



SUMMARY: UNDERSTANDING SOCIO-ECONOMIC INEQUALITIES AFFECTING OLDER PEOPLE

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Centre for Ageing Research
and Development in Ireland

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INTRODUCTION

There is long-standing evidence of inequalities in Ireland, North and South based on income, social class or living in disadvantaged areas. Not only are there substantial differences in the allocation of income and wealth but these inequalities are related to big differences in life expectancy, health, employment, education, housing and social inclusion.

CARDI conducted research on this theme in order to understand, in particular, the socio-economic inequalities affecting older people in Northern Ireland (NI) and the Republic of Ireland (ROI). This summary document presents the main findings of the commissioned research '*Understanding socio-economic inequalities affecting older people*' (McGill, 2014) and the implications for policy. The full report is available at www.cardi.ie.

What are socio-economic inequalities?

Socio-economic inequalities are defined as inequalities that relate to differences in income, social class, occupational background, educational achievement and neighbourhood deprivation. These are distinguished from socio-demographic differences, which relate to factors such as age, gender, ethnicity, marital status, number of children, household composition and living arrangements (EHRC 2009: 44).

KEY FINDINGS*

In ROI the poorest older people had a rise of €32 per week between 2004 and 2011 in total incomes while those with the highest incomes had a rise of €255 (CSO 2013).

Total incomes of the poorest pensioner couples in NI did not change between 2003-06 and 2008-11 but the best off had a rise of £37 per week (DSD 2013).

Employees aged 60+ earn €10,000 less per year than earners in their peak years in ROI and £2,400 less in NI (CSO Database and NISRA 2012).

The richest older people in ROI earn 14 times more from employment than the poorest. In NI it is 36 times more for single pensioners and 44 times more for pensioner couples (CSO 2013; NISRA 2013).

The gap in weekly earnings between top and bottom earners aged 60+ in NI rose from £294 to £430 between 2005 and 2012 (NISRA 2012).

In the two years 2009-2011 the incomes of the poorest older people in ROI declined by €24 per week (11.4%) (CSO, 2013).

* The 'richest older people' refers to the highest fifth by income while the 'poorest' refers to the lowest fifth by income.

INEQUALITIES IN INCOMES

There is a wide gap between the total incomes of the richest and poorest older people and it is increasing (DSD 2013). The average weekly net income of the poorest fifth (quintile) of NI pensioner couples (£117) did not change between 2003-06 and 2008-11 (Figure 1). The richest fifth of couples received an additional £37 to bring their average incomes to £689. In the case of single pensioners, incomes of the poorest rose by £2 to £101 per week while those of the best-off fifth increased on average by £20 to £320.

Fig 1: NI pensioner units' net weekly income in lowest and highest quintiles AHC (£)

Source: McGill (2014)

