



Anna Henry

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How have pensioner incomes and poverty changed in recent years?



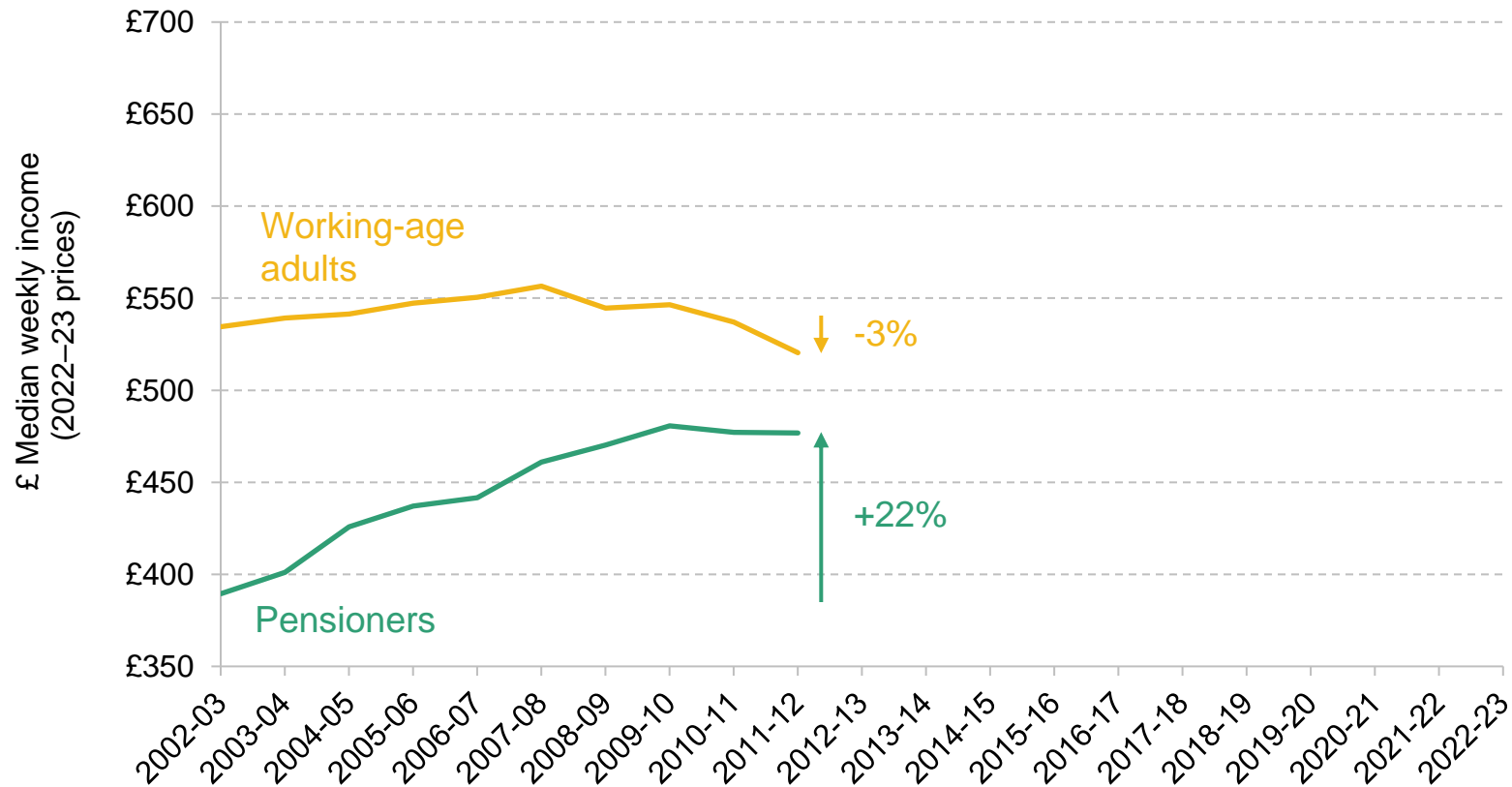
Economic
and Social
Research Council

Motivation

- Pensioners make up a large part of the population
- Sources of income for pensioners are different to that of working age adults
 - Drivers of income growth are different
- We use pensioners to refer to the 66+ age group throughout
 - Not affected by changes to state pension age over past decade
- Household incomes are stated after housing costs are deducted

