

Measuring resources in later life

A review of the data

Sue Middleton, Ruth Hancock, Karen Kellard, Jacqueline Beckhelling, Viet-Hai Phung and Kim Perren

This report explores the needs of people in later life, including expenditure, health, social networks, services, housing and neighbourhood, as well as income.

The Government is currently planning and initiating policies for a future in which increasing numbers of older people, living longer, will require more resources. This report uses existing data to examine the needs of people over 65. It investigates how patterns of resource use change over time, both for individual older people as they move through later life and for different generations of older people.

The report will be of interest to policymakers, practitioners and academics involved in provision for people in later life.



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1 Introduction

This report summarises the findings of research funded by the Joseph Rowntree Foundation as part of its Resources in Later Life (RILL) programme. The programme focuses on people's needs and resources throughout later life and aims to identify policy responses to help create financial/personal security that will allow a good quality of life, choice, control and social participation.

As an initial part of the RILL programme, the Foundation commissioned the Centre for Research in Social Policy (CRSP) and Ruth Hancock (Department of Health and Human Sciences, University of Essex) to see what existing data sources could tell us about the 'needs' and 'resources' of older people, both widely defined, with a particular focus on poverty and hardship in later life. While extensive previous research has been undertaken on the 'resources' of older people as measured by income, and hence on 'income poverty', there has been less concern with the non-financial resources and needs of older people, and if and how these interact with income. So, in addition to looking at financial resources (including expenditure as well as income), this research aimed to explore non-financial needs and resources, including, for example, health, social networks and ownership of consumer durables.

Time was important to this research in a number of ways. In addition to the obvious dimension of limiting our analysis to people aged over 65 years (the definition of later life used here),¹ we wished to explore the following.

- If and how the circumstances of people change as they move through later life. Is life the same for an 80 year old as it is for a 65 year old? This has important policy implications since many current and proposed policies assume that people's needs increase as they get older (see further below).
- Whether successive generations of older people have similar or different experiences. At its simplest, is life getting better or worse for each cohort of older people and what can this tell us about possible changes in the attitudes and expectations of future generations? Again, this has potentially important policy implications as the government seeks to find policy solutions that will meet the needs of older people well into the future (again, see further below).

In addition to informing policy, the study aimed to explore the limits of existing data sources and suggest useful future directions for research. Its exploratory nature means that few firm policy-relevant conclusions have been possible (in common with other recent studies using similar methods – see, for example, Berthoud *et al.*, 2006).

However, the findings provide some intriguing insights and have indicated areas in which future research might prove fruitful.

In the remainder of this introductory chapter the reader is reminded, briefly, of the demographic and policy context in which this research was undertaken. A short description of the datasets used in the research follows (with more detailed explanations in the Appendix). The remainder of the report summarises findings about the resources and needs of older people in three main areas: financial and material, health and well-being, and citizenship and community. (Readers who wish to examine the findings in more detail should refer to the 'technical' report, which contains fuller details of the analysis and findings – see <http://www.crsp.ac.uk>.)

The policy context

Income poverty in later life has been a major concern for policymakers. While pensioner poverty, defined as an income below 60 per cent of the median after housing costs, has decreased from 27 per cent in 1994/95 to 17 per cent by 2004/05 (Department for Work and Pensions, 2006),² this was largely the result of increasing numbers of people retiring with occupational and/or private pensions. This masked severe poverty among particular groups of retired people – particularly older women. The link of the state retirement pension to prices, rather than earnings, had eroded its relative value so that increasing numbers of pensioners had become dependent on means-tested income support. The main policy thrust by the present government has been to use means-tested benefits while trying to reduce the stigma that older people associate with claiming them. The pension credit provides additional income to pensioners, which, while means-tested, disregards some savings and pension income in order to reward those who have saved during their working lives.

Current policy concerns are with how future generations of retired people are to be supported financially. At its simplest, Britain has (and will increasingly have) more older people and fewer younger people of working age. Those 'baby boomers', born in the immediate aftermath of the Second World War, are now retired or nearing retirement. A second population bulge in the 1960s was followed by declining birth rates, so that a larger population of retired people will have to be supported by a smaller working-age population. This is because people are living longer, so that the period that people spend in retirement lengthens, with knock-on effects for financial, health and other support systems. The problem is compounded by the fact that women tend to live longer than men and it is women who experience particularly difficult financial circumstances in later life.

The policy options for governments in relation to demography are obviously limited: the State could encourage women to have more children (although childhood poverty in the UK remains high) and/or immigration of working-age adults could be encouraged. In fact, policy has tended to focus on how to make it possible for people to be supported financially during retirement, given existing population trends, through a combination of the state pension, means-tested additions and private or occupational pensions.

At the time of writing, the Government's White Paper in response to the Turner Commission has just been published.³ In summary, this proposes (broadly in line with the Turner Commission) the following.

- The state pension will be increased from 2012 in line with earnings rather than prices in order to prevent further erosion of its value, which, in turn, leads to greater dependence on means testing.
- The age at which people become eligible to receive a state pension will increase gradually from 65 years to 68 years on the grounds that, since people are living longer, it is fair to make such an adjustment so that the working-age population is not paying for increasingly lengthy periods of retirement.
- To try and ameliorate the anticipated shortfall in people's personal pension provision and to encourage pensions savings, a new contributory pensions savings scheme will be introduced, which all eligible employees will join automatically, but from which they will be able to opt out.
- Pension credit will be reduced in generosity compared with what would have happened so as to reduce the spread of means testing.

This moves away from the Chancellor Gordon Brown's initial response to the Turner Commission, which apparently favoured maintaining the link with prices but paying a higher level of state pension to those aged 75 and over. An argument for that approach could be made if, as people move through later life, their needs increase with age. This assumption underpins several existing policies for older people that provide those aged 80 and over with increases in the:

- state retirement pension
- amount of winter fuel payment.

Indeed, prior to April 2001, there were age (along with disability) additions within the system of means-tested benefits for older people, although the age additions were removed in April 2001.

The basis for the assumption that people's needs increase with age is unclear. Indeed, there is a lack of evidence about how people's resources, needs and aspirations change as they move through later life and, specifically, how these changes do or do not trigger 'poverty'. One of the central aims of this research, therefore, was also to explore characteristics that are particularly associated with hardship and how these might change as people move through later life.

Government thinking also assumes that the needs and aspirations of successive generations of older people will remain unchanged, that is, that future cohorts of older people will be content with living standards relative to those of the population as a whole similar to those experienced by the present generation of retired people. This may not be the case. Many of those who are presently retired grew up during and after the Second World War with its accompanying hardships. It may be that this generation of older people has lower expectations and is more content to manage on limited incomes than subsequent generations who will have, on average, experienced much higher living standards during their working lives and may well expect to be able to maintain those living standards into their retirement. Our research also aimed to begin to explore whether Britain may be facing an 'aspirational time bomb', as well as a 'demographic time bomb', if those who retire in the future expect higher living standards than those who are currently in later life.

