CARDI: Older People and the Recession Seminar Series 2010

Inequalities in Old Age: An exploratory study of the impact of the recession on older people in Northern Ireland (NI) and the Republic of Ireland (RoI)*

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Overview of the research

Aim:

to consider the impact of the recession on older people in the North and South.
Research Methods

1) desk–based reviews

- Poverty and deprivation
- Social policy
- Pension provision, state benefits, taxation
- Inequalities in old age

2) data review and collection

- Feasibility study of comparative datasets
- Secondary analysis of select datasets
- Survey of financial advisors and planners
- Series of focus groups
1. Desk based research
North has much higher rates of pensioner poverty

% Southern pensioners in poverty declined rapidly, % Northern pensioners in poverty increased

In NI substantial increase in actual numbers of both single and pensioner couples living in poverty

Older people who live alone are at much greater risk

Female pensioners are likely to be in poverty than male (increasingly so as women get older)
Many similarities but also key differences between the form of pension provision and benefit packages.

Most important difference lies in amount of the state pension.

- Single person in the North: £97.65
- Single person in the South: £191.60

No National Health Service in South means that many older people have to pay considerable sums of money for medical attention (e.g. for GP visits, specialist medical attention).
Both jurisdictions have quality public sector occupational pensions

But, total contributions are insufficient to cover payments to current pensioners and seriously inadequate to meet the costs of their longer term obligations.

- North: total deficit on almost all of the public sector pension schemes in NI – excluding only fire-fighters and the judiciary – totals £32.5 billion
- South: total deficit for all public schemes is estimated at £100 billion.

The implications of these deficits are of major concern.
Inequalities and ageing 1

- Large divide between those who have occupational and personal pension schemes and those who do not.

- Considerable inequalities exist between public sector and private sector pension schemes.
  - Public: Defined Benefit (DB) schemes
  - Private: Defined Contribution (DC) schemes

- Employees in private sector are increasingly being moved into DC schemes. Public sector employees remain in DB schemes.

- In the UK as a whole only 11% of private sector workers are now in a DB pension scheme (compared with 94% of public sector workers).
Many workers, particularly the self-employed, have no pension.

Those with no pension provision or those in a DC scheme are having to contribute through their taxes towards the good quality pensions of a minority in the public sector.

Another important inequality is differential tax relief given for pension provision – heavily skewed towards the better off.

A pervasive inequality in pension provision is between men and women.
  - Men are much more likely to have a pension and much more likely to have a more substantial one compared with women.
The self-employed

- 431,500 in the two territories – ca. 14% of the labour-force and 7% of total population

- **NO** employer contributions

- **IF** they have a pension fund, it can only be a DC fund

- Same tax relief as workers in occupational schemes

- Fund values suffered badly in recession

- Faced with very difficult financial decisions approaching retirement

- ONS Statistical Bulletins contain no data
Examples of decisions – that have to be made

- Male aged 65 with £100,000 pension fund:
  - Level pension (=no inflation increase), no guarantee (=fund dies with pensioner)
    - Best annual income £6,596 (=£127 per week)
    - Worst £5,842 (=£112 per week)
    - Inflation linked (RPI), 2/3 spouse’s pension, guaranteed 5 yrs
      - Best annual income £3,314 (=£64 per week)
      - Worst £2,628 (=£50 per week)

- Female aged 65 with £100,000 pension fund:
  - Level pension (=no inflation increase), no guarantee (=fund dies on death of pensioner)
    - Best annual income £6,243 (=£120 per week)
    - Worst £5,316 (=£102 per week)

“RATES VARY ACCORDING TO POSTCODE” (5 OF 8 QUOTES)
2. Secondary analysis and surveys
Figure 1: Conceptual model of the impact of the recession on older people

Background demographics
- Individual/HRP
- Household and accommodation
- Region

Income
- Individual
- Household
- Components of household income
- Other benefits and concessions

Expenditure
- Housing
- Other necessities (COICOP)

Assets
- Housing and vehicles
- Fiscal/financial assets

Financial debts, arrears and difficulties
- Debt
- Arrears
- Difficulties

Living standards
- Possession of necessities
- Enforced deprivation
- Participation in common activities
- Poverty

Health and wellbeing
- Self-rated health
- Long-standing illness or disability
- Receiving care/support

Recession
Audit of existing surveys and datasets: the ‘crosswalk’

- Carried out search of publicly available datasets which might contain measures/variables.

