurity was also experienced by those in social housing or in the private rented sector if they felt that their Council/Housing Association were not responsive in attending to their property.

9.1.5 Attitudes and priorities

Attitudes around living on a low income greatly affected how materially deprived individuals felt and also how they prioritised and organised their spending. In particular, acceptance of financial limitations faced enabled them to prioritise goods and services and so cope with their low income situation.

Conversely, not accepting the need to change lifestyle in retirement as income changed, often led to respondents continuing to prioritise or feeling a significant lack in the activities that they had done in working life (e.g. trips abroad, regularly saving, or expensive leisure activities). This affected both their actual deprivation level as well as their feelings about deprivation. This lack of acceptance was particularly the case where respondents experienced a substantial drop in their income post-retirement.

9.2 Impact of factors on dimensions of material deprivation

Having summarised the factors which impacted on material circumstances, Table 9.1 provides further details on how these factors specifically affected four key dimensions of material deprivation:

- meeting basic needs (food and clothing);
- dealing with financial shocks;
- meeting housing needs (including paying bills); and
- social needs.

The first three factors were perhaps most apparent in their impact on pulling up material circumstances, and are therefore shown as pull factors here. Health issues were predominantly cited as a push factor, and are described in this way here. However, the alternative effects were of course also seen among respondents.

Table 9.1 Impact of key factors on dimensions of material deprivation

Factor	Basic needs	Financial shocks	Housing needs	Social needs
Presence of social support (formal and informal)	Daily/occasional help from family and friends to purchase food and clothing. Family and friends help to provide care. Government benefits (e.g. Pension Credit) helps meet day-to-day needs.	Family and friends help replace goods/ meet unexpected costs. Formal support from government (e.g. hardship fund, benefits) to meet these costs.	Family and friends provides financial/ material support in upkeep of property. Family and friends occasionally/ frequently help meet costs of day-to-day bills. Housing Association or local government help meet housing repair costs.	Family, friends and neighbours as an inexpensive source of social activities. Family and friends reduce social isolation (e.g. by visiting or calling).
Good financial management approaches	Helps to stretch out limited income. Reduces financial anxieties.	Helps provide a 'financial buffer' in case of emergencies.	Helps provide a 'financial buffer' in case of emergencies – e.g. boiler breaking down.	

Continued

Table 9.1 Continued

Factor	Basic needs	Financial shocks	Housing needs	Social needs
Living in a suitable area, with housing support	Costs of travel and house maintenance are kept low.		Housing Association or local government help meet housing repair costs.	Good transport links help those that do not have a car meet friends and family. Living in a safe area with good community feel helps individuals integrate into community and take advantage of social activities (e.g. faith organisations etc.).
Poor health	Requires additional food costs (e.g. better quality of food or because individuals need to eat more frequently). Costs of care and maintaining independence.		Extra costs around keeping house warm. Not being able to maintain/repair property on own.	Not being able to socialise/go out without help. Not able to engage in some inexpensive social activities (e.g. taking walks).

The above table illustrates two key points. Firstly, that each of these factors had far reaching implications across all four dimensions. Secondly, that there was a degree of interrelationship between some of the factors – particularly social support, attitudes and health. For example, social support from family or friends helped to cushion the impact of poor health, and enabled respondents not to spend money obtaining a more formal form of care. Likewise, flexible attitudes and priorities were able to help respondents come to terms with their poor health and challenges meeting basic costs and/or financial costs.

9.3 Issues for wider discussion

The findings raise a number of issues that have implications for the wider reach of policy-making.

Firstly, the variability in the financial and non-financial cost of living in different local areas, which often rests on the differences between rural and urban localities, means that material deprivation can occur for quite different reasons, for example high rents, high transport costs, poor access to local amenities. The value to pensioners of government investment in free or reduced public transport provision, and considerations relating to local planning and development is high.

Government support also plays a key role in helping lower the costs of housing and the maintenance of pensioners’ homes, which not only formed a significant component of expenditure for some home owners, but also led to anxiety about rising future costs. In part, such government support comes through schemes that subsidise heating and insulation, but awareness of schemes was not always very widespread. The support provided for pensioners in social housing was a significant factor in reducing the costs of home upkeep, as well as reducing anxieties. However, pensioners

were experiencing a reduction in cost-free support from Housing Associations, and were anxious about the implications for meeting their housing needs.