Pensioner incomes were catching up to working-age adults until the end of the Great Recession

Average (median) real disposable household income over time

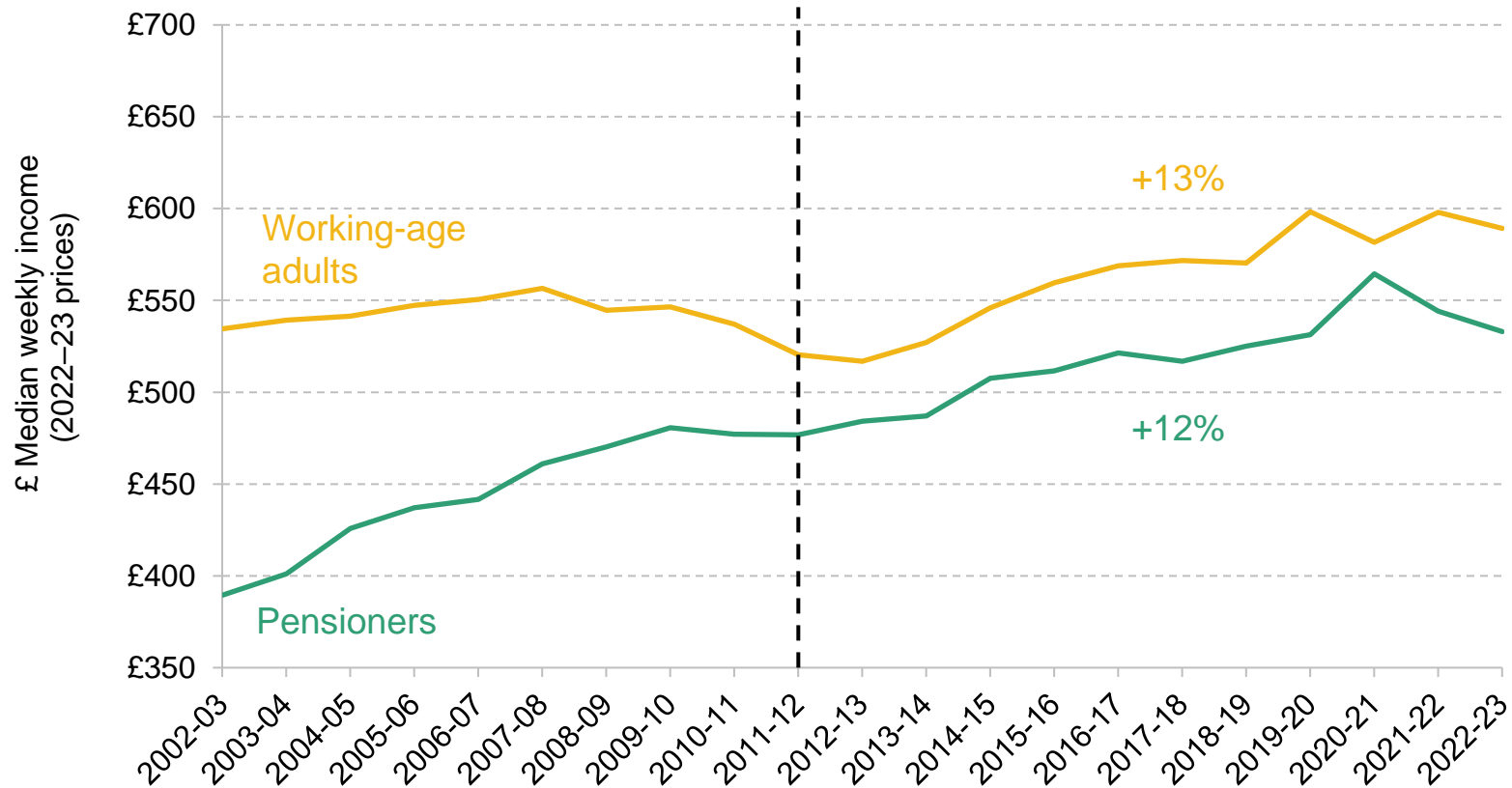


Source: Cribb et al. (2024) Figure 4.1

Notes: Incomes have been measured net of taxes and benefits and are expressed in 2022-23 prices. Incomes are net of housing costs. All incomes are equivalised and expressed as equivalent for a childless couple. 'Working-age adults' refers to men aged under 65 and women aged under 60.