1. BHPS/NIHPS
2. EFS (LCFS)
3. FRS
4. NICHS
5. NILFS
6. NILTS
7. EU-SILC
8. QNHS
9. SHARE

- Identified file level (hhld, pers), variable name, definition, operationalisation.
- Suitability and usefulness of datasets?
- 25 out of the 124 candidate measures could be used to inform the conceptual model/analysis.
Figure 6.2 Cross-link between recession period and collection and release of publicly-available survey data
Secondary analysis of FRS/EFS and EU-SILC on comparative measures

- **Household and Accommodation**: Higher proportion of older person households own their own homes in the South.

- **Income**: There are major differences in income.

- **Living Standards**: Larger proportion of older persons in the South are likely to own standard household items.

- **Financial Debts, Arrears and Difficulties**: NI pensioners have more difficulties in paying bills and affording basic necessities.
Secondary analysis of FRS/EFS and EU-SILC on comparative measures – Cont

- **Enforced Deprivation:** NI pensioners more likely to report not participating in social activities

- **Risk of Poverty:** The risk of poverty (using OECD equivalence scale and the 60% median cut-off point) for both single pensioners/older persons and pensioner/older person couples remains high in both jurisdictions.
Findings on the Data Feasibility Analysis

- limited overlap in the publicly available datasets.
- useful for getting a clearer picture of the assets, income, living standards and wellbeing of older people prior to recession, but less informative for the intra-recession period (although data subsequently released!).
- crucially, at the time of the research there was little, if any, data available for the post-recession period (data will be available soon enough!).
Findings from the financial advisors

- Recession has already had an impact on some older people.
- Strong feeling of financial insecurity both sides of border.
- Older people are approaching retirement with greater levels of debt.
- Older people are concerned about the effects of spending cuts on health and transport services.
- Older people are anxious about the future of their own financial security and that of their children.
- Some evidence that older people are providing financial assistance to their children as a result of the recession.
- Overall, recession has caused considerable financial strain both North and South.
3. Focus Groups
Findings from the focus groups

- Older people are not a homogenous group and different groups have very different experiences of the recession.
State bureaucracy on both sides of the border hampered and distressed older people when attempting to obtain benefits;
State of the health services caused considerable concern in both jurisdictions
Many respondents on both sides of the border were worried about the future for themselves and their children.
4. Policy recommendations
Recommendations for older people in the RoI

- Develop a strategy to allay the fears of older people that their pensions are going to be reduced or diluted by stealth taxes;

- Older people should not have to apply for a renewal of their medical card every two years;

- Older people should not be left sitting on chairs in A&E over several days in order to get emergency medical attention
Recommendations for older people in NI

- Increase the state pension;
- Introduce the link between earnings and the state pension immediately;
- Cuts should not be made to health, community, transport and care services;
- Develop comprehensive anti-poverty and social care strategies for older people.
Standardising and harmonising surveys and data

- Standardise and harmonise sampling, surveying, definitions and data collection;

- Have regular meetings between Northern Ireland Statistics and Research Agency (NISRA) and the RoI Central Statistics Office (CSO).
5. Areas for future research
Areas for future research

- Carry out further analysis of the comparative datasets once they become available to assess the continuing impact of the recession.
  - Aggregating individual and benefit unit data to the household level (or the reverse) in order to study the impact of the recession on older individuals and families not simply households.
- Re-visit and update the research on financial advisors and retirement planners.
- Extend the blueprint developed for the analysis of official datasets and extend it to include GB.
- Examine the effects of the recession on older people confined in their homes and those in nursing homes to expand our knowledge in this area.
- Study further the self-employed as a group