Independence in retirement was a strong aspiration for people, and the onset or deterioration of their physical and mental capacity had a significant influence on their material circumstances, not least because of the increased costs associated with ill-health and reduced mobility. These costs include medical and care costs, as well as additional transport and housing costs. For people receiving disability benefits, these are considered a great help toward meeting extra costs. However, lower levels of reduced physical capacity may not meet benefit eligibility criteria, but may nonetheless impact on independence in relation to carrying out the daily activities that help keep people out of material deprivation – decorating a room, meeting a friend. This report shows that informal support from family or local community has a central role to play in plugging the gaps in material circumstances as people’s capability gets more restricted.

Finally, the evidence shows that ability to cope with living on a low income is strongly influenced by financial capability and knowledge, so that income can be stretched to avoid material deprivation, and finances are structured in a way that effectively deals with financial shortfalls. Awareness-raising campaigns aimed at people approaching retirement as well as those already retired could play a valuable role in helping people maximise limited resources: looking, for example, at reducing fuel bills or options for ad-hoc paid work in retirement. Education campaigns could also help inform people about the most effective way to use savings, insurance and debt to help cover unexpected costs.

Appendix A

The pensioner material deprivation indicator

Appendix A describes the Department for Work and Pensions' (DWP) pensioner material deprivation indicator.

Please note it was not possible to fully replicate the material deprivation indicator approach for this qualitative research project. For details of the methodology followed by this qualitative research project, see Appendix E which describes the sample design.

A.1 Background

Material deprivation uses a set of goods, services and experiences, judged using independent academic research to be the best discriminators of deprivation. People are asked if they have the items and if not, why, with responses used to judge if they are materially deprived.

Material deprivation questions for children have been asked in the Family Resources Survey (FRS) since 2004/05 and a DWP Working Paper¹⁷ concluded that standard questions are not appropriate for pensioners as they tend to respond 'do not want' rather than 'cannot afford'. A new set of questions were developed for pensioners¹⁸ and introduced to the FRS in 2008/09. Those benefit units that contained someone aged 65 or over were asked these questions. Some of the items differ from the questions for children but the key difference is that the reasons for lacking items have been expanded beyond 'cannot afford' to reflect that deprivation also occurs due to ill-health, disability or social isolation.

A.2 Material deprivation indicator methodology

The new indicator was introduced to the Households Below Average Income (HBAI) series in May 2011 as a National Statistics series using data from 2009/10 onwards. These showed the percentage of pensioners by quintile who owned each of the items, along with the most common reason given for those cases where they did not have the item.

The key aspects of the methodology which build up to an indicator are as follows:

- Definition of deprivation.
- Weighting of the questions to create a deprivation score.
- Threshold of deprivation.

¹⁷ McKay, S. (2008) *Measuring material deprivation among older people: Methodological Study to revise the Family Resources Survey questions*. Working Paper No. 54. DWP: London.

¹⁸ McKay, S. (2008) *Measuring material deprivation among older people: Methodological Study to revise the Family Resources Survey questions*. Working Paper No. 54. DWP: London.

A.2.1 Definition of deprivation

If a pensioner has the item asked about then they are clearly not deprived for that item. Where a pensioner lacks one of the material deprivation items, it is possible for them to give one or more of the following reasons:

- A. I do not have the money for this.
- B. This is not a priority for me on my current income.
- C. My health/disability prevents me.
- D. It is too much trouble/too tiring.
- E. There is no one to do this with or help me.
- F. This is not something I want.
- G. It is not relevant to me.
- H. Other.

These reasons go beyond deprivation caused by financial restraints to include ill-health, disability and social isolation. Individuals responding with any of reasons A to E and H are counted as being deprived for that item.

Given the importance of some of these non-financial aspects for pensioners and as possible drivers for deprivation it is important to include a wide range of these follow ups in defining deprivation. To illustrate this, two pensioners can be considered who lack the same items – e.g. a filling meal, unable to keep house warm, cannot go out socially once a month – where one lacks them because they cannot afford it and the other due to their ill-health/disability or social isolation. These would both be considered as deprived on that item because inclusion of any of the follow ups A–E and H classes the pensioner as deprived for that item.

A.2.2 Weighting of the questions to create a deprivation score

Following the stage above, it is clear for each pensioner whether they are deprived or not for each individual item. In order to assess their deprivation level across all of the questions prevalence weighting is used to weight together their responses to create an overall score. Prevalence weighting is based on the idea that the more commonplace an item is within society, the more severe is the deprivation when a person does not have it. The 15 material deprivation questions are diverse and have different ownership levels in the population, so lacking certain items can indicate different levels of severity.

A weight is allocated to each item, defined as the prevalence of ownership in the overall pensioner population for that individual item. This is then divided by the sum of these weights across all the questions. The weights are multiplied to 100 to make them easier to interpret as a final score. Where a pensioner is deprived for a given question they are allocated that score. Scores are then added up across all of the items for each pensioner giving scores ranging from 0 (having all the items) to 100 (lacking all the items).

