

**C|A|R|D|I** **GRANTS**  
PROGRAMME

**Research Brief**

**Inequalities in  
old age 2011**

### ***Ageing population: ROI***

- At the 2006 census, there were 468,000 people aged 65+ (11% of the population).
- By 2041, there will be 1.4 million aged 65 and over (22% of the population).
- Life expectancy is 76.8 years for men and 81.6 years for women.
- 95% of men and women aged 70 and over rate their health as very good (19%), good (50%) or fair (26%).
- 9.1% of people aged 65 and over are still in employment (Q2 2009).

### ***Ageing population: NI***

- In 2008, there were 248,500 people aged 65+ (14% of the population).
- In 2041 the 65+ age group is projected to make up 24% of the population.
- Life expectancy is 76.3 years for men and 81.3 years for women.
- 66% of people aged 70 and over rate their health as good (25%) or fairly good (42%).
- 9% of men aged 65 and women aged 60+ are still in employment (Q2 2009).

### ***Policy on pensions - ROI***

- The non-contributory state pension in ROI is €219.
- Following a green paper consultation, a National Pensions Framework was issued in March 2010. It sets out the key developments for the future of pension provision in ROI, including:
  - Mandatory social welfare coverage in retirement will continue, although the system will be simplified to a total contributions approach. The aim is to maintain a level of 35% of average earnings.
  - State pension age will increase to 66 in 2014, 67 in 2021 and 68 in 2028.
  - Employees will be automatically enrolled into a pension scheme with matching employer contributions as well as a state contribution through tax relief.
  - A single level of tax relief, 33%, will be contributed by the state to existing workplace and personal pensions.

### ***Policy on pensions - NI***

- The state pension in the UK will be £107.45 as of April 2012.
- Social security and pensions are technically transferred matters to the NI Assembly, but have parity with Great Britain.
- The Department for Work and Pensions sets pensions policy in the UK while delivery of pensions in NI is the responsibility of the Department for Social Development. Major reforms are being undertaken, including:
  - Restored link between the state pension and earnings or inflation of 2.5%, whichever is higher.
  - State pension age to rise from 60 to 68 for women and 65 to 68 for men.
  - A new savings vehicle aimed at lower earners, called the National Employment Savings Trust (NEST).
  - A duty on employers to automatically enrol all eligible workers into a workplace pension scheme and provide a minimum contribution of 3%. These measures are due to take effect in 2012 (May 2015 for small businesses).

## Introduction

The recession has affected many groups across the island of Ireland. It has increased the risk of poverty in both Northern Ireland (NI) and the Republic of Ireland (ROI). There have been severe cuts to benefits and further cuts are predicted. In October 2010 CARDI launched the report *Inequalities in old age: the impact of the recession on older people in Ireland, North and South* (CARDI, 2010). The research, led by Paddy Hillyard, Emeritus Professor of Queen's University Belfast, showed that the number of single pensioners in NI at risk of poverty had risen in the preceding six years<sup>1</sup>. In ROI, while the rate of pensioners at risk had fallen, the research showed that there was heavy dependence on the State pension for income, and benefit cuts were likely to affect pensioners heavily.

This follow-on study uses data from the Family Resources Survey in NI (Department for Social Development, 2010) and the EU-SILC in ROI (Central Statistics Office, 2009) to examine more closely the impact of the recession across the island of Ireland on the older population. It also uses the data to develop a harmonised All-Ireland Living Standards Index for Older People. This research brief presents the findings from both projects [Hillyard et al, (2010) and Hillyard & Patsios (2011)] and gives a picture of how the recession has impacted on the lives of older people in NI and ROI.