However, policy has also recognised that money is not the only resource that people need in later life. Increasing numbers of retired people, living to older ages, place additional strains on health and social care services, as well as on community facilities. While there is no space here to review the whole raft of policies aimed at improving such provision for older people that have been introduced, their central focus is on minimising dependency, disadvantage and deficit among the older population and maximising their independence, well-being and inclusion. Again underlying all these policies is the assumption that people's needs increase with age. The research has attempted to look more widely at some of these other resources that older people need and the adequacy of such provision.

The datasets

Analysis was undertaken on data from five different cross-sectional and longitudinal datasets. The datasets are the British Household Panel Survey, The Expenditure and Food Survey (combining the Family Expenditure Survey and the National Food Survey), the Poverty and Social Exclusion Survey of Britain, the General Household Survey and the Health Survey for England. These were selected because they are nationally representative, include sufficiently large numbers of people in later life for analysis, and contain indicators of resources and needs in addition to income, and a similar set of core variables on characteristics of older people. In addition, the British Household Panel Survey and the Expenditure and Food Survey allow analysis of how the circumstances of individuals change with age, and of how needs and resources have changed for successive cohorts of older people. Further information about the datasets is contained in the Appendix.

2 Financial and material resources and needs

Being financially secure, without any major money worries, makes an important contribution to general well-being and happiness (Burholt and Windle, 2006). For people aged over 65 in particular, the ability to live the remainder of their life in relative financial security, with sufficient income to meet both their immediate needs (for example, for food, warmth, the maintenance of social networks and to be able to access any health or care needs) as well their longer-term needs (for example, provision for future needs in housing and care) is an important factor in promoting both independence and inclusion. Our analysis looked at both current (as current as the data allowed) circumstances for older people, as well as the extent to which their circumstances had changed over recent years.

Income

While well-being is influenced by more than money, a constrained income places significant restrictions on older people's ability to enjoy their later life. This chapter therefore explores the financial well-being of older people. By examining the proportion of older people (in this case defined as people aged 65 and over) whose income fell below 60 per cent of the contemporary median of all households,¹ the analysis was able to identify the proportions of older people who lived below this threshold for two different cohorts of older people at two points in time (1991–96 and 1997–2002) to see whether there had been any change in 'low-income' older people over time. The question here, therefore, was – do older people's lives, in financial terms, get better or worse over time and/or as they age?

This analysis of the British Household Panel Survey (BHPS) shows clearly that the way in which people's incomes are compared over time can affect the conclusions. The initial analysis simply compared the proportions of people over 65 with a low household income in 1991 with the proportions with low income in 1997. The results showed that a larger proportion had a low income in 1997 (21.5 per cent) than in 1991 (17.9 per cent). This seems to suggest that more older people were in poverty in 1997 than in 1991 – contradicting official figures. However, our second analysis suggested rather different conclusions. In this analysis we examined the proportions of two groups of older people who experienced stability or change in their circumstances over a five-year period (1991–96 and 1997–2002). The results

showed a slight improvement (of four percentage points) in financial well-being of older people over time, with slightly fewer older people in the later (1997–2002) group having income below 60 per cent of the median at both the beginning and end of the five-year period than in the earlier (1991–96) group (69 per cent compared to 73 per cent). Furthermore, more of the later group had moved out of income poverty over the five-year period and fewer had moved into poverty than was the case for the earlier group.

So what is the explanation for these rather different results? It may be that much of the difference is the result of attrition – that is, people leaving the survey sample over time. Whereas the first analysis included *all* people who were over 65 in 1991 with *all* people who were over 65 in 1997, the second analysis included only people who had taken part in *both* interviews – in 1991 *and* 1996 for the first group and in 1997 *and* 2001 for the second group. In other words, those who had left the survey by the second time point in each group were excluded from the analysis. Some analysts adjust the data to take account of those who have left. But, since we did not know why people had left the survey, and since it is also known that poorer people on average die younger than richer people, it may be that adjusting the data in this way would have produced results that did not accurately reflect the population of older people at the end of the two five-year periods. We decided, therefore, not to adjust for attrition, which means that the two groups of older people we analysed are likely to be among the better off (that is, they were more likely to have been alive to take part in the second interview). Income improvements may be more likely to occur among those who were wealthier at the outset and those in a lower-income household may be less likely to benefit from an increase in financial well-being.

This has some interesting implications for policymakers. If it is simply accepted that poorer people will die earlier, then policy will need to be made for those richer older people who survive for longer and whose need for financial support may be less. However, if policy aims to reduce the gap in survival rates between richer and poorer people, and provide particularly for the poorest older people, then the focus of analysis should be on this group. Nevertheless, it is not possible to say how much of the apparent improvement in financial well-being shown in our second analysis is the result of differences in survival rates between richer and poorer people; it might be, at least in part, a reflection of increases in state provision between 1997 and 2002. Further analysis of later cohorts should throw more light on this.

‘Hardship’ in later life

Since one of the aims of the research was to move away from an exclusive focus on low income as the indicator of hardship, three additional indicators were used: satisfaction with income; self-reported financial difficulties; and inability to save from current income. We also took into account whether or not people reported a limiting health condition in order to begin to examine the relationship between health and financial well-being. Other personal characteristics used in the analysis were age, gender and whether an older person lived alone or with others.

Self-reported financial hardship

Self-perception of financial hardship was clearly and significantly associated with income, insofar as those living in a lower-income household were more likely to say that they were not managing (financially) very well than those living in a higher-income household. So, while it is known that other non-monetary factors contribute to well-being, having enough money clearly and unsurprisingly remains important for older people. Indeed, our analysis of the Poverty and Social Exclusion data indicated that over one in ten of older people lose sleep because of worry, and concerns about finances may well contribute to this.

It is widely reported that older people are more likely to be satisfied with their financial circumstances than younger people, irrespective of their actual incomes (see, for example, Burholt and Windle, 2006). However, research has failed to establish conclusively whether this is the result of an ‘age’ effect (individuals becoming more contented as they get older) or a ‘cohort’ effect (older generations having lower expectations than younger generations). Recent evidence suggests that there are both ageing and cohort effects in older people’s assessments of their financial situation but that the ageing effect is stronger (Berthoud *et al.*, 2006). In line with this, our findings were contradictory. Conditional on income (among other things), those aged 75 and over in 1991 were less likely than their younger counterparts to say that they were in financial difficulty, suggesting an age effect. But, by 1997, this was not the case; those aged 75 and over were no less likely than the younger age group to say they were in financial difficulty, suggesting the possibility of a cohort effect. It is not possible to say from this analysis which is the correct interpretation. While further research that is following a small group of older people over time may throw additional light on this, it may be that there is no clear-cut answer; individual psychology may play as big a part in perceptions of financial well-being as individual age and the generation to which a person belongs.