Pensioner incomes were catching up to working-age adults until the end of the Great Recession

Average (median) real disposable household income since 2002-03

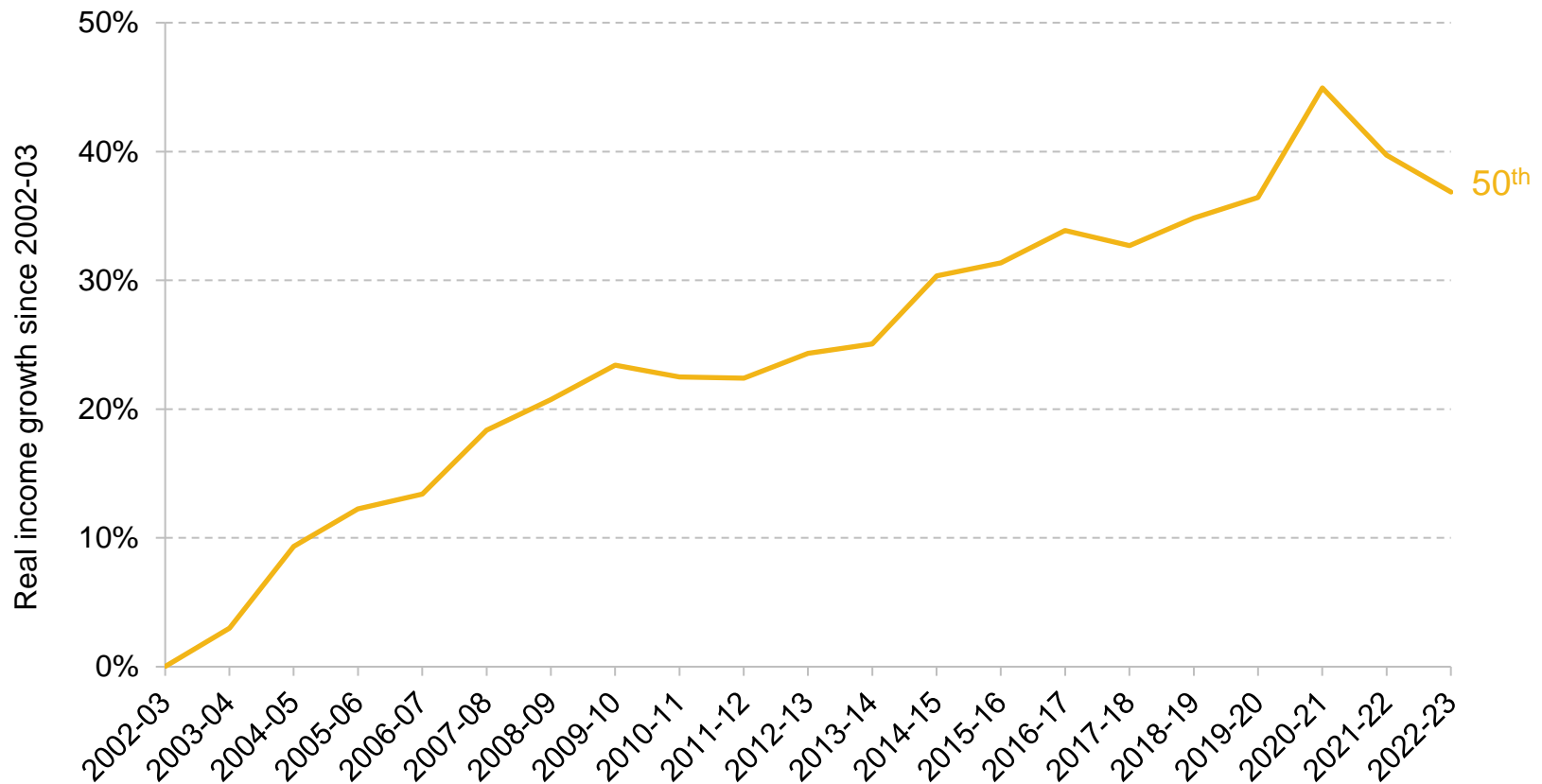


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Income growth for poor pensioners has lagged behind since 2011-12