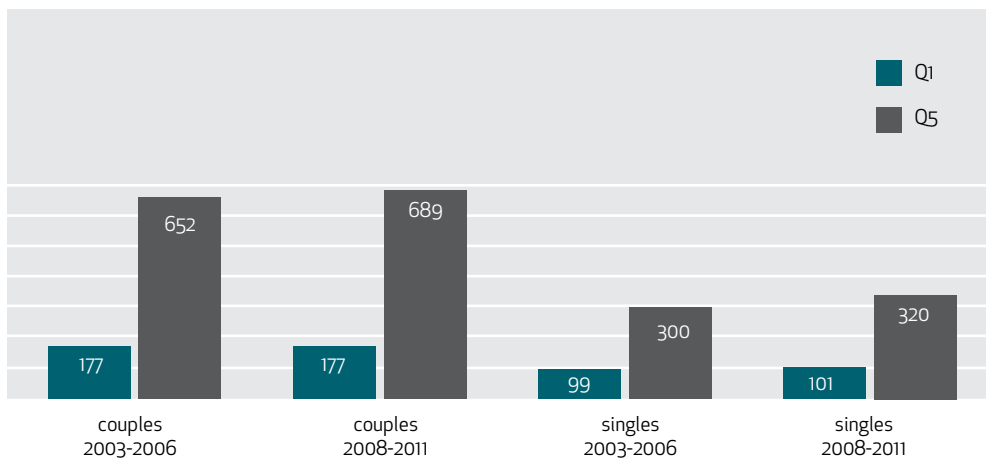
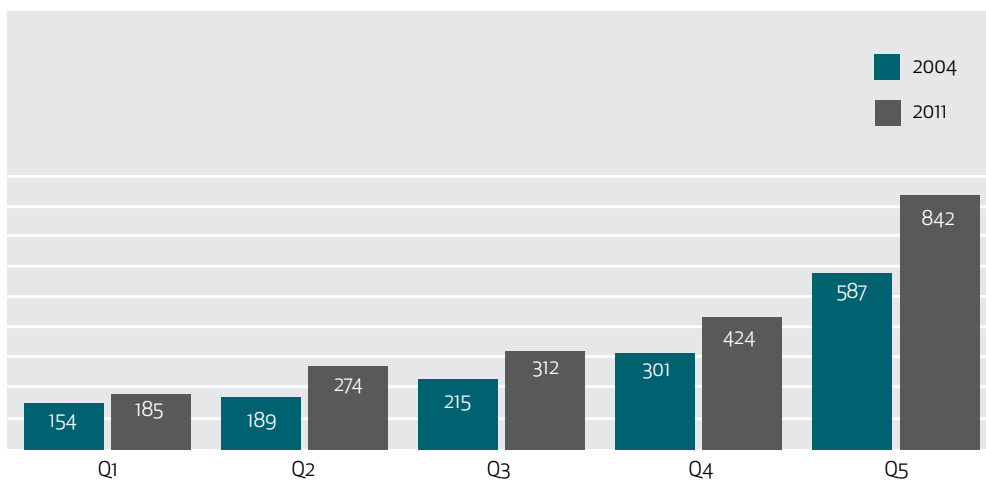


Fig 2: ROI equivalised weekly incomes of people aged 65+ by quintile 2004-11 (£)

Source: McGill (2014)



The pattern is similar in RoI over the period 2004-2011 (CSO 2013). The lowest fifth of older people had a modest overall increase in weekly income of €32, compared with €97 for the middle group and €255 for the richest quintile (Figure 2). This change disguises two trends – increased incomes in 2004-09 and declines in the two latest years. An important feature is that the incomes of the poorest quintile of older people fell by 11.4% between 2009 and 2011 from €209 to €185 per week.

Figure 3 shows that the fifth of single pensioners in NI with highest incomes earned 3.0 times more than the lowest fifth but this rose to 3.2 times more over five years. In the case of NI couples the ratio between the highest and lowest incomes widened from 3.7 to 3.9. Greater income inequality exists among older people in RoI, where those on highest incomes received 3.8 times more than those on lowest incomes in 2004 but by 2011 the ratio was 4.5 (author's calculations from DSD 2013 and CSO 2013).

Fig 3: Incomes of the highest fifth of older people compared with lowest fifth (ratios) over time

Source: McGill (2014)



Where are older people and how is disadvantage assessed?

Government bodies and voluntary organisations which wish to tackle disadvantage among older people need to know where the biggest concentrations are to be found and where there may be small pockets of disadvantage. In NI, for example, older people are unevenly distributed across the 26 districts, ranging from 14% to 22% of the total population. In smaller Super Output Areas the extremes are far greater. In four SOAs, more than one-third of the population are older people and, at the other extreme, there are four areas with less than 4% older people. Areas with the highest older populations tend to have few older people who are disadvantaged as measured by low income and vice versa (NISRA 2010; NISRA 2011).

ACCOUNTING FOR INEQUALITIES IN INCOMES

Only a minority of older people are in paid employment but earnings from work account for much of the difference in overall incomes of the richest and poorest older people, as Figure 4 shows. Older people in the top fifth of incomes in RoI receive 14 times more from work on average than those in the lowest fifth and in NI the gap is much wider: 36 times more for single pensioners and 44 times more for pensioner couples (CSO 2013; DSD 2013).