A.2.3 Threshold of deprivation

Following the stage above, each pensioner has a score between 0 and 100 which needs to be judged against a deprivation ‘threshold’ to define who is deprived and who is not. A threshold of 20 is used for the pensioner material deprivation indicator – the independent academic paper noted that setting a threshold between 15 and 20 would be credible and defensible on academic grounds.

It noted specifically that a threshold of 20 would be: ‘...seen as plausible... consistent with fewer pensioners being materially deprived than other groups.... consistent with other studies of material deprivation....’¹⁹. A threshold of 20 would class anyone who lacks four of the items as deprived and all those who lack just two items as not deprived. For pensioners who lack three items, some of them would be classed as deprived and some not, depending on the specific items because of the weighting.

A.2.4 Pensioner material deprivation questions

First set of questions (Yes/No response):

- Q1. Do you eat at least one filling meal a day?
- Q2. Do you go out socially, either alone or with other people, at least once a month?
- Q3. Do you see your friends or family at least once a month?
- Q4. Do you take a holiday away from home for a week or more at least once a year?
- Q5. Would you be able to replace your cooker if it broke down?
- Q6. Is your home kept in a good state of repair?
- Q7. Are your heating, electrics, plumbing and drains kept in good working order?
- Q8. Do you have a damp-free home?
- Q9. Is your home kept adequately warm?
- Q10. Without cutting back on essentials, are you able to pay regular bills like electricity, gas or Council Tax?
- Q11. Do you have a telephone to use, whenever you need it?
- Q12. Do you have access to a car or taxi, whenever you need it?
- Q13. Do you have your hair done or cut regularly?
- Q14. Do you have a warm waterproof coat?
- Q15. Would you be able to pay an unexpected expense of £200?

If answered no at Q1–14, ask follow-up question for each relevant response:

Why do you not/would you not be able to [item where no stated at Q1–14]?

- A. I do not have the money for this.
- B. This is not a priority for me on my current income.
- C. My health/disability prevents me.
- D. It is too much trouble/too tiring.
- E. There is no one to do this with or help me.
- F. This is not something I want.
- G. It is not relevant to me.

¹⁹ McKay, S. (2009) *Using the new Family Resources Survey question block to measure material deprivation among pensioners*. Working Paper 89, DWP: London

H. Other (not on showcard).

I. DK (not on showcard).

If answered yes at Q15, ask follow-up question:

How would you pay for this [unexpected expense of £200]?

A. I would use my own income but would need to cut back on essentials.

B. I would use my own income but would not need to cut back on essentials.

C. I would use my savings.

D. I would use a form of credit (e.g. credit card or take out a loan).

E. I would get the money from friends or family as a gift or loan.

F. Other (not on showcard).

G. DK (not on showcard) .

Appendix B

Recruitment letter

This opt-out letter sent to all selected respondents.

Dear [NAME]

Exploring finances and living standards amongst older people

You may remember taking part in a survey earlier this year about your household finances. This survey was carried out by the National Centre for Social Research (NatCen), and you said at the time that you were happy to be re-contacted about other research projects. I am writing to you now to find out whether you are interested in taking part in a follow-up study. Like the survey, this study is being funded by the Department for Work and Pensions (DWP) and is going to be carried out by NatCen.

This follow-up study is exploring older people's views about their living standards, their housing, the area in which they live, and their general approach to managing their finances. This research is crucial in helping us understand people's views and attitudes towards their living standards, and their pension and benefits.

Participation in the study involves a face-to-face interview with a NatCen researcher. The interview will last no longer than 1.5 hours and will be at a date and a time that are convenient for you and in the convenience of your own home.

It's important to say that taking part is voluntary so you do not have to say yes. If you do agree, you can change your mind at any time. If you take part in this voluntary study, your answers will be treated in strict confidence in accordance with the Data Protection Act. The findings of this study will not identify you or your family. The names of those who take part will only be known to NatCen and will be used only to help them get in contact with you. Whether you decide to take part in the research or not, and what you say to the interviewer if you do, will not affect your entitlement to any benefits or tax credits, or any other dealings with the Department for Work and Pensions, now or in the future. Everyone who takes part will be given £20 as a 'thank you'. This will not affect any benefits you may receive.

If you do not want to take part or have any questions about the research, please let NatCen know by [DATE]. You can contact them on FREEPHONE [NUMBER] or via email, mehul.kotecha@natcen.ac.uk. Alternatively, you can complete the enclosed form and use the Freepost addressed envelope. If NatCen has not heard from you by the above date, you may receive a phone call from them inviting you to take part in the study.