Gender differences were also apparent, but the differences were only borderline significant in the later cohort in 1997. The analysis suggests that, for men, living alone was associated with an increased likelihood of reporting financial difficulty but, for women, the opposite was true, with lone women having a decreased likelihood of reporting financial difficulty.

Health and financial hardship were also interrelated. Older people who had a limiting health problem were more likely than others to say that they were not managing very well financially, even when controlling for other factors (such as age). Whether this is because they were unable to afford the additional resources or support they needed because of their health needs is not clear, but it appears as though insufficient money compounds any health difficulties among this age group.

Saving

It is often assumed that the inability to save from current income is a good indicator of financial hardship. Much policy attention is currently focused on encouraging those on lower incomes to save through the provision of specialist savings products via the Savings Gateway initiative. The underlying idea is that having savings, however small the amount, will help to cushion people when they experience financial difficulties. Our data do not identify whether people are *able* to save, only whether they did save. We therefore considered whether saving from current income is a (good) predictor of financial hardship for those in later life. The question in the BHPS is, 'do you save any amount of your income, for example by putting something away now and then in a bank, building society, or Post Office account, other than to meet regular bills?'

Comparing the two different cohorts of older people, more older people from the 1997 cohort saved from their current income; 71.3 per cent of older people in 1991 said that they did not save, compared with only 67.6 per cent in 1997. When other characteristics were controlled for, in 1991 having a low income was significantly associated with being less likely to save, as was being in the older age group (75 and over). Women were more likely to save from their current income than men. Ill-health was not significantly associated with a decreased likelihood of saving.

By contrast, in 1997, ill-health was significantly associated with a decreased likelihood of saving, but age, gender and living arrangements did not significantly affect the likelihood of saving. Those on a low income were less likely to save, as in the 1991 cohort. This might suggest that the costs of ill-health had increased between 1991 and 1997 to the extent that these outweighed any association with age or gender observed in the previous cohort.

Although it seems that low income was significantly associated with not saving for both cohorts of older people, it may be unwise to place too much weight on this finding, especially given the somewhat confusing nature of the other findings. There may be a number of reasons why older people do not save from their current income in addition to financial hardship: those who have amassed savings in the past may feel that they already have enough to see them through to the end of their lives; they might decide to spend all their current income, relying on other forms of investment for their future, such as releasing capital from property. Indeed, initial evidence from a qualitative study of older people suggests that the decision to save seems to be related more to individual psychology than to income, age, gender or health (Hill *et al.*, 2007, forthcoming). Future quantitative research could usefully compare the decision to save from current income with the level of existing savings and possession of other assets, in addition to the characteristics described above.

At the very least, policymakers would be unwise to rely on not saving as an indicator of financial hardship for people in later life.

Spending among older people

While income is obviously an important resource in later life, it tells us nothing about people's needs or the extent to which their income meets their needs. While spending cannot be equated with needs, since people may have needs in excess of what they spend, or indeed of their income, in the absence of objective measures of need, data on how people spend their income is the only available alternative. In fact, Brewer *et al.* (2005) argue that spending may provide a better measure of living standards than income over the life course.

The Expenditure and Food Survey, and previously the Family Expenditure Survey, provide detailed information about how people spend their incomes. It is possible to compare the expenditure patterns of different groups of older people, for example between older and younger people in later life, in order to add to our understanding of whether people's needs change as they move through later life. An additional advantage of these surveys is that their longevity (the Family Expenditure Survey began in the 1950s) means that it is possible to identify changes in expenditure patterns among older people over time. This should allow us to speculate about possible future changes in expenditure patterns, indicating whether the 'aspirational time bomb' referred to in the introduction is a real possibility. In this analysis, comparisons were made between the spending patterns of older people in 1971, 1981, 1991 and 2001.

Do older people's levels of spending change over time?

Our analysis has shown a complex relationship between income and spending in later life. Overall it appears that the percentage of their total income that older people spend has decreased over time. In 1971, overall, 95 per cent of older people spent all of their income, compared to 79 per cent in 2001. This might seem to suggest increasing affluence of older people over time and that they are saving more. However, it may be that an increasing amount of spending has been missed in the survey data over the years. An example would be that, over the years, spending while away from home on holiday would have increased but this would not have been captured by the survey. More research is needed to investigate this further.

An additional possible indication of increasing affluence over time can be seen in the declining proportion of individuals living in households where expenditure was higher than income; from 45 per cent in 1971 to 34 per cent in 2001. However, again, this might be a problem of missing expenditure data, as described above. It can also not be assumed that the fact that more than one-third of households including older people are spending more than their income is necessarily an indicator of hardship – as might be assumed with younger people. Older people might be drawing on other financial resources that do not form part of the income variable in the EFS to supplement their incomes; it cannot be assumed that they are going into debt. Again, this warrants further investigation.

In addition to the overall decline in the proportion of income spent over time, across all four study years (1971, 1981, 1991 and 2001) it was clear that older people spent smaller proportions of their incomes as they got older. In other words, the older people were, the less they spent of their income. Whether this was because their needs had declined, their incomes had increased or they were saving more is not clear from this quantitative analysis and, again, merits further investigation.

Do spending patterns change during later life?

What people spend their money on in later life and how this varies across age groups can provide possible useful insights into changing patterns of need and give some indication of what people might be spending less on as they get older. In fact, expenditure on most categories was relatively stable across the four age groups that we analysed (see Table 1). Virtually all households spent something during the two-week diary period on food, household services, fuel, power and lighting. However, for other categories, the percentage of older people in the different age categories spending something fell. It seems that the older people became the less

they spent on leisure goods and services, motoring expenditure and clothing and footwear. Again, however, it cannot be assumed that this is necessarily an indicator of deprivation. It may be that they were spending more on other things not included in the data (as described above). Older people may not wish to participate in leisure activities and may not feel the need for new clothing and footwear. Analysis by income, which was beyond the resources of this project, might throw further light on this. However, what is of interest is that the decline in motoring expenditure (driving costs) was not matched by increased spending on fares and other transport costs, which remained relatively static across age groups. This clearly suggests declining mobility as people move through later life, although, again, whether this is the result of physical infirmity, lack of money or a loss of desire to travel cannot be concluded from these data and warrants further research. In any event, it cannot be assumed that declining spending in particular areas among retired people as they get older is necessarily an indication of deprivation; changes in their spending behaviour may be a perfectly rational response to declining energy levels, for example.