## Key findings

- 23% of pensioner couples and 39% of single pensioners in NI have no income on top of state benefits (Department for Social Development, 2010).
- In NI, the bottom fifth quintile of single pensioners receives just £93 per week and pensioner couples receive £169 per week. The bottom fifth quintile in ROI receives €209.41 on average (Department for Social Development, 2010) (Central Statistics Office, 2011b).
- 93% of people aged 65 and over in NI benefit from the state pension compared to 91% in ROI. 45% benefit from other pension income, compared to 32% in ROI. (Department for Social Development, 2010) (Department of Social Protection, 2010).
- Single pensioners in NI have the lowest standard of living but this has remained static. The living standards of single pensioners in ROI have worsened (Hillyard & Patsios, 2011).
- Living standards for pensioner couples deteriorated from before to the period during the recession in both NI and ROI (Hillyard & Patsios, 2011).
- Evidence suggests that as a result of the recession, older people are increasingly balancing their incomes between basic necessities, keeping their houses warm, going on holidays or paying bills (Hillyard & Patsios, 2011).

<sup>1</sup> The Households Below Average Income statistics released after the report indicate that there was a decrease in the risk of poverty among pensioners in NI (Department for Social Development, 2011). On the other hand, Family Resources Survey data for 2009-2010 show an increase in poverty among NI pensioners – 23%-28% for single pensioners and 23% to 25% for pensioner couples (Department of Work and Pensions, 2011).

## Background

In October 2010, Hillyard *et al.* found that pensioners in NI faced a significant risk of poverty. They reported that 23% of people aged 65+ were below the 60% median income level after housing costs, compared with 16% in the UK for the year 2008/09. Furthermore, single pensioners living alone had a 28% risk of poverty. The number of single pensioners at risk of poverty in NI had risen by 10,000 (57%) between 2002 and 2008, and pensioner couples by 8,000 (26%). Subsequent data shows that the risk of poverty has fallen slightly for pensioners in NI: the risk before housing costs was 31% in 2009 compared to 26% in 2010 (Department for Social Development, 2011).

Pensioners in ROI had fared better up to the time of the report. Notably the rate of pensioners in ROI at risk of poverty had fallen to 11.1% in 2008 from 24.7% in 2004. However, a key finding was that pensioners depend heavily on the State pension for their income and cuts such as the ending of the Christmas Bonus in 2010 were likely to cause hardship. In addition, the payment of the fuel allowance was reduced from a period of 32 weeks to 26 weeks in December 2011, further affecting the older population.

The 2010 Hillyard *et al.* research also identified particular groups within the older population that are at risk of poverty. Older women across the island of Ireland have a higher risk of poverty than men. Women receive fewer occupational pensions than men, and the value of the pensions is lower. The evidence suggested that this gap was growing. The CSO Thematic Report on the Elderly in 2011 showed that the average equivalised weekly gross income of older men in 2009 was €458.28, compared with €404.95 for older women, a difference of more than 13% (Central Statistics Office, 2011b).

## 2011 - The impact of the recession

Living standards are defined by Hillyard & Patsios as follows:

*“Living standards gauge the extent to which individuals and households have the capacity and freedom to own essential or desirable items and goods, participate in chosen activities and live in a decent home and neighbourhood and enjoy a representative or consensually-agreed list of norms and customs deemed important for living well in a prosperous society”.*

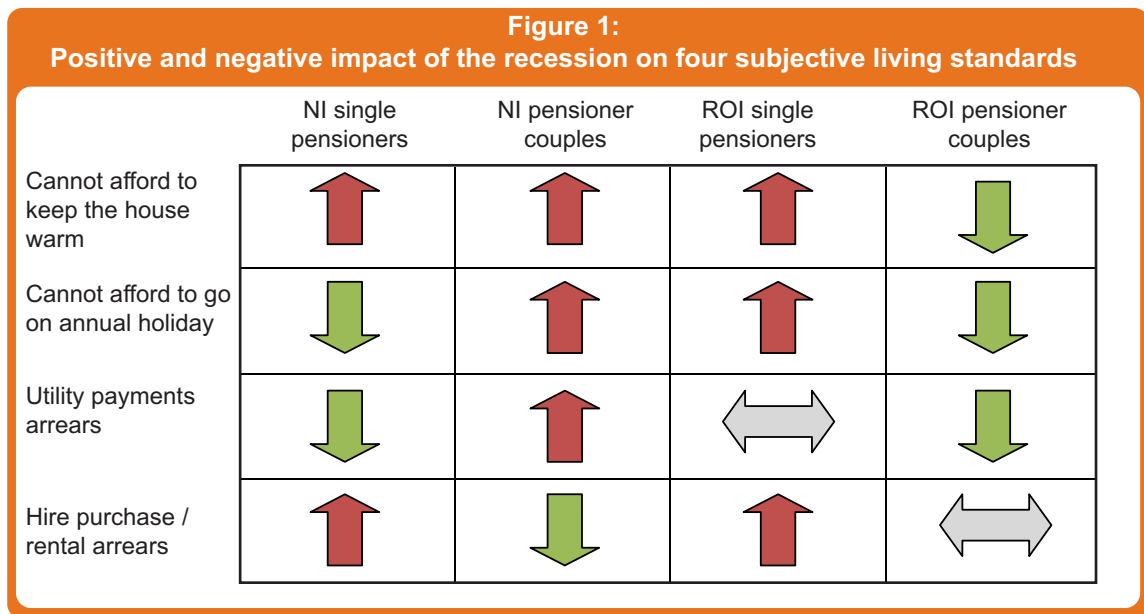
Using the Family Resources Survey in NI and the EU-SILC in ROI, Hillyard & Patsios compared six living standards variables:

- Unable to afford to keep the home adequately warm.
- Unable to afford one week annual holiday away from home.
- Unable to afford to utilities arrears.
- Unable to afford hire purchase / rentals arrears.
- Unable to afford a colour television.
- Lack of space (defined as an insufficient number of rooms for the number of persons).

### Balancing budgets and priorities between bills

Hillyard & Patsios illustrate that the recession is having a very real impact on all households, both North and South, including pensioners. The first impact is that single pensioners North and South and pensioner couples in NI are finding it more difficult to keep their homes warm. There has been an increase in the proportion of single pensioners in NI unable to keep their house warm, from 4% to 5.5%. In ROI, there has been a similar increase of 2.4% to 4.7% between 2007 and 2009. In NI, the numbers of pensioner couples struggling with heating their home has more than trebled from 2.2% to 6.9%, but there has not been a major increase in problems among pensioner couples in ROI.

The inability to pay bills is a key indicator of how the recession and resulting cuts to benefits are affecting different households. In NI, there has been a slight decline in the number of single pensioners (1.5% to 0%), but a slight rise in the number of pensioner couples (0% to 1.1%), who cannot afford to pay their utility bills. The trends are the opposite for the inability to cover hire purchase agreements, suggesting that single and pensioner couples may make different decisions on what to delay paying. In ROI, there has been a doubling from a very low base in the proportion of single pensioners unable to pay their utility bills (0.7% to 1.8%). There has also been a slight increase in the proportion of pensioner couples unable to pay these bills (1.3% to 1.8%). Similarly, there has been an increase in the number of single pensioners not able to pay their hire purchase agreements. However, there has been a slight decline in the proportion of pensioner couples unable to pay these agreements.



Source: CARDI, based on data in Hillyard & Patsios (2011)

Older people, North and South are reducing discretionary spending. Annual holidays appear to have been one of the first things which older people have cut back on. Whereas the proportion of single pensioners in NI who cannot afford an annual holiday has gone down slightly, there has been a large increase in ROI for this group, from 13.3% in 2007 to 40.5% in 2009. The proportion of pensioner couples who were unable to afford an annual holiday increased from 14.8% to 19.3% in NI and from 14.9% to 26.3% in ROI. Ownership of colour televisions and not having enough space in the dwelling were not affected by the impact of the recession.

## A living standards index for the older population

Hillyard & Patsios took four items on affordability (warm house, annual holidays, utility arrears and hire purchase / loan arrears) that are directly comparable between NI and ROI. These factors were then used to create an All-Ireland living standards index for older people (AILS-OP) which can be used to compare the impact of the recession on single pensioners, pensioner couples and non-pensioner households.

The mean scores are listed in Table 3 below. A higher mean score equates to higher enforced deprivation, *i.e.* an inability to afford an item or activity and/or indebtedness. It shows that single pensioners in NI have the lowest living standards, although this did not change before and during the recession. Single pensioners in ROI saw a sharp fall in living conditions, particularly between 2007 and 2008. Pensioner couples were the best off, but again, living conditions got worse in both NI and ROI for couples.