Please read the enclosed information leaflet for further information about the study. We very much hope you will agree to help us with this research.

Yours sincerely

James Holland, The Department for Work and Pensions

Appendix C

Topic guide

Interview aims: The aim of the research is to provide a rich description of the household finances, living standards and money management amongst older people over the State Pension age. This will be done with the purpose of exploring what factors shape whether people feel they are materially deprived, and what role their income may play in this. This will involve exploring their:

- **Financial circumstances** – including their income levels and sources, as well as their perceptions about this; and
- **Material circumstances** – their living standards in relation to their health, key goods, services and experiences. This includes their housing situation, their ability to afford key goods and services, and their attitudes towards whether or not they have or want these key material goods and experiences.

Guidance for interpretation and use of the topic guide: The following guide does not contain pre-set questions, but rather lists the key themes and sub-themes to be explored with each participant. It does not include follow-up questions like ‘why’, ‘when’, ‘how’, etc. as participants’ contributions will be fully explored throughout in order to understand how and why views and experiences have arisen. The order in which issues are addressed and the amount of time spent on different themes will vary between interviews.

Introducing the study to participants

- Introduce self and the National Centre for Social Research (NatCen) (emphasising the independence of NatCen)
- Introduce the study
 - A study which explores older people’s views about their living standards. This includes how people view their financial and material circumstances, such as their housing situation and their general approach to managing their finances.
- Details about their participation
 - Why they have been selected – they participated in the Family Resources Survey (FRS) survey and they agreed to be contacted again for other projects.
 - Voluntary nature of participation – (IMPORTANT TO STRESS) both overall and in relation to any specific questions; drawing the participant’s attention to the fact that the nature of the discussion will mean there is a need to ask for some quite personal information and that the participant should feel free to let us know if they are uncomfortable sharing any information that we request
 - Recording of the interview – to have an accurate record of what was said; held securely by the research team
 - Confidentiality – and how findings will be reported
 - Length of interview – no longer than 1.5 hours

Use of visual material

- We will be using visual material at various points in the interview as a way of reflecting on various topics.

C.1 Background information

[Aim: to gather factual information on participant's pre-retirement circumstances, as well as current living situation. This is done with a view to ease them into the interview and collect contextual material]

Estimated coverage time: no more than five minutes

Explore participant's current living arrangements and work status

- Current living arrangements
 - Live alone
 - Live with partner [is partner retired?]
 - Live with family. If so:
- Do they have any dependents?
- Do they support any non-earnings adults?
- Are there earning adults that contribute to household?
- How long they have lived there
- Explore whether they work and, if so, what they do. Are they in:
 - full-time employment?
 - part-time employment (state hours worked)?
 How long have they been in that situation?

Explore briefly the main forms of employment during working life [Interviewer: keep this brief and factual]

- Whether there were any periods out of work, the reasons for this (e.g. parenting, unemployment, disability) and the impact that has had?

Explore if they currently have any health-related issues [Interviewer: keep this very brief and factual, the impact of these will be discussed later].

- Explore the broad nature of these.

Explore what financial provisions they had planned for retirement [Interviewer: keep this very brief and factual].

- Explore details of their pension provision:
 - The number of pensions they have.
 - The type(s) of pensions they have.

- Explore whether there were any key events/incidents that affected their financial planning for retirement [*Interviewer: allow participant to spontaneously answer and then prompt. Keep this brief*]:
 - Events in working life – e.g. redundancies, shifts in type of employment or mode of employment.
 - Events in personal life – e.g. divorce.

C.2 Current financial situation

[Aim: to gather factual information on their current sources and level of income, savings and expenditure in retirement, as well as to explore how important these are to their standard of living]

Estimated coverage time: 30 minutes

C.2.1 Description of situation

Explore all the income streams they draw on in retirement [*Interviewer: this may require a light touch as participants may refer back to the financial streams in Section 1*].

- What are the streams of income they are using to live on in retirement (*for each, ask the participant to state how much they receive on a weekly or monthly basis*):
 - State Pension?
 - Occupational pensions (taken out with an employer)?
 - Income from annuity?
 - Private pensions (e.g. taken out with a bank)?
 - Savings?
 - Property (rent or other income received from property)?
 - Benefit income (e.g. HB, CTB, DLA) Prompt particularly about whether they claim Pension Credit? If not, why not?
 - Earnings?
- For each income stream, explore:
 - How regular and stable is this income?
 - How often do they receive this income?
 - Does it tend to be the same week in week out or changeable? Why?
 - Is this their own income or is it joint with a husband/wife?
- Whether there is any income coming into household from anyone else
 - Who do they receive it from?
 - What form does this take?
 - Occasional gifts
 - Regular/irregular financial support

Explore details around any assets or savings they have in retirement (*where appropriate, ask the participant to state the amount of assets/savings they have*).