A further difficulty in interpreting these findings arises from the fact that, as was pointed out in relation to the BHPS analysis in the previous section, the older age groups are likely to have had more affluent lives given that, on average, poorer people do not live as long as richer people.

Table 1 Percentage of respondents who live in households that spent something in the following categories in 2001 by age

Expenditure category	65 to 69 years old	70 to 74 years old	75 to 79 years old	80 years old and over	All 65 and over
Food	100	100	100	100	100
Household services	99	99	99	99	99
Fuel, power and lighting	97	97	97	98	97
Household goods	97	96	95	91	95
Leisure services	99	99	88	80	93
Leisure goods	95	94	93	87	93
Personal goods and services	90	86	83	80	85
Motoring expenditure	80	70	58	50	66
Clothing and footwear	66	61	53	39	56
Alcoholic drink	65	59	53	42	56
Fares and other transport costs	37	36	36	35	36
Miscellaneous spending	23	19	12	11	17
Tobacco	19	21	13	10	16
Number of respondents	788	688	565	530	2,571

Some other important differences emerged when we analysed how expenditure patterns among the different age groups had changed over time. In particular, while those aged 80 and over allocated a higher proportion of their total expenditure to fuel, power and lighting than younger individuals, this proportion was much smaller in 2001 than in the past. This may be a result of declining fuel prices following privatisation and it will be interesting to see whether this decline has been sustained, given the very large recent increases in fuel prices. Proportions of expenditure spent on food also increased with age but, again, these proportions were much smaller across all age groups in 2001 than in earlier years.

Do older men have different spending patterns to older women?

There were also some gender differences in expenditure patterns. For example, single males were far less likely to spend anything on 'fares and other transport costs' during the two-week survey period than single women were (26 per cent compared to 42 per cent), but were more likely to spend on motoring costs (56 per cent compared to 27 per cent). This suggests that single men and women may have different lifestyles and living standards – the extent to which this is through choice, habit or necessity warrants further investigation. In any event, this is likely to change as subsequent generations of women who have been more likely to drive than their older counterparts move into retirement.

However, both lone men and lone women were less likely to spend on leisure goods/services than those with a partner, and were much less likely to spend something on motoring costs, which suggests differential rates of car ownership and possible differences between those in a couple and those who are single in terms of access to social networks.

Consumer durables and socially perceived necessities

Again using data from the Expenditure and Food Survey and the Family Expenditure Survey, the analysis looked at ownership of common consumer durables over time, across age groups and by different household types. The purpose of this was to explore whether there had been any changes in patterns of ownership between 1971 and 2001 (which one might expect given general social and economic changes, for example in access to televisions and washing machines) and whether access to common items was uniform across different groups of older people. This identification of trends should throw some light on potential increases in demand for these consumer durables among future generations of older people.

This section also includes findings from the Poverty and Social Exclusion Survey of Great Britain. Although the survey is now over six years old, it does provide some useful information about the variations in patterns of ownership of perceived 'necessities' and so is included here to highlight differences between different groups of older people.

Ownership of common consumer durables

In general, and not unsurprisingly, ownership of typical household items (such as washing machines, telephones, cars, etc.) has risen over time (Table 2). By 2001, television and telephone ownership (landline and/or mobile) among older people had risen to reach 99 per cent. Washing machine ownership, by 2001, had reached 92 per cent (which still leaves eight out of every 100 older people without one). Car ownership by 2001 had reached almost two-thirds (65 per cent). Ownership of a home computer reached around a fifth by 2001, which is still relatively low compared to almost half (49 per cent – see <http://www.statistics.gov.uk/pdfdir/int0403.pdf>) of households in general. Although one might expect that figure to have risen again by 2006, given the increasing availability of home computers and internet access, other evidence suggests that computer usage and internet access among the over 65s is still relatively low compared to other groups in the population. For example, figures for 2006 show that only 35 per cent of all adults have never used the internet, compared with 82 per cent of those aged 65 and over (ONS, 2006). Nevertheless, it is likely that, as future generations of adults who have taken access to a car and a computer for granted reach retirement, these upward trends in ownership will continue and, hence, expenditure requirements will increase.

Table 2 Selected consumer durable ownership among people aged 65 and over

Consumer durables	Ownership rate (per cent)			
	1971	1981	1991	2001
Televisions	88	96	98	99
Washing machines	48	66	79	92
Cars	25	37		65
Telephones	29	67	90	99*
Fridges	53	77	56	
Freezers		19	34	
Fridge freezers		16	44	94**
Video recorders			33	82
Home computers			3	19
Number of respondents	2,496	2,757	2,666	2,571

* Variable includes access to landlines and mobiles in 2001.

** Variable refers to deep freezers or fridge freezers in 2001.

Note: Gaps in this table occur because the question was not asked, or asked in a different way.

Despite overall rises, increases in ownership of consumer durables have been at differential rates for some groups of older people. For example, by 2001, almost a quarter of lone older males did not have a washing machine and 13 per cent of people aged 80 or over. For some, this may be a choice – preferring to hand-wash for instance – but, for others, it may be related to the perceived high cost of purchasing and running a washing machine or to lack of space to accommodate a washing machine.

Three-quarters of lone females did not have a car in 2001, compared to 46 per cent of lone males and 17 per cent of couples. Findings presented in the earlier section also suggested a decline in spending on car transport among this group, indicating perhaps an increased reliance on public transport, private hire or other friends or family members who have their own transport. Car ownership among lone men, although higher than for lone women, was still relatively low compared to other household types, suggesting that the cost of car ownership among lone households is prohibitive for some. However, again, these upward trends in car ownership are likely to continue, particularly among women, suggesting that expenditure requirements for future generations of older people can only increase.

