



**Consultation Response**  
**Inquiry into Poverty in Wales**  
**September 2014**

**1. Introduction**

- 1.1 Age Cymru is the leading national charity working to improve the lives of all older people in Wales. We believe older people should be able to lead healthy and fulfilled lives, have adequate income, access to high quality services and the opportunity to shape their own future. We seek to provide a strong voice for all older people in Wales and to raise awareness of the issues of importance to them.
- 1.2 We are pleased to respond to the Communities, Equality and Local Government Committee's inquiry into poverty in Wales. In May 2014 we published a report, *Life on a low income*, which explored the experiences of older people living in poverty in Wales. This evidence paper builds upon that report and the actions we believe that the Welsh Government and local government could take to reduce the incidence of poverty amongst older people.
- 1.3 Alongside this paper we also submit *Life on a low income* as evidence to the Committee, due to the personal case studies from older people in poverty that it contains.

**2. Context**

- 2.1 84,000 older people are currently estimated to live in poverty in Wales - 14% of everyone aged 65 or over. In reality this means living on a weekly household income of £224 or less (after housing costs are deducted). Even more concerning is the fact that 8% of older households in Wales live in severe poverty on £187 per week or less – just under 50,000 people.<sup>1</sup>
- 2.2 As with other age groups, these figures only show part of the story and even larger numbers of older people live with incomes just above the relative poverty threshold but are virtually no better-off in practice. For many this is because of the minimum income

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<sup>1</sup>Households Below Average Income 2012/13, Department for Work and Pensions, June 2014

guarantee aspect of Pension Credit, which acts as a top-up to the basic State Pension, or because of small occupational or personal pensions.

2.3 Many older people in poverty will have lived on a low income during their working life and not had the opportunity to build up a pension or savings for retirement. Others may have seen a dramatic fall in their income due to retirement, bereavement or other circumstances.

2.4 In general, single older people living alone are the largest group affected by pensioner poverty.<sup>2</sup> Often widows, many have lost a partner's income and have little or no pension entitlement themselves because they previously paid 'reduced rate' married woman's National Insurance (NI) contributions.

2.5 Other trends in poverty amongst older people:

- In general, the older a person is, the greater the likelihood is that they have a low income.<sup>3</sup>
- A higher proportion of single pensioners living alone are in low-income households than any other group in society,<sup>4</sup> and single older people are more likely to be in poverty than couples, irrespective of their age.<sup>5</sup>
- Pensioners with no occupational or personal pension are much more likely to be in poverty than those with some income from these sources.
- 70% of pensioner households in poverty and 80% of households in severe poverty are not currently in receipt of any major state benefits.
- Pensioners living in families where someone is disabled are almost three times as likely to be in material deprivation compared to those living in families where no-one is disabled.
- Pensioners living in a household headed by someone from an ethnic minority are more likely to be in a low-income household. This is particularly the case in households headed by someone of Pakistani or Bangladeshi ethnic origin.<sup>6</sup>

### **3. How effectively do the Tackling Poverty Action Plan, Strategic Equality Plan and other government strategies work together?**

3.1 Whilst some of major levers for tackling poverty and improving older people's incomes lie with the UK Government at Westminster, there are still a number of important actions that the Welsh Government and others can take in Wales. The Welsh Government themselves acknowledged this when establishing tackling poverty as a central aim in its Programme for Government. We welcome and support the high profile that this has given to the issue.

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<sup>2</sup>*Pensioners, poverty and social exclusion*, Patsios, D., Poverty and social exclusion in Britain: the millennium survey. 2006

<sup>3</sup>*Households Below Average Income 2012/13*, Department for Work and Pensions, June 2014

<sup>4</sup>*ibid.*

<sup>5</sup>*Gender, marital status, and ageing: linking material, health, and social resources*, Arber, S., Journal of Ageing Studies. 2004

<sup>6</sup>*Households Below Average Income 2012/13*, Department for Work and Pensions, June 2014