Table 1: Mean scores on living standard indices by household type, NI and ROI

|                                      | Northern Ireland   |                    |                    |                    | Republic of Ireland |              |              |              |              |              |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------|--------------|--------------|--------------|--------------|
|                                      | LSI4               |                    | LSI6               |                    | LSI4                |              |              | LSI6s        |              |              |
|                                      | FRS<br>2007-<br>08 | FRS<br>2008-<br>09 | FRS<br>2007-<br>08 | FRS<br>2008-<br>09 | SILC<br>2007        | SILC<br>2008 | SILC<br>2009 | SILC<br>2007 | SILC<br>2008 | SILC<br>2009 |
| Single pensioner                     | .24                | .24                | .26                | .26                | .17                 | .42          | .48          | .17          | .43          | .48          |
| Pensioner couple                     | .17                | .28                | .18                | .29                | .18                 | .35          | .30          | .19          | .35          | .30          |
| Non-pensioner household <sup>2</sup> | .47                | .51                | .50                | .53                | .35                 | .47          | .60          | .39          | .52          | .63          |
| Total                                | .40                | .44                | .43                | .47                | .31                 | .45          | .56          | .35          | .49          | .59          |

Source: Hillyard & Patsios, 2011

## Pensioner income in Ireland

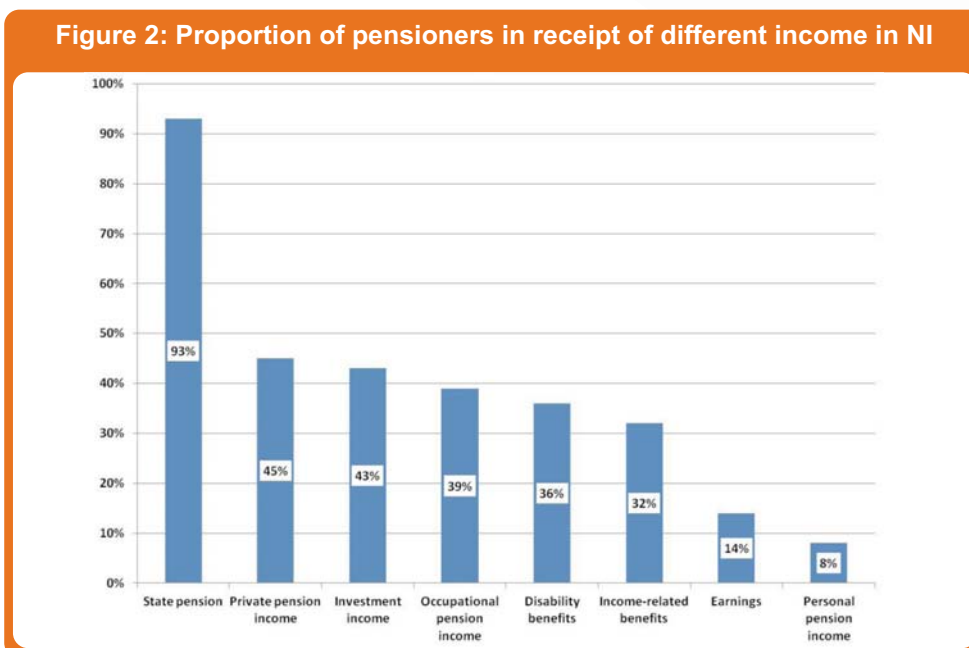
The contributory state pension in ROI is €230.30 for a single person and €436.60 for a couple. In NI, the basic state pension is £102.15 for a single person, rising to £107.45 in April 2012. The Pension Credit in NI guarantees a minimum income of £137.35 per week for single pensioners. The fuel allowance in ROI is €20 per week for 32 weeks, giving a total of €640 available to older people. In NI, the winter fuel payment is £200 for single pensioners under 80 and £300 for those over 80.