Fig 4: Average earnings from work of the fifth of older people with highest incomes compared with lowest fifth

Source: McGill (2014)



In NI, the top fifth of workers aged 60+ earned £8.44 more per hour than the bottom fifth in 2005 (Figure 5) but by 2012 the gap was £10.91 (NISRA 2012). Lower earners' hourly rates have essentially tracked the National Minimum Wage (NMW).

Fig 5: NI gross hourly earnings of workers aged 60+ on the 20th and 80th percentiles 2005-12 (£) and national minimum wage

Source: McGill (2014)

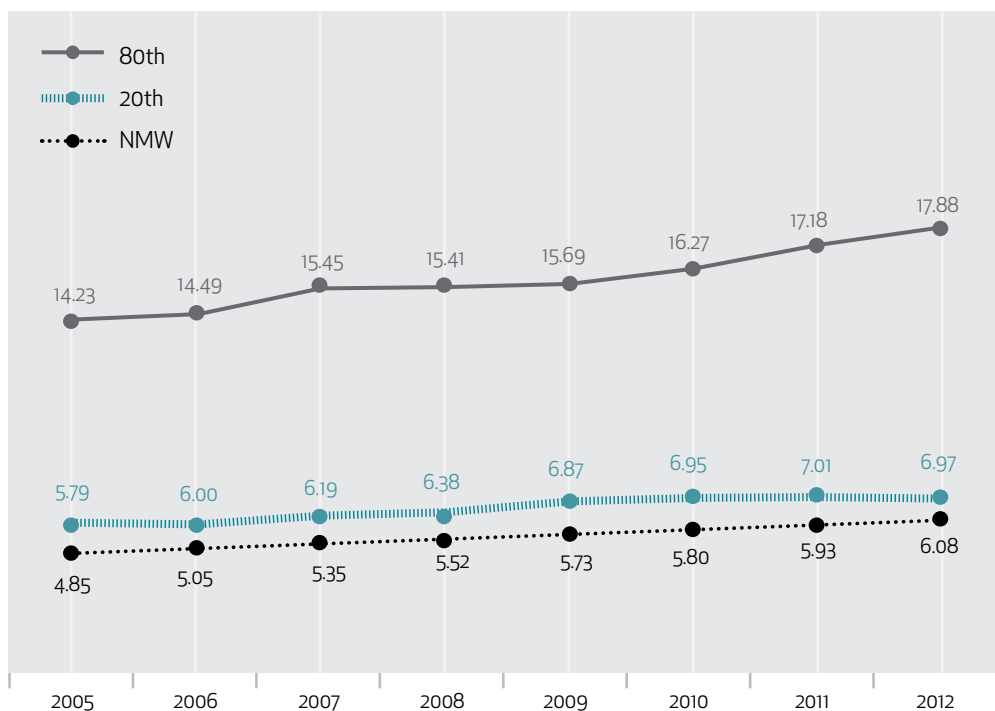
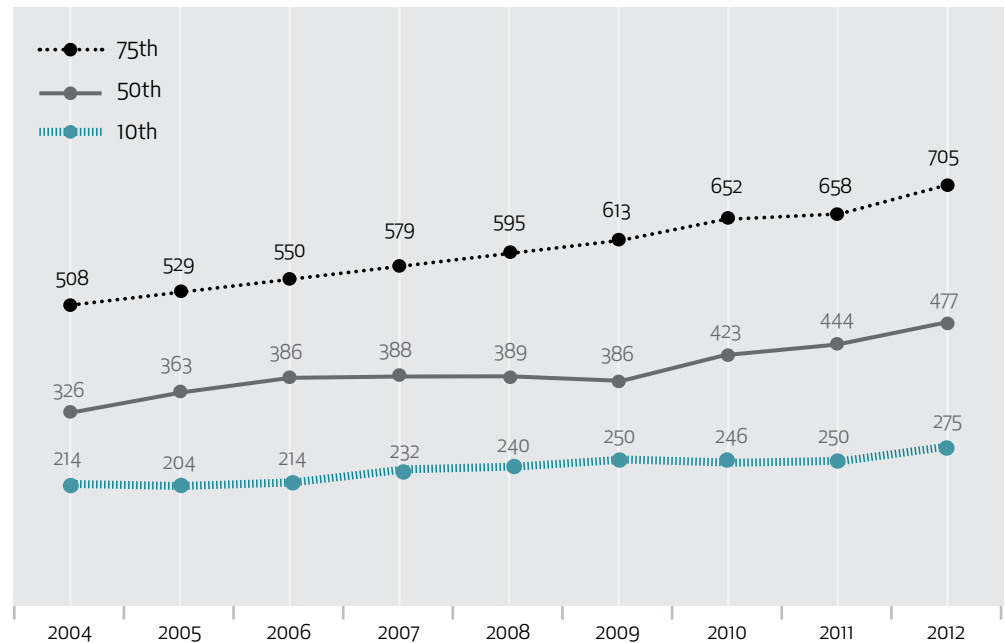