- What level of savings do they have [broadly]?
- What other assets do they have (e.g. company shares, other forms of shares, other properties owned)?
- Pension still to annuitise/pension not yet drawing an income from?
- Equity release? Remortgage?

Explore changes in financial circumstances in the last year [*Interviewer: particularly address this question to the ‘very low income’ group*].

- If so, how have they changed (e.g. expenditure, income)?
- Probe around whether they can recall taking part in the FRS survey (between April and September 2011). If so:
 - was that a typical week financially in terms of income and expenditure?
 - how do their current circumstances compare to when they took part in the FRS?

Briefly explore participants’ broad patterns of expenditure in retirement [*Interviewer: If helpful, allow participants to visually note the amount spent on various items using a pie diagram, where each slice of the circle represents different types of expenditure*]

- Do they have any housing costs?
 - If so, how much is it and what form does it take (e.g. mortgage, private rent, subsidised rent to Housing Association)?
- What are the key items of expenditure in retirement:
 - This could include retired households continuing to support children either now or in the future (e.g. children still living at home)?
 - Transport (car and other)?
 - Telephone/TV/internet?
 - Bills?
 - Food?
 - Socialising?
- Are they still paying into a pension or savings?
- If they have taken a lump sum of their pension on retirement, what they did they spend it on?
 - Holidays?
 - Invest it?
 - Replace expensive items (e.g. car or boiler)?
- Any debts? How much, why, what is the repayment?

C.2.2 Views of situation

Explore their views on their income and consumption in retirement:

- Broadly, how do they feel about their income in retirement?
 - What does their income allow them to do? For example:
- Financial security – e.g. able to pay the bills, having regular meals, access to car/taxi, able to pay unexpected expenses?
- Independence – e.g. not rely on friends, family or state?
- Lifestyle choices – e.g. have hair cut?
 - What does it stop them from doing? *[Interviewer: use above prompts]*
- How do they feel about their consumption patterns in retirement?
 - What do they think about the type of things they spend their money on?
- How does their income and consumption compare with:
 - Others (e.g. friends and family)?
 - Their working life – are there any differences? What are these?
 - Expectations they had about their income in retirement?

Explore whether they would like a change in their consumption *[This may require a light touch as material circumstances are discussed in the next section]*

- Are there certain things/services they don't have access to?
 - What are these?
 - ~ Transport (car and other)?
 - ~ Telephone/TV/internet?
 - ~ Bills?
 - ~ Food?
 - ~ Socialising?
 - Which of these things/services do they prioritise and why?
 - Why they feel they cannot access them? For example:
 - ~ Financially can't afford them)
 - ~ Don't want them
 - ~ Don't need them
 - What impact the absence of these have on their standard of living?
- Are they financially able to replace key goods (e.g. white goods, such as cooker)?

Explore views on savings

- Why they have/do not have savings?
 - Is there anything they don't like about their savings approach/levels?
 - What value do they place on them?
 - Saving for a rainy day (if so, what constitutes a rainy day?)
 - Security into retirement?
 - What kinds of things would they spend their savings on?

Explore about their views on being able to manage financially *[Interviewer: cover if there is time]*.

- What does being able to manage financially mean to them?
 - Keeping up with others?
 - Making ends meet etc. ... ?
- What form does their financial management take?
 - Time period (day-to-day, week by week or monthly)?
 - Tailoring needs/expenditure to income?
 - Other ways of looking at financial management?
- How easy/difficult is it to manage financially and why *[Interviewer: this may require a light touch as participant may refer to the above]*

C.2.3 Current material circumstances

[Aim: this section explores participant's access to the sets of goods, services and other experiences which are important to their standard of living and their views on this].

Estimated coverage time: 35 minutes

Explore opportunities to be socially active:

- Broadly, how would they describe their social life in retirement?
 - Who do they socialise with (e.g. friends, family) and how often?
 - What other social activities do they do on a regular basis (e.g. eating out, going to the pub, interest activities)?
 - Are they able to go on holidays? How often and which kind of locations?

Interviewer: for all of the above, explore any reasons why participant is not able to be socially active – i.e. why they may not be able to socialise, engage in social activities and/or go on holiday. This may include the following reasons:

- Not having the money for this.
- This not being a priority.
- Health preventing them.
- Too tiring/too much trouble.