Ownership of, and access to, socially perceived necessities

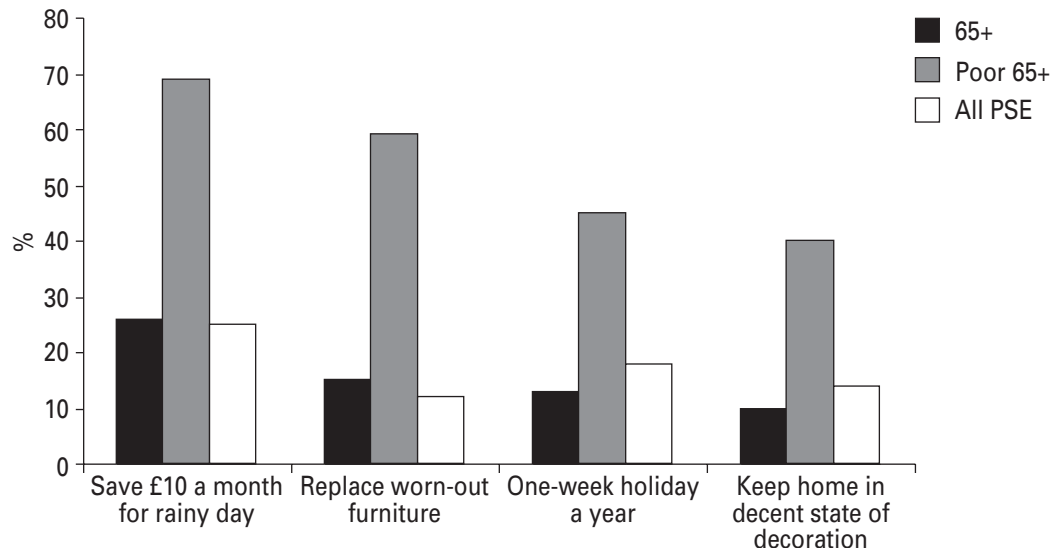
The Poverty and Social Exclusion (PSE) Survey identified 35 items or activities that were perceived as necessary by over half of respondents (including, for example, television, visit to friends/family, a warm waterproof coat, house insurance – see technical report for the full list). Among the PSE respondents aged 65 and over, over three-fifths (61 per cent) did not go without any of these items ('going without' referring here to not having something because they could not afford it, as opposed to 'choosing' to go without). However, 14 per cent of older people went without one of the items and a quarter of older people went without two or more of these necessities. The analysis compared all respondents aged 65 and over with those aged 65 and over defined as 'poor' (i.e. going without two or more items), and with all PSE adults in the survey.

Figure 1 shows the most common² items or activities that people went without (i.e. which at least 10 per cent of those aged 65 and over said that they wanted but could not afford to have). These were:

- regular savings of £10 a month
- replacing worn-out furniture

- holiday away from home for one week a year
- money to keep home in a decent state of decoration.

Figure 1 Most common ‘necessary’ items/activities that people could not afford



Almost a third (34 per cent) of the older respondents who were defined as PSE poor were also unable to afford to replace or repair electrical goods and almost a fifth (19 per cent) were unable to afford to insure their home.

The findings about savings are particularly interesting, given our suggestion in the previous section that saving from current income may not be a particularly good indicator of hardship among older people. It shows the sensitivity of findings to the question asked. Here people were asked whether they could afford to save at least £10 a month ‘for a rainy day or retirement’. This may have caused some confusion among older people who were already retired. Whatever the reason, it is clear that further investigation of savings behaviour among older people is required.

Summary and conclusion

The analysis of the BHPS data looked at changing experiences both over time (i.e. looking at two different sets of older people at different points in time) as well as with age (i.e. looking at the experiences of the *same* older people at different points in time). This analysis has produced interesting but contrasting findings. Fewer older people in 1997 perceived themselves to be experiencing hardship than in 1991, but more older people had incomes below 60 per cent of the median in 1997

than in 1991. Income and health were, not surprisingly, found to be important in predicting financial hardship, but age and gender were less important. However, when examining the findings for the same people as they aged, it appeared as though their lives were characterised by relative stability, at least in financial terms. Those who were less well off appeared to stay less well off and those who were more financially secure stayed more financially secure. The large majority of individuals, in both cohorts, were in households that had incomes above 60 per cent of the median throughout a five-year period and the majority were satisfied with their financial situation. Again age, gender and whether someone lived alone were not strong predictors of hardship. Nevertheless, it is important to remember that, in this longitudinal cohort analysis, those who remained in the cohort for the five-year period (and thus were included in the analysis) were likely to be, by default, healthier, wealthier and younger. This raises an interesting policy question concerning the extent to which policies should focus on older people at a point in time or should focus on older people's lives over a longer period.

The second part of this chapter has provided a broad overview of ownership of, and access to, common-place items and activities that most people would perceive as necessary in modern-day society. There are limits to the data used. For the expenditure data, the expenditure period covers two weeks so does not capture all types of spending, and what spending is recorded in the diaries (themselves noted for unreliability) may be untypical for a number of reasons. This analysis provides possible indications of increasing affluence among older people over time, but limitations to the data make it impossible to be conclusive. For example, while the proportion of income spent by older people has declined over time, we are unable to identify from this analysis what has happened to this 'surplus' income. It may have been spent on items not included in the diaries, such as holidays away from home, or it may have been saved.

However, caveats aside, the analysis does show variations in access to and ownership of these core items. Both age and household type appeared to be important in explaining differences in expenditure patterns, with older people spending less on items such as motoring and leisure activities, as well as single-adult households spending proportionately less of their income on transport costs and, for men particularly, less on food. Ownership of some items also varied between some groups, with older people and single households appearing to be most likely not to have items such as washing machines and cars. Nevertheless, it is clear that demand among future generations of older people for these items is likely to increase as more and more who have taken for granted ownership of these things during their lifetime reach retirement.

While it is encouraging to note that, in 1999 at least, the majority of older people were able to access the items or activities that were perceived as 'necessary' by the general public, a small minority of older people did report that they were going without some essential things simply because they could not afford them. Arguably, such items or activities should be universal – particularly being able to afford to insure one's home and to keep it in a relatively decent state of repair.

3 Health and well-being

The issues of future trends in ill-health and disability among older people are obviously of great concern to policymakers. Increasing numbers of retired people, living longer, will create increasing demands for a range of health and social care services. In the context of this research, health can be considered either as a 'need' for those who have ill-health or a 'resource' for those whose health is good. For the purposes of the analysis for this chapter, ill-health is defined as a 'need'; that is, individuals are identified who lack the 'resource' of good health. The inclusion of a health variable in the discussion of needs and resources in later life also recognises that people with health problems or disabilities may need more economic resources to maintain an adequate standard of living. Income measures of hardship fail to take account of this.

The first part of this chapter reviews the presence of health problems among older people in the British Household Panel Survey and the second part reviews changing health through ageing (using the Health Survey of England and the General Household Survey), with specific discussions about whether the level of pensions and other benefits for older people should change with age.