- 3.2 The Welsh Government's flagship policy in this area is the Tackling Poverty Action Plan. However, in its current guise the plan does not do enough to address the specific causes and solutions to poverty amongst older people. The current plan makes only passing reference to older people and lacks targeted actions aimed at improving the incomes of older people, or assisting those older people living on very low incomes. Instead the primary focus is on working-age adults and families with children. Whilst this overall focus is understandable, we believe that the fact that older people are largely overlooked is reflective of a general assumption that poverty is not an issue for this group, or that the Welsh Government does not control the levers to address it.
- 3.3 Both of these assumptions are incorrect and we believe the Welsh Government should be making greater use of the Tackling Poverty Action Plan to ensure that older people on low incomes are supported to improve them. This can primarily be done by helping them to claim all the financial entitlements available to them.
- 3.4 Large numbers of older people rely on the State Pension as their primary source of income. Whilst steps are being taken by the UK Government to increase the level of the State Pension for future recipients, for current pensioners it is paid at a relatively low level. Additionally, in Wales relatively small numbers of older people have supplementary income from occupational or personal pensions. This means that many rely on means-tested Pension Credit in order to top-up their weekly income to a guaranteed minimum level (set just above the poverty threshold). Its existence is recognition of the relatively low level of the basic State Pension.
- 3.5 Pension Credit is an extremely important benefit. However, it has been persistently under-claimed since it was introduced and it is estimated that around 1/3 of eligible older people do not receive it.<sup>7</sup> This severely hampers efforts to reduce levels of pensioner poverty.
- 3.6 A conservative estimate is that unclaimed Pension Credit could be worth upwards of £168 million in Wales, based on UK Government analysis of total unclaimed benefits. By rights this income should be being shared by around 95,000 people not currently claiming. This would mean an average additional unclaimed income of £34 per week, or £1772 a year<sup>8</sup> - money which would make a real difference to the lives of many older people.
- 3.7 The reasons for under-claiming of means-tested benefits are many and varied, including:
- a lack of information about the support available;
  - a belief that people will not be eligible;
  - stigma around asking for help;
  - reluctance to disclose personal financial information;
  - being turned down because of a mistake when applying;
  - not receiving support to apply.
- 3.8 Pension Credit is crucial in efforts to reduce poverty because it seeks to lift people above the relative poverty threshold, and because it acts as a gateway to a range of other

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<sup>7</sup> *Income Related Benefits: Estimates of Take-up*, Department for Work and Pensions, 2012

<sup>8</sup> Age Cymru calculations based on population estimates and *Income Related Benefits: Estimates of Take-up*, Department for Work and Pensions, 2012

entitlements. Strikingly, 70% of pensioner households in poverty and 80% of households in severe poverty are not currently in receipt of any major state benefits (Pension Credit, Housing Benefit, Attendance Allowance or Disability Living Allowance).<sup>9</sup>

- 3.9 If the Welsh Government, working with local authorities, made a commitment to ensure adequate income maximisation services were available to older people in Wales it could make a substantial contribution to reducing pensioner poverty. It is a win-win scenario: these services put money directly in the pockets of older people on low incomes in Wales, at relatively little cost to the Welsh budget. As well as benefitting the older people they support, these services bring additional money into Welsh communities and the Welsh economy.
- 3.10 The most effective way to increase benefit take-up is through face-to-face advice and support. These are exactly the types of services adopted by third sector advice services, such as those provided by Age Cymru and our local partners.
- 3.11 In 2012/13 Age Cymru's local and national services delivered a total of £13 million in extra entitlements for older people in Wales through advice and one-to-one support. However, given the scale of the problem outlined above, at their current scale these services are merely scratching the surface. In addition, since the economic downturn many of these services have faced reductions in their funding at the same time as demand for their support has increased. This has meant reduced accessibility and increasing waiting lists for vital support.
- 3.12 We believe the Committee should make recommendations for further development of, and investment in, these vital services which are a key means to reduce levels of poverty amongst older people.

#### **4. The impacts of poverty on older people**

- 4.1 Once retired the majority of older people have fixed incomes and are heavily reliant on annual increases to the State Pension or other benefits, or the interest they receive from (usually minor) savings or investments. This can mean that older households are less resilient to substantial bills, costs or price increases. Many of those on low incomes simply live 'hand to mouth'; stretching their weekly pension income as far as it will go.
- 4.2 In research carried out by Age Cymru this year,<sup>10</sup> over a quarter (28%) of people aged 65 and over in Wales reported not being able to afford everything they needed without being worried whether they could afford it. This is equivalent to 168,000 people – double the official poverty figure.
- 4.3 Energy bills were of the greatest concern to older people. 57% stated that they were worried about how to afford gas and electricity bills, whilst significant numbers were also concerned about water and Council Tax bills.