In NI the *Pensioners' Income Series 2008/09* shows that the bottom fifth quintile in terms of income for pensioners earns just £93 per week for single pensioners and £169 for pensioner couples. However, there is a wide variation of pensioner income with the average income for a single

<sup>2</sup> Non-pensioner households are treated as one homogenous group, while the results would look different (and pensioner households relatively better / worse off) if they were split into different household types, *e.g.* lone parents or couples without children households).

pensioner in NI rising to £227 per week. 71% of this on average is benefit income, 20% comes from an occupational pension while 4% comes from earnings (Department for Social Development, 2010). The average income for a pensioner couple is £468, with 42% constituting benefit income. However, 31% of pensioners have no private income at all, and just 29% of pensioners derive over half their income from private sources. Over half of the NI pension population (55%) has no income from a private pension. This highlights the risks of cuts to benefits for those with no private income who are dependent on state benefits.

**Figure 2: Proportion of pensioners in receipt of different income in NI**

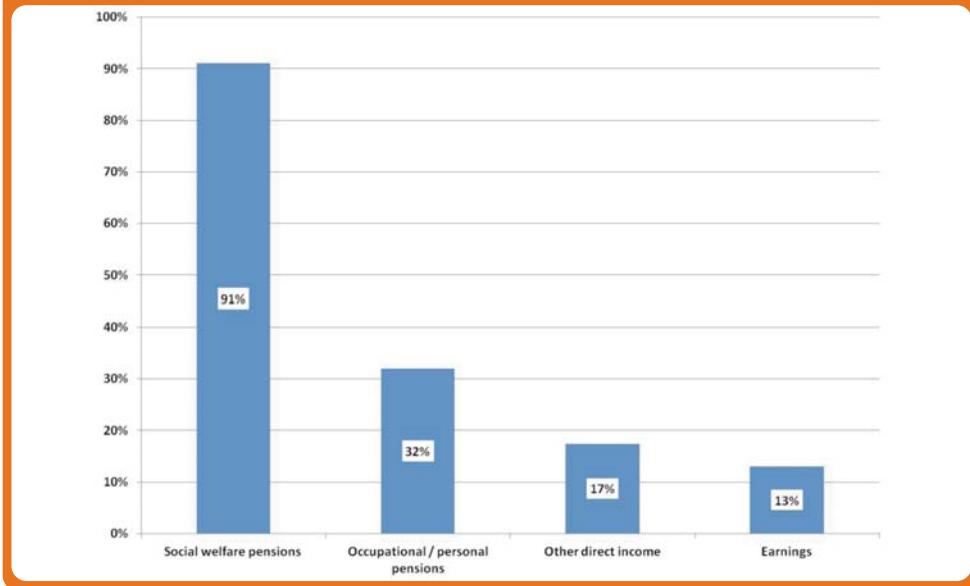


Source: Department for Social Development, 2010

In ROI the *Survey on Income and Living Conditions* figures show that the average equivalised gross weekly income for people aged 65 and over is €428.86 (Central Statistics Office, 2011b). On average, 58% of this income comes from social transfers. 16% comes from occupational pensions and 7% comes from earnings. The older age groups and women are particularly dependent on social transfers for income. For example in the over 80 age group, 71% of income on average comes from social transfers. For women, 67% of average income is from state benefits.

As with the figures from NI, some pensioners are very severely affected by cuts to social benefits. The bottom fifth quintile in ROI earns €209.41 on average, with 88% of this income coming from social transfers (Central Statistics Office, 2011b). 32% of all pensioners have income from occupational or personal pensions (Department of Social Protection, 2010).

**Figure 3: Proportion of pensioners in receipt of different income in ROI**



Source: Department of Social Protection, 2010

As Figure 3 shows, both ROI and Great Britain<sup>3</sup> do not compare well to other countries when it comes to how much income the state pension will provide in retirement for an average earner in terms of the percentage of their salary when working. An average earner in ROI can expect to receive 29% of his or her salary once they retire from the state pension. In Great Britain, the average worker can expect to receive 31.9% of their salary. These figures fall well below the OECD country average of 57.3%, and far below the levels of pension in countries such as Spain (81.2%), Denmark (79.7%) or Slovenia (62.4%).