The presence of health problems among older people

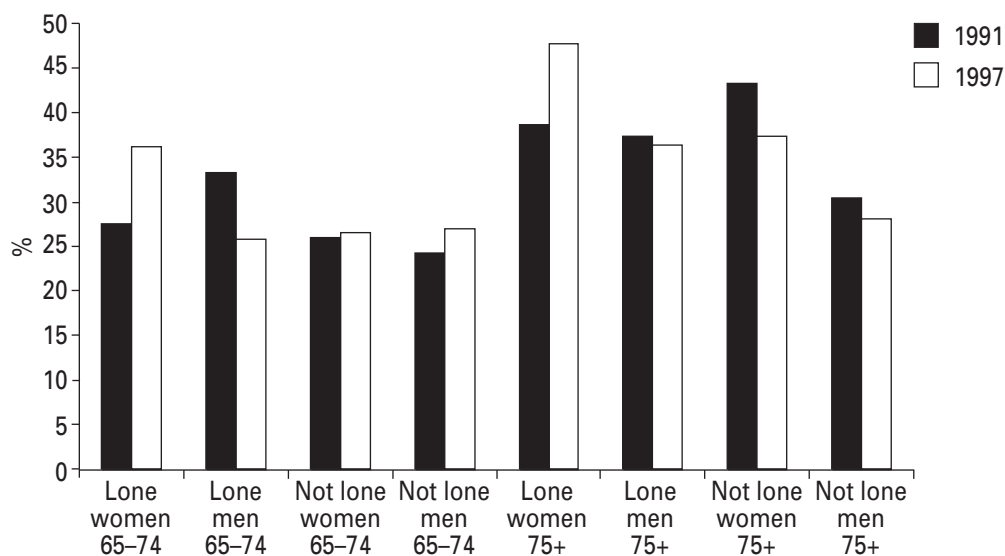
Looking at overall changes over time (comparing survey responses in 1991 and 1997 for *different* groups of people who were aged 65 and over at the time of the surveys), there was an increase in the numbers reporting a limiting health condition, so that, by 1997, it reached just over a third of respondents aged 65 and over. Overall, and unsurprisingly, this is higher for the over-75s than for their younger counterparts. The biggest proportional changes were apparent among both lone men and lone women (Figure 2). For lone men in the 65 to 74 age group, the proportions reporting a limiting health condition *decreased* from 33 per cent in 1991 to 26 per cent in 1997. However, for lone women (in both age groups), there was an increase of around nine percentage points (for the 65 to 74 age group, from 27 per cent in 1991 to 36 per cent in 1997). Men who did not live alone showed the smallest increase over time, compared to women who lived alone showing the highest increase between the two survey points. This means, therefore, that over time lone women were more likely to report limiting health problems than any other group. It seems possible, therefore, that gender and household status seem to be more important in predicting ill-health than age *per se*. Given that older women are over-represented among retired

people who are income poor, these figures suggest that their income poverty will be compounded by the additional needs for expenditure that accompany ill-health.

Turning to the *same* group of individuals, and looking at their changing health over time (i.e. as they age), again the proportions reporting worsening health were greater in the later cohort (1997–2002) than in the earlier one (1991–96). So it does appear that, both at an individual level and at an overall level, the numbers reporting a limiting health condition have increased over time.

It cannot be assumed, therefore, that future generations of older people will be as healthy or healthier than previous generations. In addition to the inevitable decline in health that goes with greater longevity for individuals, it seems that each generation of older people is more likely to report a limiting health condition. It should be noted, however, that responses to questions about health status are, again, sensitive to the question asked. The question in the BHPS is particularly interesting in that it asks, ‘Does your health in any way limit your daily activities *compared to most people of your age?*’ (our emphasis). It may be that responses here are as much to do with individual psychology as with actual health problems. Early results from qualitative research with older people suggest that a positive outlook on life leads some older people with objectively quite serious health problems to compare themselves favourably with others. The reverse is also the case (Hill *et al.*, 2007, forthcoming).

Figure 2 Health problems and other characteristics: people aged 65+ in 1991 and 1997



Base: Individuals aged 65 and over. BHPS Waves 1 (1991) and 7 (1997). Unweighted Ns vary because of item non-response. 1991 sample size: 1,798; 1997 sample size: 2,017.

Changing health through ageing – are age additions to state benefits justified?

In this section we consider more specific policy questions taking as our starting point the fact that the level of pensions and other state benefits tends to increase with age. For example, the winter fuel payment at 60 increases for those aged 80 and over, there are increases (albeit small) at 75 in the state pension and a free TV licence is available for those aged 75 and over. Presumably the assumption here is that needs increase (or resources dwindle) as people age – although there has never been a clear explanation from government as to the reason for such increases. Certainly, as shown above, health often declines as people get older, resulting in increased need for care and support. Using age for targeting resources is a relatively simple strategy for policymakers to implement and take-up of age-related initiatives may be less affected by stigma than targeting via means testing or a detailed assessment of disability. Therefore, there are two questions to consider. The first is whether health needs bring additional costs that are not outweighed by age-related reductions in other costs. This is not addressed directly here. The second is whether the association between age and ill-health is uniform across all groups of older people, or whether there are differences, particularly by income or socio-economic group. If the association were stronger for older people in poverty, then this might increase the argument for age additions in state pensions or other pensioner benefits, given that these form the majority of the incomes for poorer pensioners. Conversely, a stronger association for the rich would increase the case for private rather than state pensions to rise with age.

Our analysis used mainly the 2000 Health Survey for England (HSE), supplemented by some analysis of the General Household Survey (GHS) for 2001.

In terms of age and disability, the proportion of older people with at least a moderate disability reached a half between thresholds of 70+ and 75+ but did not approach three-quarters until 85+. Therefore, in order to reach more than half of all older people with moderate or severe disability, age-related additions would need to start at age 75 or younger. A single age addition paid from a single age can be only moderately well targeted on those with health needs.

At age thresholds below 80, the prevalence of at least moderate disability was higher among the poorest two-thirds of older people than among the richest third. At thresholds of 80 or 85, the prevalence of disability was higher among the richest third. This suggests that rich and poor alike should plan for the likelihood of disability in old age, although those on higher incomes might be able to assume that disability would start later than for those on lower income.

The ageing of the older population has the potential to strengthen or weaken the case for age as an indicator of disability-related needs. If age-specific rates of disability stayed constant relative to each other, the ageing of the population would increase the proportion of older disabled people who are in the older age groups, making age targeting more effective in reaching those with disability. It is only if those in late old age experience falls in disability rates relative to those in early old age that the effectiveness of age targeting – in that sense – would fall. A general reduction in disability rates would weaken the case for targeting by age in that higher proportions of those receiving an age addition would not have disability-related needs.

Summary and conclusion

Not for the first time in this report our analysis of health as a ‘need’ in later life has produced some intriguing conclusions. It seems, from our analysis of the BHPS, not just that the health of individuals worsens as they get older, but also that the prevalence of ill-health among older people is increasing from cohort to cohort. This suggests that future policy will need to take account, not just of the inevitably increasing health requirements of individuals who are living longer, but also of an older population that is in general less healthy.

However, it seems that age on its own is not necessarily an effective means for targeting resources on those with ill-health or disability. Although there was a clear association between age and poor health at all age thresholds in our analysis, the majority of older people were free from the severest health problems. Therefore, age targeting would need to be justified on the basis of more moderate health needs. Yet, analysis of those with moderate disability also suggests that a single age addition would not be particularly well targeted.