Growth in real income since 2002-03, by income percentile

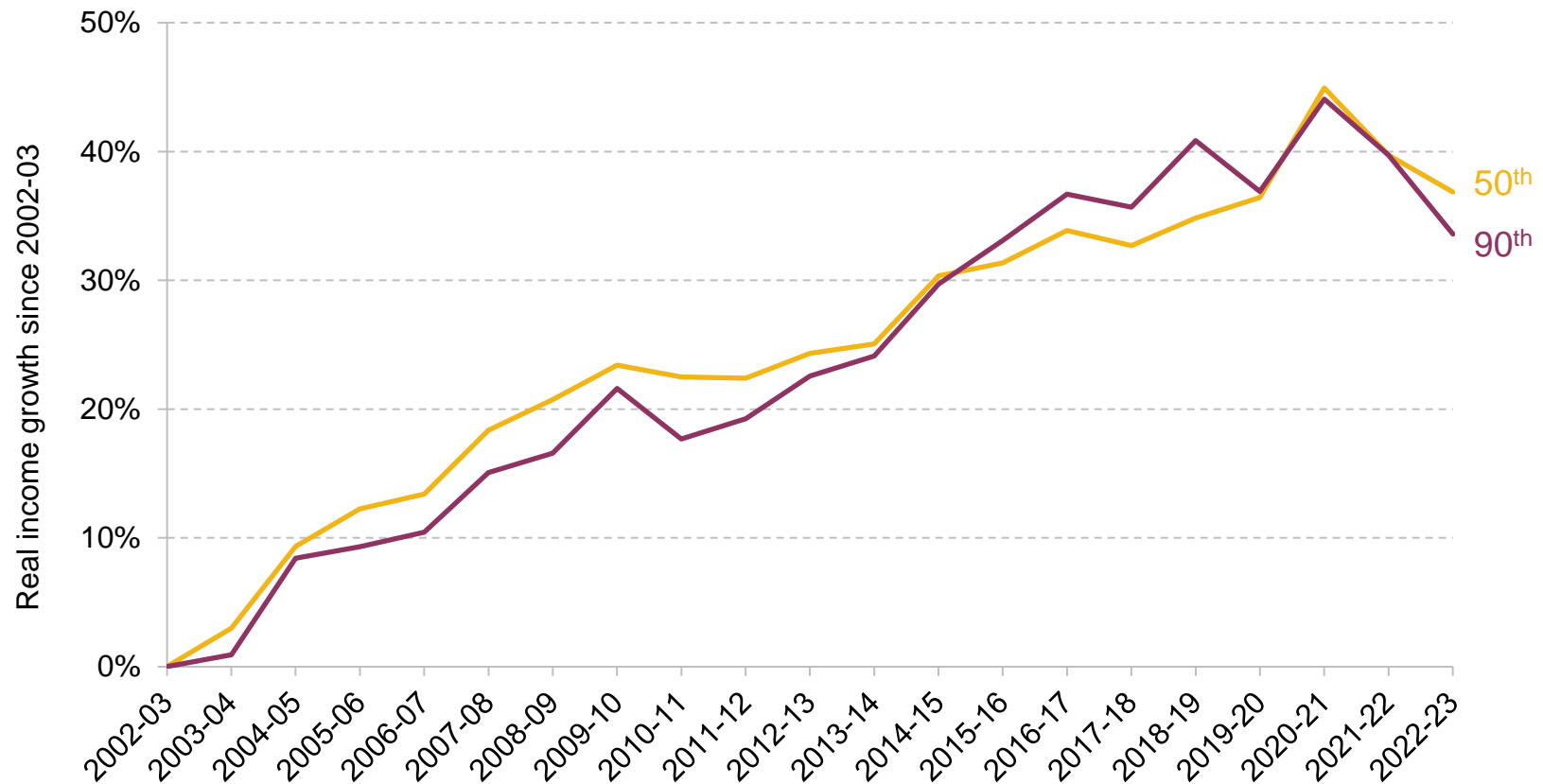


Source: Cribb et al. (2024) Figure 4.4

Notes: Real growth rate in equivalised (expressed as equivalent for a childless couple) household income since 2002–03 for each year up to 2022–23.