- No one to do these activities with or help them.
- It is not something they want.
- How do they feel about their social life?
 - Does it meet their needs? If so, why?
 - If not, why not? And what would they change about it?
- How does their social life compare with:
 - others (e.g. friends and family)?
 - their working life – are there any differences? What are these?
 - expectations they had about their social life in retirement?

Explore any support they receive from organisations

- Who do they get support from and what type of support do they receive in each case (e.g. meals on wheels, day centre, dial a ride)?
 - Local authority organisations?
 - Faith organisations?
 - Third sectors organisations (e.g. voluntary groups, AgeUK)?
 - Health-related organisations (e.g. GPs or health services)?

Explore their social support networks *[Interviewer: draw attention to any financial help respondent specified in section 1].*

- Broadly, how would they describe any support they receive from others?
 - Who do they receive support from?
 - What kind of support do they receive and how often (e.g. physical support, financial support, emotional/social support)?
- Explore issues around any gaps in the support they receive? What impact does this have on their standard of living?

Explore how they would describe their housing situation *[Allow participants to answer spontaneously and, if helpful, invite participants to note their views using the visual tool on their housing situation].*

- Broadly, how would they describe their housing situation?
 - How do they feel about the state of repair (e.g. damp, decoration)?
 - How do they feel about the state of basic amenities (e.g. plumbing, electrics and drains)?
 - How they feel about the size of the property (E.g. number of rooms, number of bedrooms)?
- How do they feel about being able to maintain the property?
 - Keeping the house heated?
 - Feelings around maintenance in relation to tenure? *[Interviewer: for each, explore how easy/difficult is it to maintain properties and how responsive landlords are to maintenance issues]*

~ Private rented?

- Are there maintenance issues? How frequently do they happen in a year?
- How responsive is the landlord?
- Does participant know how to organise help and support?

~ Social housing (e.g. councils and Housing Associations)?

- Are there maintenance issues? How frequently do they happen in a year?
- How responsive is the landlord?
- Does participant know how to organise help and support?

~ If they own their own home:

- Do they know people that can help them?
- Can they afford to pay trades persons?
- Who organises help and support and maintenance (They do, spouse, friends, family, organisations)?

– Does anything else have an impact on their ability to maintain property?

• How does their housing situation compare with:

- others (e.g. friends and family)?
- their working life – are there any differences? What are these?
- expectations they had about their housing in retirement?

• Overall, how would they sum up their feelings about their housing conditions?

- Broadly, how would they describe their feelings (e.g. happy, proud, gets them down)?
- What about their housing condition makes them feel this way (e.g. internal/external condition of the house, maintenance, other residents)?

Explore their views on the area in which they live *[Allow participants to answer spontaneously and, if helpful, invite participants to note their views on the area using the area visual tool. Interviewers can also introduce their own observations about the area as probes and prompts].*

• Broadly, is this an area they would choose to live?

- If so, why?
- If not, why not?

• What do they like about their area?

- Amenities (e.g. refuse collection, libraries, supermarkets, GP surgeries, hospitals, age specific services)?
- Other local residents (e.g. age groups in local area, anti-social behaviour etc. ...)?
- Crime and safety (including vandalism)?
- Transport (e.g. public transport links)?

- What do they dislike about their area?
 - Amenities (e.g. refuse collection, libraries, supermarkets, GP surgeries, hospitals, age specific services)?
 - Other local residents (e.g. age groups in local area, anti-social behaviour etc. ...)?
 - Crime and safety (including vandalism)?
 - Transport (e.g. public transport links)?

Explore whether there is anything else important to feel materially comfortable in retirement

- Nature of item (goods, services, experiences)
- Why they are considered important and how important
- Participant's access to these and any impact of a lack of access to these

C.2.4 Health, disability and mobility

[Aim: to gather factual information about their health and views on how important this is to their standard of living]

Estimated coverage time: 10 minutes

Explore whether they experienced any health/disability issues when they were working [*Interviewer: this may require a very light touch if already covered in Section 1*].

- Explore the broad nature of these.
- Explore what impact these had on their working life:
 - Their ability to work.
 - Types of work they did.

Explore the impact of any health issues they currently have on their life.

- Explore what impact these have on their life:
 - Financially.
 - Social life.
 - Independence.

C.2.5 Exploring the relationship between income and living standards

[Aim: this section explores their views the relationship between income and feeling materially comfortable] Estimated coverage time: 5 minutes

Of all of the factors discussed which of these are important to their feelings about their living standard?

- Which factor(s) are important?
- Why these factors?
- Which are the least important factors?