While it is clear from the analysis that targeting health needs through age would be imperfect, this has to be considered alongside the advantages and disadvantages of the alternatives. One option is to use a detailed assessment of disability to establish eligibility for benefits such as attendance allowance and disability care allowance. Another option is disability additions to means-tested benefits, as exist with pension credit. Both these alternatives avoid the problem that the additions may go to people who do not ‘need’ them. But both require the individual older person to make a claim for them, so would be likely to result in non-take-up through either lack of awareness or dislike of claiming.

4 Citizenship and community

Older people, whatever their financial and health status, live in communities and, as such, they need to feel safe and secure in their local environment, as well as having access to a whole range of appropriate services in addition to those that meet their health and financial needs, such as shops, transport, libraries, social activities, opportunities for volunteering and advice services.

The main policy thrust in delivering appropriate, 'joined-up' community services is outlined in *A Sure Start in Later Life: Ending Inequalities for Older People* (Social Exclusion Unit, 2006). Central to this is the view that the Sure Start model for children, of providing a range of appropriate services under one roof in local communities, can also be applied to services for older people. The aim is to provide a single access point in local communities through which older people can access services: health and social care, housing, safety and environment, finance and benefits, information, lifelong learning, volunteering, advocacy and specialist advice, transport and social activities.

Whether local people access local services will depend on a number of factors. Accessibility can be restricted by lack of social networks (for example, not having someone to go with), communication and literacy (for example, not being able to access or understand a bus timetable or route plan) and neighbourhood or community barriers (such as being afraid to go out alone or at certain times of the day) as well as cultural barriers (Morris *et al.*, no date). In addition, people may be excluded from services at a collective level because the services are unavailable, inadequate or unsuitable, or at an individual level because of lack of affordability or a perceived lack of individual need. There are very little data available about older people's access to services and their adequacy. However, while somewhat out-of-date and containing a relatively small sample of older people, the Poverty and Social Exclusion (PSE) Survey of Britain contains data about the availability and adequacy of a range of local services and these data were used in our analysis.

The PSE Survey data also allow exploration of views about people's local community as well as issues with regard to crime, safety and security in the home. These issues are important in that older people's perceptions of their environment can in turn affect their general well-being (for example, in their willingness to go out). Feeling content with, and secure in, one's local neighbourhood or community environment is an important need for older people, which will need to be met if older people are to be encouraged to access the services provided by the 'Sure Start in Later Life' initiatives.

Accessing common public and private services

Looking first at access to common public and private services among older people, interestingly, very few older people reported being excluded from services such as libraries, hospitals or other health services or transport because they could not afford them. However, larger proportions of older people were not using such services because of a perceived inadequacy, unsuitability or unavailability. Although, in almost all cases, those reporting non-use were less than 10 per cent, services most commonly reported as unavailable or unsuitable were museums and galleries,¹ bus and train services, corner shops and the cinema or theatre. The most commonly cited public services that were perceived as inadequate were health services, particularly hospitals.

Concerns about crime

Fear of crime can bring feelings of social isolation, insecurity and vulnerability. Such feelings are likely to be enhanced among those in later life, particularly those with poor health and people who live alone. The PSE Survey contained a number of questions about local neighbourhoods, including how safe people felt in their community and in their own home. More than one-third of older people felt unsafe walking alone after dark (38 per cent, includes 'a bit' unsafe and 'very' unsafe) – this is higher than for younger adults in the survey. Women were more than twice as likely to feel unsafe after dark than men (50 per cent to 23 per cent) – although this was also true within the adult PSE sample as a whole (Gordon *et al.*, 2000).

For some, fear also extended to the home. About half (54 per cent) of older people were worried (either 'very' or 'fairly') about being burgled, about having their car (or contents of their car) stolen (46 per cent) or about being mugged. Around one in ten also felt unsafe being alone in their own home. Such fears were generally higher among the poorer respondents.

Although the proportion of older people who were fearful of crime was quite high, their *actual* experiences of crime were considerably lower, with very small numbers reporting actual experiences of crime. Nevertheless, many older people in the PSE Survey were experiencing real fears about their safety in the community and in some cases within their own home. Such concerns may have a detrimental effect on the well-being of older people and may increase their risk of social isolation, particularly if the concerns increase as they age or are more prevalent among certain groups (such as women, those on a low income or those with poor health).

Views about homes and communities

Being happy with one's home is also an important aspect of quality of life and general well-being. In addition, the physical environment in which people live is also important. Factors such as poor housing quality, vandalism and rubbish can have a detrimental effect on residents, compounded for those who are perhaps less mobile, less willing or less able to move away from an area they find unsatisfactory, or who spend greater time in the local community environment.

Overall, in the PSE Survey, the majority (over three-quarters) were generally happy with their accommodation, including its state of repair. However, those defined as PSE poor (i.e. lacking two or more necessary items) were significantly more likely to be dissatisfied with their accommodation or its state of repair.

Encouragingly, over half of the older respondents in the PSE Survey did not report any local area problems. For the remainder, the types of problems they most commonly reported included dog fouling, rubbish and litter, 'teenagers hanging around', graffiti and vandalism. Risks for pedestrians from traffic were also a concern for around a fifth of older people.

Summary and conclusion

In the large majority of cases, older people were able to afford to access the services they wanted, although there was some dissatisfaction expressed with regard to the quality of key services, particularly health care and transport.

Feeling safe in one's own home or community continues to be an important factor for people and local community safety was a concern for a minority of older people, both inside and outside of the home. Initiatives such as the Neighbourhood Wardens Scheme should make an important contribution to this area.

However, the findings in this chapter of the report are based on relatively small numbers and on a survey that was conducted over seven years ago. More up-to-date research is required to:

- explore the impact of the local environment and community on older people's well-being and quality of life, particularly over time
- investigate further the availability and accessibility of local services

- examine if and how perceptions and experiences of the local community affect older people's ability and willingness to access local services.

5 Conclusions

Our analysis of five datasets relating to the resources of older people has produced some intriguing findings, many of which appear to be contradictory – at least at first sight. This final chapter attempts to draw out some of the policy implications of these findings. However, it should not be forgotten that the research has also produced a number of findings about the limitations and possibilities of the datasets we analysed, which provide scope for future research.

Ageing within later life and money

The findings seem to suggest that, contrary to current assumptions in some benefits for older people, age in itself is not a strong predictor of hardship. This may be because those who live longest into old age tend to be more affluent to start with – poorer older people (and those who were poorer before retirement) die younger on average. Therefore, paying people more simply because they are older may not be cost-effective.

Older people's lives are characterised by stability – at least in financial terms: those who were less well off earlier in later life remain less well off and those who were affluent remain affluent. Hence, poverty remains the issue for policymakers rather than increasing age.