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Growth in real income since 2002-03, by income percentile

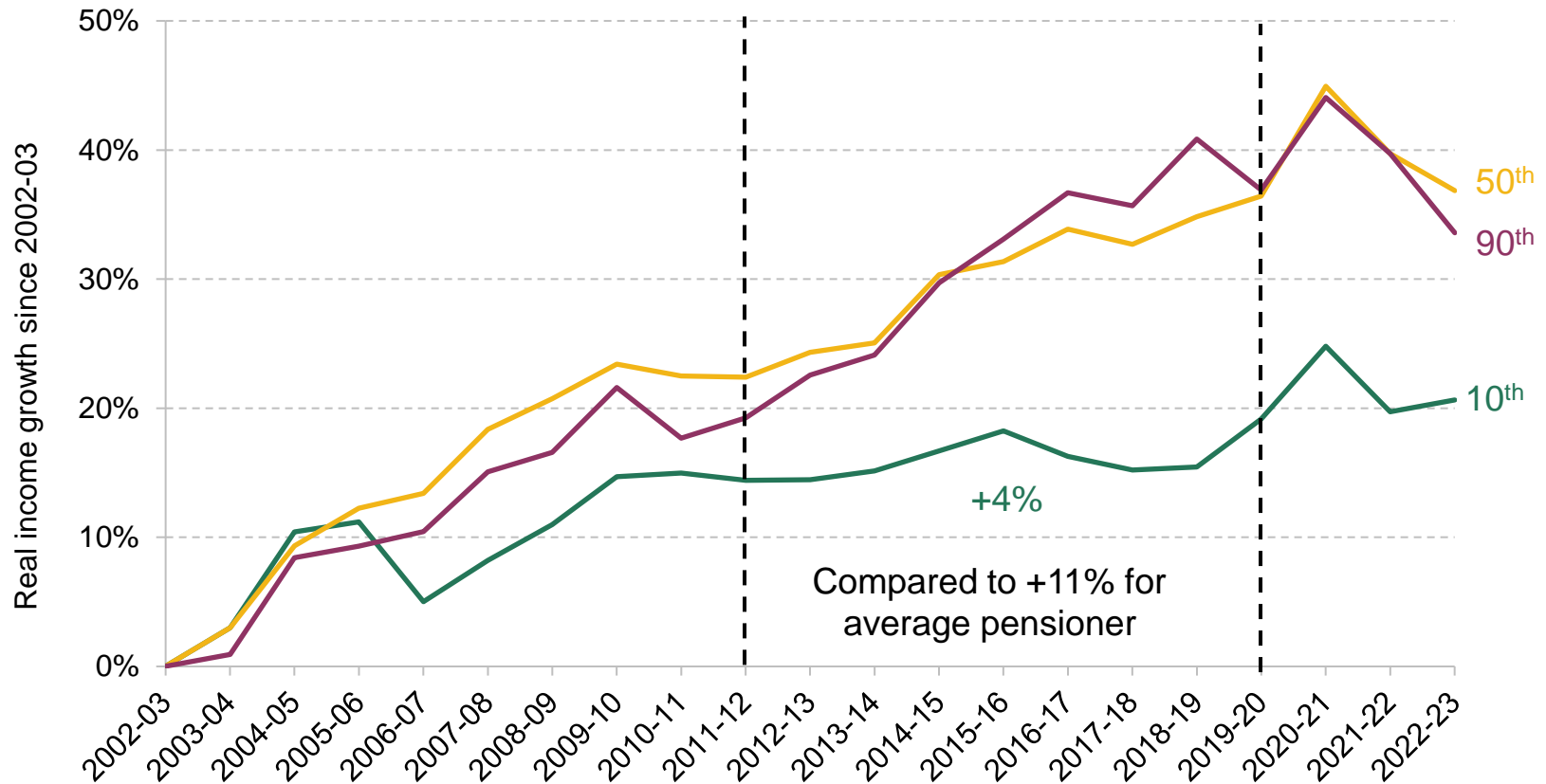


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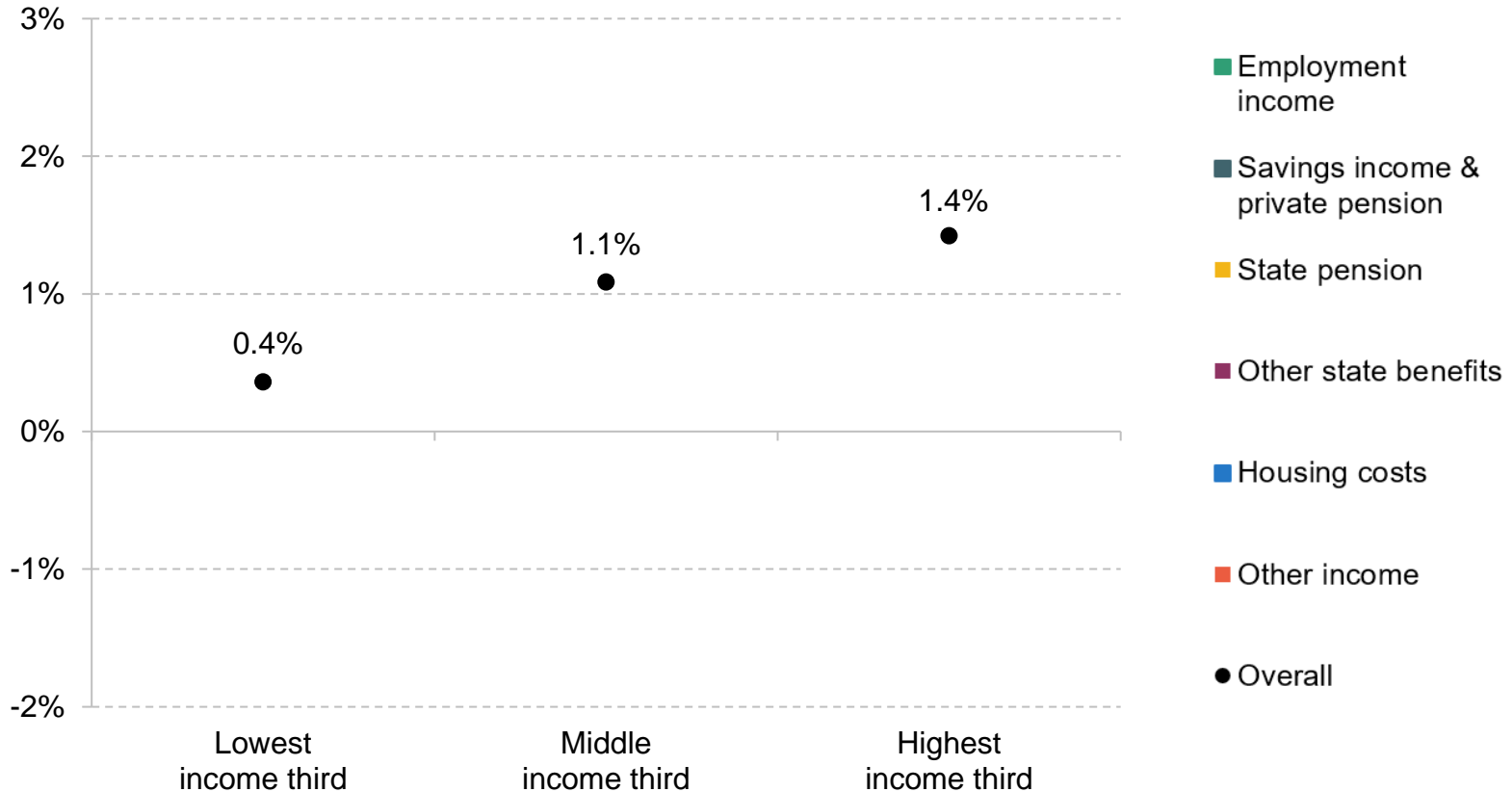


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Notes: Real growth rate in equivalised (expressed as equivalent for a childless couple) household income since 2002-03 for each year up to 2022-23.