- Is their income important in feelings about their lifestyle?
- If so, how important is it and in what way does income affect the material standard of living?
- If not, why not? What are the other factors most important in defining whether someone feels materially comfortable?

End

- Ask if there is anything we have not covered on their feelings about their standard of living in retirement?
- Thank them for taking part and give reassurances about confidentiality.
- Field questions and leave an information leaflet giving contact details for free financial advice.

Appendix D

Proforma used for light touch observations prior to interviews

This proforma was for the researcher's use only. It helped to collect thoughts around key issues which could then be sensitively introduced during the course of the interview, where appropriate.

Issue	Observational comments
Crime For example: <ul style="list-style-type: none">• Vandalism• Discarded cars• Fly-tipping• Neighbourhood watch presence	
Transport links For example: <ul style="list-style-type: none">• How easy it is to use public transport (e.g. proximity of station and bus stops)• State of roads	
Housing For example: <ul style="list-style-type: none">• Private housing/social housing• Repair/disrepair of housing	
Amenities For example: <ul style="list-style-type: none">• Proximity of supermarkets/shops• Proximity of key financial amenities – e.g. post offices and banks• Libraries• Community centres• Churches	
Residents <ul style="list-style-type: none">• General observations around age of residents and social/anti-social behaviour	
Environmental factors For example <ul style="list-style-type: none">• Noise and light pollution• Air quality• Refuse	

Appendix E Sample design

E.1 Introduction

The sample for this study was selected from Family Resources Survey (FRS) data collected in April 2011 to September 2011. This is the same data source used by the Department for Work and Pensions (DWP) to calculate the 2010/11 Households Below Average Income (HBAI), which includes the 2010/11 Pensioner Material Deprivation Indicator. At the time the sample for this study was drawn, the HBAI for 2010/11 had not yet been calculated by DWP and therefore the National Centre for Social Research (NatCen) had to estimate material deprivation and low income based on 2009/10 FRS data. This was necessary because the aim of the study was to explore the experiences of people living on low incomes and in material deprivation as defined by HBAI. NatCen replicated DWP HBAI methodology wherever possible and this approach and all estimates were agreed with DWP. Full details of how the sample was drawn are provided below.

E.2 Step 1: Missing data

FRS respondents are asked a large number of questions about different sources of income and occasionally data may be missing from one or more of these income variables. To produce HBAI statistics, DWP uses an established methodology to impute missing data which is necessary to calculate a single income figure from the many possible sources of income which are recorded in the FRS. Imputed missing income data was not available to NatCen at the time the sample was drawn. Rather than impute missing data, (which is important when using the data for analysis), NatCen excluded cases with any missing income data, which was more appropriate when using this data for sampling.

E.3 Step 2: Calculating income

As the single income figure calculated for HBAI was not available at the time the sample was drawn, NatCen had to calculate this figure in order to select the sample. NatCen used a method it has developed and used in a number of other studies to calculate income levels from the numerous possible sources of income recorded in the FRS. This method was agreed with DWP.

E.4 Step 3: Calculating equivalised household income

In order to establish which respondents to the FRS were living on a low income, it was necessary to adjust household income by household size and composition in order to make it possible to compare incomes. Household incomes were divided by household equivalence factors which vary according to the number of adults and the number and age of dependants in the household.

NatCen replicated the equivalisation approach used by DWP for the HBAI which uses the Organisation for Economic Co-operation and Development (OECD) equivalisation scales. The equivalisation ratios are added up for each member of the household and then the total household income is divided by that figure.

Table E.1 Equivalisation scales

Equivalisation scales	OECD 'Companion' Scale to equalise AHC results
First adult	0.58
Spouse	0.42
Other second adult	0.42
Third adult	0.42
Subsequent adults	0.42
Children aged under 14 years	0.2
Children aged 14 years and over	0.42

E.5 Step 4: Establishing the household median income thresholds

As the 2010/11 HBAI figures were not yet available at the time the sample was drawn, DWP provided NatCen with household median income values calculated from the 2009/10 HBAI figures and adjusted for inflation to 2011 values. These figures provide a cash value equivalent to a percentage of household median income, for example a household income of below £185 was 50 per cent of household median income.

Table E.2 Household median income thresholds

Group	Threshold	Cash Equivalent
Very low income group	Below 50% of household median income	Below £185
Below the poverty line group (excluding Very low income group)	Between 50% and 60% of household median income	Between £185 and £223
Above the line group	Between 61% and 70% of household median income	Between £224 and £259

E.6 Step 5: Establishing which individuals are in material deprivation

The next stage of the sampling was to establish which of the FRS respondents were materially deprived. As the 2010/11 HBAI figures were not available, NatCen replicated DWP's methodology for calculating which individuals were living in material deprivation from the 2010/11 FRS data, which is the same data source used by DWP to calculate material deprivation.