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<sup>9</sup>*Households Below Average Income 2011/12*, Department for Work and Pensions, June 2013

<sup>10</sup> ICM Opinion Poll for Age Cymru, February 2014. (Sample: 1000 adults 18+ in Wales)

4.4 Most worryingly, more than a third of retired households reported cutting back on areas of spending in recent years:

- 36% have cut back on the amount or quality of food that they buy;
- 35% have cut back on the amount of heating or electricity they use;
- 34% go out less or have cut back on social activities;
- 37% have bought fewer or cheaper consumer goods.

4.5 These figures are all equivalent to around 200,000 older people in Wales and the striking similarity between the responses to different categories strongly suggests that the same households have cut back in multiple areas.

4.6 In addition, 7% of people aged 65+ indicated that they had got into more debt during recent years, equivalent to 42,000 people.

4.7 For our *Life on a low income* report we presented case studies of older people who have been helped by Age Cymru support services. These case studies are available in the full report which we enclose alongside this evidence. We include one example here to illustrate the true impact of poverty:

#### **Case study: Mrs Parry, Swansea**

Mrs Parry is a 91 year old widow who lives in a small council flat. She has a number of health issues.

When she was visited by Age Cymru Swansea Bay she was desperately short of money and was drying toilet paper on the radiator so it could be re-used. Her friends would peel potatoes and put them in a saucepan. Each day she would take one or two and boil them for a meal.

The advisor carried out a full benefit check, which revealed that Mrs Parry was receiving the State Pension and a small occupational pension from her late husband. She was afraid that she would not be able to pay her rent and Council Tax and that she would be evicted.

Age Cymru Swansea Bay were able to advise her that she would be entitled to Pension Credit with immediate effect, which would entitle her to free Council Tax and rent and help with teeth and glasses. Mrs Parry was so overcome that she broke down crying.

As a result of the visit, Mrs Parry's income weekly income increased from £141.64 to £328.51. She now also saves £78 per week on her rent and Council Tax. Mrs Parry can now afford nourishing food daily as well as household goods, and she is being offered other support by Age Cymru Swansea Bay.

## **5. Coordination of legislation, policy and budgets targeted at tackling poverty and reducing inequality across Welsh Government**

- 5.1 In relation to links between Welsh Government strategies, we find there is often a circular element to their objectives and referencing which leads to a lack of progress and commitment in individual departmental budgets. For example, the Strategy for Older People in Wales acknowledges key solutions to poverty amongst older people, such as benefits take-up services, and refers to the Tackling Poverty Action Plan as the method of delivery. It also refers to the Financial Inclusion Strategy for similar reasons.
- 5.2 However, within *Building Resilient Communities: Taking forward the Tackling Poverty Action Plan* it refers to the Strategy for Older People as a way in which objectives will be achieved and there is no distinct reference to increasing benefits take-up as an objective. Amongst the KPIs there is only reference to monitoring “The proportion of older workers who lose their jobs and are still unemployed” – a welcome measure to track but hardly fully reflective of the issues facing older people as a whole.
- 5.3 We believe this form of circular referencing is a result of the nature of these documents. Both are cross-cutting strategies which seek to achieve buy-in from across Welsh Government departments (and others such as local authorities). However, neither have their own distinct (or adequate) budget for delivery and both therefore rely on other departments to take forward key actions as part of their own plans. Setting cross-cutting policy themes has its merits, such as ‘joined-up government’ and ensuring issues have high profile. However, in the case of the Strategy for Older People, it has meant that a number of important objectives have struggled to achieve implementation without a standalone budget or the buy-in of the key department to ensure delivery.
- 5.4 We fear that the circular nature of many of the references, and the reliance on other departments across Welsh Government to deliver many of the actions, may result in elements of the Tackling Poverty Action Plan experiencing the same issue.

## **6. Other issues**

- 6.1 We hope this information is helpful to the Committee in its consideration of this important issue and would be happy to provide further information as required.