Fig 6: NI gross weekly earnings of full-time 60+ workers on median, 10th and 75th percentiles 2004-12 (£)

Source: McGill (2014)



Turning to full-time weekly earnings (Figure 6), average earners aged 60+ improved their position compared with the lowest paid 10% in the same age group, from £112 more in 2004 to £202 more in 2012. The top quarter enjoyed even bigger rises, earning £294 more than the 10% lowest paid workers in 2004 but £430 more in 2012 (NISRA 2012).

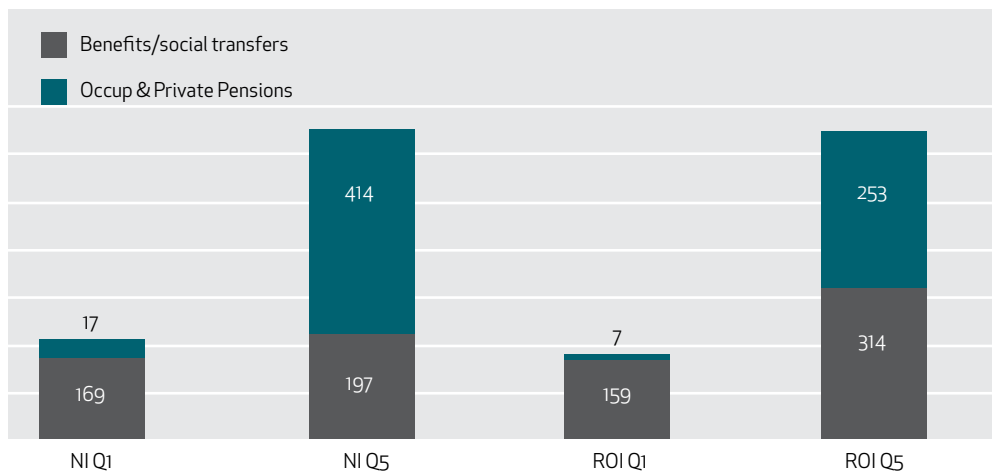
Economic austerity did not affect the top quarter of earners in the three years 2009-2012, during which they had pay rises of 15%, adding £92 to their weekly pay. The lowest 10% of older workers had a pay rise over the three years of 10%, amounting to £25 per week.

PENSIONS AND SOCIAL TRANSFERS

Two other factors are particularly important in explaining the gap in total incomes of the richest and poorest older people (Figure 7). In ROI, for example, the private and occupational pension income of the poorest quintile of older people rose by €2 per week between 2004 and 2011 whereas the pension income of the richest fifth increased by €105, raising the gap between them to €246 (CSO 2013). Likewise the amount received in social transfers by the top fifth increased by €154 per week while the increase for the poorest fifth was only €21. In NI occupational and private pensions explained a large part of the growing gap between the poorest and richest pensioner couples whereas benefits have reduced the gap slightly (DSD 2013).