The material deprivation indicator is made up of 15 questions and each of the 15 questions has a follow-up question. On the first 14 questions, there are follow-up probes if a 'lacking' answer is given. The options are:

- A. I do not have the money for this.
- B. This is not a priority for me on my current income.
- C. My health/disability prevents me.
- D. It is too much trouble/too tiring.
- E. There is no one to do this with or help me.
- F. This is not something I want.

- G. It is not relevant to me.
- H. Other.

All but options F and G would count as deprived for that item.

In Question 15, there is a different set of follow-up questions, but these probe ‘yes’ answers instead (ie, how this would be afforded). Only a ‘no’ counts as deprived so the follow-ups are ignored in the calculations.

All the lacked items then need to be added together. They are first given a weighting to adjust for the prevalence of the item within the sample population. However, as the weighting for the 2010/11 FRS data was not available at the time of this study, it was agreed with DWP to use weighting calculated from the 2009/10 FRS data. As the prevalence weights change little from one year to the next, this approach was considered to be appropriate.

Table E.3 Prevalence weighting

Question	Final scores (for prevalence weighting based on 2009/10)
At least one filling meal a day	7.34
Go out socially at least once a month	5.38
See friends or family at least once a month	7
Take a holiday away from home	4.2
Able to replace cooker if it broke down	6.52
Home kept in good state of repair	7.1
Heating, electrics, plumbing and drains working	7.27
Have a damp-free home	6.99
Home kept adequately warm	7.08
Able to pay regular bills	7.1
Have a telephone to use, whenever needed	7.31
Have access to car or taxi, whenever needed	6.54
Have hair done or cut regularly	6.55
Have a warm waterproof coat	7.24
Able to pay an unexpected expense of £200	6.36

The weighting scores were then simply added together. So if everything was lacking, an individual would have a score of 100; if nothing was lacking a score of zero. DWP consider someone with a score of 20 or above to be materially deprived.

The ‘materially deprived group’ selected for sample all had a score of 20 or above and those in the ‘not materially deprived group’ had scores between 15 and 19. None of those sampled had a score below 15.

E.7 Step 6: Purposive selection

The final stage in the sampling process was to ensure those selected in the sample had a mixture of characteristics. In addition to the characteristics set out in the table below, respondents were also selected from around the UK, living in range of different rural/urban environments.

Table E.4 Characteristics of interviewees

Sample criteria		Interviews achieved
Income group (FRS data)	61–70% of median income	8
	50–60% of median income	14
	Below 50% of median income	7
Material Deprivation	Materially deprived according to FRS	16
	Not materially deprived according to FRS	13
Age	65–74	16
	75+	13
Gender	Male	15
	Female	14
Household status	Single	17
	Lives with others	12
Housing situation	Home owner	10
	Tenant	19
Health	Has health condition	19
	Does not have health condition	10
Total number of respondents		29

E.8 Data analysis

It was initially intended that analysis for this project would mirror DWP's analysis of quantitative data by contrasting individuals who had different income levels and those who were materially deprived with those who were not. However, this analysis proved to not be very insightful because all those interviewed were on a relatively low income of 70 per cent of household median income or less and it was not possible to identify meaningful differences between the groups.

Instead, NatCen's analysis of the data showed rather than individuals being either materially deprived or not, all the respondents experienced deprivation in at least some aspects of their life. For this reason, analysis was conducted on the basis that individuals experienced a sliding scale of material deprivation. This approach led NatCen's analysis to deviate from the FRS-based definition of material deprivation and instead focus on to what extent individuals felt materially deprived in various aspects of their lives. This approach was considered appropriate and compatible with DWP's quantitative data analysis, due to the robustness of the initial sample and because this was an exploratory qualitative research project.

In the qualitative interviews, respondents' income levels differed from what was reported in the FRS. For the purposes of analysis and reporting, NatCen used income levels collected from their qualitative interviews.

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DWP publishes statistics on pensioners living on low incomes in the annual Households Below Average Income (HBAI) series. 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, 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.

This report was commissioned to enhance understanding of the relationship between pensioner material deprivation and low income. It gives detailed insights into older people's lived experiences of deprivation, captured through face-to-face qualitative interviews. This research also seeks to explain why some pensioners are below the poverty threshold but not materially deprived and others are materially deprived even though they are not below the poverty threshold.

The fieldwork was carried out between February and April 2012.

If you would like to know more about DWP research, please email:
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