**Figure 4: Pension income as a % of salary for the average earner across OECD and G20 countries**



Source: (OECD, 2011)

3 There is no separate data for NI in the OECD study.

## Equivalised household income measures

An important factor which can radically affect poverty measurement is the decision to equivalise household income. This is a technique to adjust for different household sizes so that the incomes can be compared<sup>4</sup>. Table 4 below provides the mean and median equivalised incomes for household types in the FRS (NI) and SILC (ROI) surveys. As the table shows, single pensioner households in both jurisdictions have the lowest mean and median equivalised household income and pensioner couples are just below non-pensioner households in terms of equivalised household income. Moreover, all household types have experienced rises in their equivalised income, except non-pensioner households in the South who have seen a large decline.

Contrary to Figure 1 and Table 3, people with the biggest increases in incomes also seem to have the worsening scores on deprivation. This suggests that income alone cannot explain increases in deprivation. The subjective measures of living standards may reflect expectations of future living standards, where people are making judgements not about their current situation but about the possible impact of the recession on their standard of living in the future (Hillyard & Patsios, 2011).

**Table 2: Equivalised gross weekly household income, by household type and survey year**

|                                |        | Northern Ireland<br>(£/week) |                | Republic of Ireland<br>(€/week) |              |              |
|--------------------------------|--------|------------------------------|----------------|---------------------------------|--------------|--------------|
|                                |        | FRS<br>2007-08               | FRS<br>2008-09 | SILC<br>2007                    | SILC<br>2008 | SILC<br>2009 |
| <b>Single pensioner</b>        | Mean   | 215.64                       | 228.46         | 324.99                          | 361.63       | 362.17       |
|                                | Median | 201.00                       | 204.00         | 247.05                          | 274.18       | 277.81       |
| <b>Pensioner couple</b>        | Mean   | 307.97                       | 315.53         | 445.30                          | 504.47       | 522.79       |
|                                | Median | 236.67                       | 258.00         | 332.99                          | 353.71       | 383.62       |
| <b>Non-pensioner household</b> | Mean   | 372.16                       | 379.90         | 682.56                          | 689.54       | 646.09       |
|                                | Median | 319.00                       | 325.00         | 546.14                          | 562.61       | 519.28       |
| <b>Total</b>                   | Mean   | 344.04                       | 351.74         | 621.90                          | 641.00       | 606.26       |
|                                | Median | 285.83                       | 294.50         | 471.38                          | 490.58       | 469.65       |

Source: Hillyard & Patsios, 2011

### At risk of poverty rate

One of the most common measures of poverty is the “at risk of poverty rate”. This is defined as the proportion of households falling below a certain median income for the country as a whole. 60% is the proportion typically used. It is a relative measure because it involves comparing one group of households against all other households. If income of this group changes, then the “at risk of poverty rate” overall will change while there may not necessarily be any change in the circumstances of those defined in poverty. On occasions this measure can therefore produce counter-intuitive results. For example, during a recession, common sense suggests that the poverty rate will increase as people lose their livelihoods and face straitened economic circumstances. But the poverty rate could decrease if the total income of all households falls more than the incomes of those households at risk of poverty. Similarly, the poverty rate could increase if the total income of all households rises more than the incomes of those households at risk of poverty. This is underlined by the Survey on Income and Living Conditions in ROI, which shows that the at-risk of poverty threshold decreased by more than 10% from €12,064 in 2009 to €10,831 in 2010 (Central Statistics Office, 2011a).

<sup>4</sup> This data mining study employed the modified OECD scale, which attributes a weight of 1 to the first adult, 0.5 to each subsequent adult and 0.3 to each child aged less than 14. The weights for each household are then summed to calculate the *equivalised household size*. Gross total household income (before housing costs) was divided by the *equivalised household size* to calculate the equivalised income for each individual.

Table 5 below shows the number of households falling below 60% of equivalised income<sup>5</sup>. The results show that the at-risk of poverty rate for single pensioners has declined from 39.5% to 36.9% in NI between 2007 and 2009. During the same time, the rate fell from 65% to 53.8% in ROI. The rate fell for pension couples in ROI, from 26.1% to 12.5%. Poverty rates widened among pensioner couples in NI – from 24.8% to 28.3%.