People spend smaller proportions of their incomes as they get older, although it is unclear from our analysis what happens to this 'surplus' income. If older people are saving this money to meet the possible future costs of their care, this would be encouraging for policymakers when considering how to meet the costs of caring for increasing numbers of older, frail people.

Ageing within later life and ill-health and disability

Using age as a means of targeting resources on older people with ill-health or disability is not necessarily effective. Although the older we become, the more likely we are to experience ill-health or disability, the majority of older people do not experience severe problems. However, alternative means of targeting also have potential disadvantages. Detailed assessment of disability to establish eligibility (such as already exists for attendance allowance and disability care allowance) or disability

additions to means-tested benefits (as with pension credit) would both avoid the problem that additions might go to people who do not 'need' them. But both would be likely to result in non-take-up through lack of awareness or the perceived stigma of claiming. Targeting by age would be easier to justify if the aim was to help those with more moderate disabilities, but our analysis has shown that even this would not be particularly effective.

Successive generations of older people

In thinking about how the 'needs' of future generations of older people are to be met, policymakers need to consider not just the 'needs' of current generations of older people but also how people's definitions of 'need' and their aspirations might change with successive generations. We have found some evidence, particularly from data on the spending and consumer durable ownership patterns of successive generations of older people, that older people in the future will have higher aspirations than the current generation who experienced relatively low levels of affluence during their working lives. To give just one example, although older women living alone are currently less likely to have access to a car than other groups, the proportion who do have such access has been increasing over time. As more and more women who have held driving licences throughout their lives reach retirement, this proportion is likely to increase further, with implications for their income requirements.

There is also evidence that the prevalence of ill-health among older people is increasing from generation to generation. If this continues, then policy will need to take account, not just of the implications of declining health within later life, as described above, but also of the consequences of generations of older people that are less healthy in general.

Poverty remains the issue

It is clear that, whichever measures of needs and resources are used, financial poverty remains the issue on which policymakers need to focus – for both the current and future generations of older people. To conclude with one example from our analysis, in 1999, small but significant proportions of older people reported that they were unable to afford to insure the contents of their home, to replace or repair broken or worn-out electrical goods or furniture and/or to keep their homes in a relatively decent state of repair.

Notes

Chapter 1

- 1 Other research has explored extensively the circumstances of people in their fifties and early sixties. See, for example, the Joseph Rowntree Foundation's programme 'Transitions after Fifty'.
- 2 Although it should be noted that falls in poverty using the Before Housing Costs (BHC) measure of poverty have been much smaller – from 22 per cent in 1994/95 to 19 per cent in 2004/05.
- 3 Department for Work and Pensions (2006) *Security in Retirement: Towards a New Pensions System*. London: The Stationery Office.

Chapter 2

- 1 This '60 per cent' threshold is conventionally used in official statistics such as the Households Below Average Income figures.
- 2 A detailed list is available in the full technical report.

Chapter 4

- 1 It should be noted that the survey was undertaken before access to museums was enhanced through reduced or free admission.

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Appendix: The datasets

The British Household Panel Survey

The British Household Panel Survey (BHPS) is a nationally representative sample of non-institutional households and has followed the same individuals and households since 1991. Twelve waves of data are available, the latest of which (at the time of writing) is 2002. The BHPS contains a wide range of questions on needs and resources, including level of income, sources of income, receipt of benefits and how people are managing financially. It is particularly useful for the identification and analysis of the onset of/escape from poverty and hardship, and of particular triggers that seem to be associated with such changes, because of its longitudinal nature so that, for example, those who have experienced the onset of health problems can be identified. In addition, with 12 waves of data it is possible to begin to compare the experiences of different cohorts of older people, for example those who were 65 or over in 1991 with those who were 65 or over six years later in 1997.

For the purposes of this research, two variables were used as indicators of a lack of resources. These were:

- whether respondents lived in a low-income household (less than 60 per cent of median for all households)
- whether they had a health problem that limited their daily lives.

The measure of household income used was net household income, after housing costs and adjusting for household composition (equivalised). Note that income is measured relative to contemporary incomes of all households.

There were 1,992 people aged between 65 and 74 in the BHPS in 1991 and 2,030 in 1997.

The Expenditure and Food Survey/Family Expenditure Survey

The Expenditure and Food Survey (EFS) combines the data from the Family Expenditure (FES) and National Food Surveys (NFS), which have been used since the 1950s. The FES and NFS were undertaken annually, primarily to chart changes

and patterns in the United Kingdom's spending and food consumption. The EFS will continue to monitor spending and food consumption annually, but without the difficulties of reconciling data from two sources. This study uses the first year of the EFS data (from April 2001 to March 2002) and three years from the FES (1991, 1981 and 1971) to investigate long-term trends in the ownership of consumer durables and expenditure patterns.

There were 10,490 people included in the analysis (i.e. aged 65 and over from 1971, 1981, 1991 and 2001).

Health Survey for England

The Health Survey for England (HSE) is a series of annual surveys about the health of people in England carried out for the Department of Health by the National Centre for Social Research. Each year's survey has a particular focus and in 2000 this was the health of people aged 65 years and over. Unusually, the 2000 HSE included a sample of people living in care homes. About 4 per cent of the total sample aged 65 and over lived in care homes. From age 75, there was a progressive increase in the proportion of residents in care homes such that 30 per cent of those aged 90 and over lived in care homes (National Centre for Social Research, 2002). So people living in care homes need to be included to establish a true picture of the relationship between age and health within the population aged 65 and over.

The 2000 HSE contained 4,170 respondents aged 65 and over.

General Household Survey

The General Household Survey (GHS) is a multi-purpose, cross-sectional survey of British households, which is carried out each year by the Office for National Statistics. Periodically, it has included a special section of questions on the health of respondents aged 65 and over. The latest survey to include these questions was 2001, which contained 3,221 respondents aged 65 and over.

Survey of Poverty and Social Exclusion

The Poverty and Social Exclusion (PSE) Survey of Britain was undertaken in 1999 as a follow-up survey of a sample of respondents to the 1998/99 General Household Survey. It was one of the most comprehensive surveys of poverty and social exclusion undertaken and measured poverty, not only in financial terms (which provide only a partial indicator of poverty and social exclusion), but also in terms of deprivation from goods, services and activities that the majority of the population defined as being the necessities of modern life. Although the sample size for older people is relatively small, the measures included in the survey (for example, about access to services and non-financial needs) are not available in the same detail as in other surveys.

The survey contains 329 respondents aged 65 and over. Where relevant, and where data are available and comparable, comparisons have been made between this group of respondents and adults aged under 65 (as reported in Gordon *et al.*, 2000).