Fig 7: Receipts from occupational & private pensions and social transfers/benefits by richest and poorest quintiles NI and RoI

Source: McGill (2014)

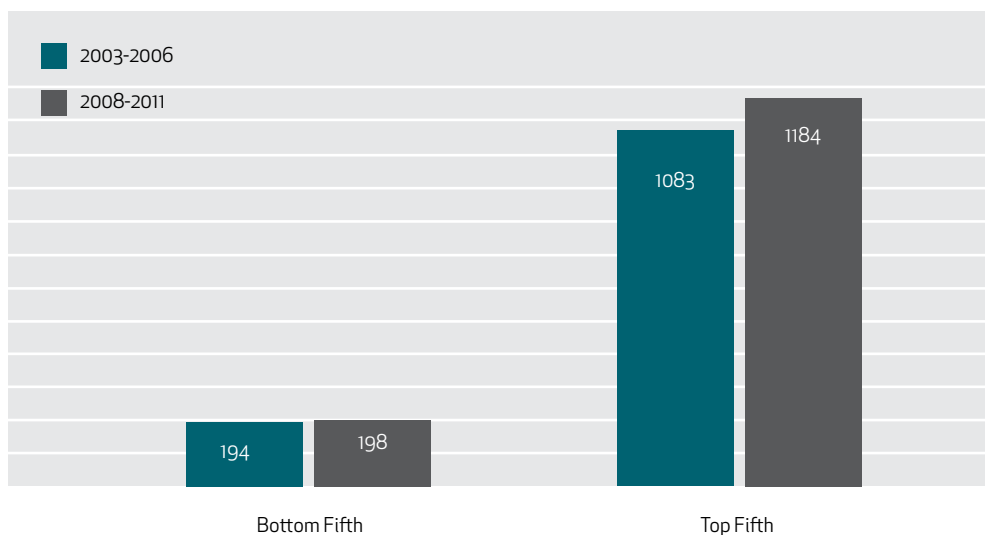


Note: NI is pensioner couples 2008-2011; RoI is people aged 65+ 2011

The impact of recent changes on inequalities in incomes is illustrated by Figure 8 for gross income of NI pensioner couples. Over the five year period the poorest pensioner couples had a rise of £4 per week in incomes and the richest had a rise of £101. Differences between the richest and poorest older people are largely accounted for by earnings, occupational pensions (based on income earned during the life course) and benefits or social transfers.

Fig 8: Mean gross weekly incomes of NI pensioner couples in top and bottom quintiles (£)

Source: McGill (2014)



DISCUSSION

Increasing the incomes of the poorest older people is a necessary but not a sufficient step in isolation to reduce inequality. The problem has its roots in earlier life and has many dimensions, including poor health, low levels of education and social exclusion (See, for example, DHSSPS 2002; Farrell et al 2008; Hillyard et al 2010; Walsh et al 2012).

Earnings from employment account for much of the difference in incomes between the richest and poorest older people in ROI and NI, which highlights the importance of access to well-paid work. Higher earnings for the low-paid during the life course might also reduce the huge gap in occupational and private pensions between rich and poor. Improved education and training for low-skilled workers is one answer and extending the working lives of people on low incomes is another (OECD 2011). The evidence on health inequalities shows, however, that people with low levels of education, skills and incomes are also most likely to be in poor health (Savva et al 2011; Marmot 2010). Carefully designed programmes are needed to match the training and skills needs identified and they should begin with workers in their 40 and 50s.

Since the national minimum wage appears to determine the earnings of the lowest-paid fifth of employees, the amount paid may need to be boosted. At February 2013, the statutory UK national minimum wage was £6.19 per hour but the Living Wage Foundation (2013) had an unofficial 'living wage' outside London of £7.45. An increase in the minimum wage could lift some low-paid workers out of poverty. This could particularly benefit workers over the age of 60. Greater incentives may also be needed for low-paid workers to contribute to occupational pensions.

In summary tackling poverty, addressing structural inequalities and promoting healthy ageing are all part of helping to tackle inequalities. Likewise, improved education and training can help improve the jobs and pay of low-skilled workers and lead to higher pay through the life course.

CONCLUSIONS

Older people are not a homogenous group but rather large differences exist between those on high and low incomes – and as illustrated in this research the income gap between the richest and poorest is widening over time.

This research underscores that socio-economic inequalities affecting older people influence not just the more obvious areas such as income but a wider spectrum of later life issues including fuel poverty, pensions, social inclusion, health, food and care. In order to tackle such inequalities now and for future generations of older people, policy must focus on inequalities through the life course.

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