**Table 3: Households falling below 60% of equivalised income**

|                                | Northern Ireland |                | Republic of Ireland |              |              |
|--------------------------------|------------------|----------------|---------------------|--------------|--------------|
|                                | FRS<br>2007-08   | FRS<br>2008-09 | SILC<br>2007        | SILC<br>2008 | SILC<br>2009 |
| <b>Single pensioner</b>        | 39.5%            | 36.9%          | 65.0%               | 63.6%        | 53.8%        |
| <b>Pensioner couple</b>        | 24.8%            | 28.3%          | 26.1%               | 17.0%        | 12.5%        |
| <b>Non-pensioner household</b> | 17.0%            | 17.6%          | 20.0%               | 19.9%        | 18.8%        |
| <b>Total</b>                   | <b>20.8%</b>     | <b>21.5%</b>   | <b>25.2%</b>        | <b>23.5%</b> | <b>21.7%</b> |

Source: Hillyard & Patsios, 2011

## Policy implications

Faced with cuts to social transfers on both sides of the border, the policy challenges in preventing poverty are going to be considerable. It is important to note that while the living standards of older people were better than non-pensioners in both NI and ROI before and during the recession, there is a high level of dependence on state benefits. There is also evidence that older people also face higher price inflation rates than other age groups, which leads to more expenses (This is Money, 2011).

Hillyard & Patsios (2011) note that there is an increasing inability to keep houses warm or to afford an annual holiday among the 65+ population. Cuts to state benefits will worsen the living conditions of our older population and put more people at risk of poverty. People who have retired in Ireland, North and South, and have contributed throughout their working lives to the provision of state pensions expect an adequate income in retirement.

In addition, data from the Irish Longitudinal Study on Ageing (TILDA) shows that financial transfers do not just support older people, but older people also provide support for their younger families. For example, 24% of older households have given large financial or material gifts (worth €5,000 or more) to their children in the last ten years. At the same time, only 9% of older adults have received financial transfers from their children (The Irish Longitudinal Study on Ageing, 2011).

<sup>5</sup> When adjusted by the modified OECD scale before housing costs. Full details on methodology can be found in the full report.

## Data issues

Robust and regular data are required for comparison and to learn from the effects of different economies and different social policies in providing welfare to their respective populations. Until the data are standardised, a very real policy sharing opportunity, which would be to the benefit of all the people on the island of Ireland, is being missed.

This data mining project and the original work in 2010 raise a number of key policy issues. The first relates to the extreme difficulties in comparing the living standards of the older populations between NI and ROI. Income, deprivation measures and housing quality are all measured in different ways in Ireland, North and South.

Moreover, the impact of the different economic trajectories and very different social policies for older people in the two jurisdictions cannot easily be assessed. There is a strong need to standardise and harmonise sampling, surveying, definitions and data collection on inequalities experienced by older people at the individual, family and household level across the island of Ireland. The researchers suggest that a cross-border standing working group between the Northern Ireland Statistics and Research Agency (NISRA) and the Central Statistics Office in ROI would be one way to achieve this.

Both jurisdictions on the island of Ireland have good quality social surveys which reveal a lot of useful information about our older population. This data is now easily accessible and can be analysed with relative ease. Yet it is not possible to compare most data because of differences in conceptualisation, measurement and execution. This means the sharing of information on policy and best practice is not always straightforward between NI and ROI. With both governments facing difficult choices on cuts to benefits, it is important to have the best quality evidence available.

## Conclusion

This project uses data from before and during the recession to show that pensioners in both NI and ROI are being affected, particularly in the ability to afford an annual holiday and the ability to keep their houses warm. While pensioners have a better standard of living than non-pensioner households taken as a single group, it is important that pensioner households are not treated as a homogenised group.

As the income data shows for both NI and ROI, the groups with the lowest income will suffer severe consequences with any cuts to state benefits. In the bottom fifth quintile in terms of income in NI, single pensioners earn just £93 per week and pensioner couples earn £169 per week. The bottom fifth quintile in ROI earns €209.41 on average. It is these groups whose health, quality of life and lives will deteriorate with further cuts to state benefits.

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