Poorer pensioners have not benefitted from growth in private pension incomes

Contributions to annualised income growth, 2011-12 to 2019-20

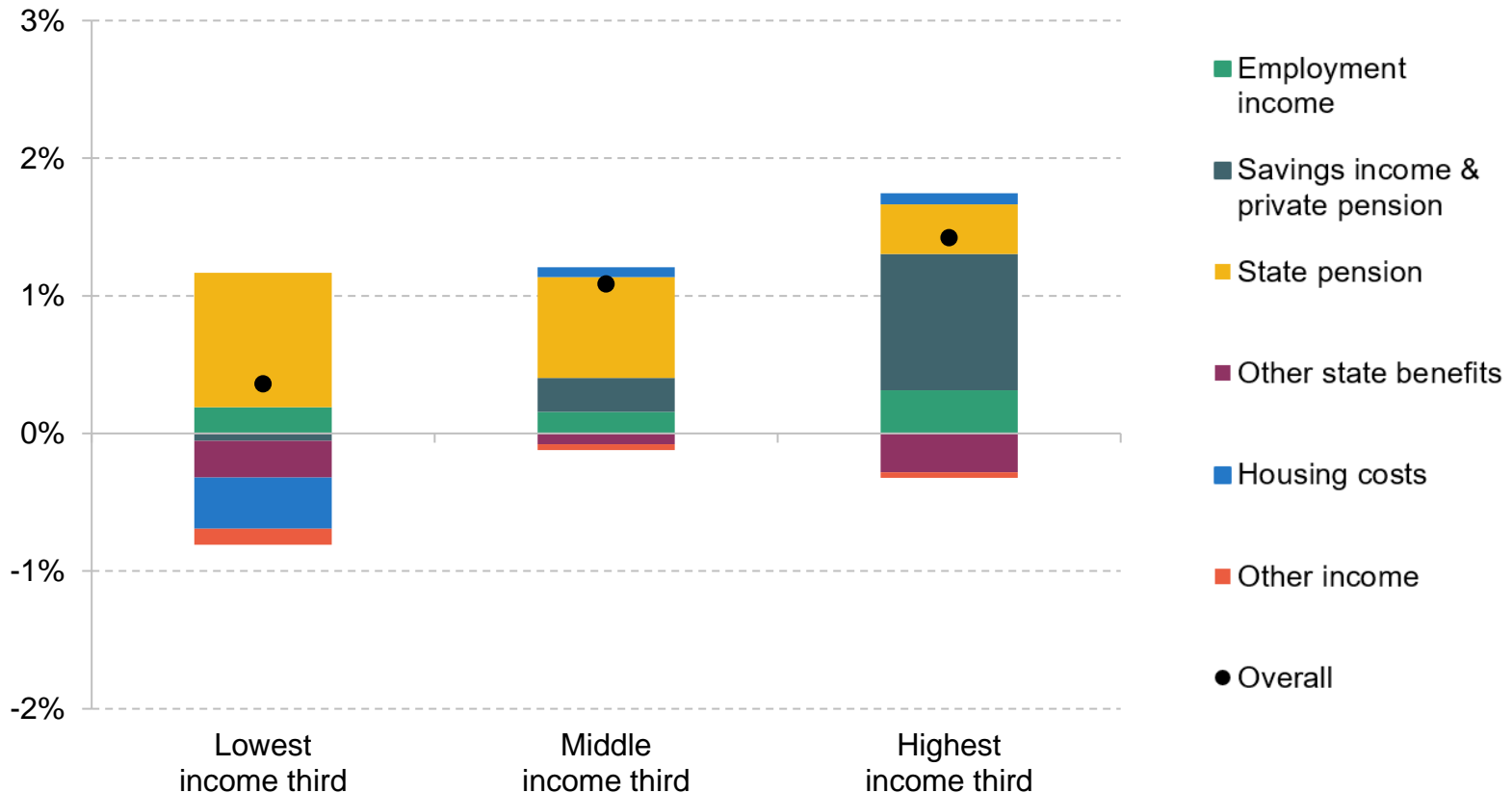


Source: Cribb et al. (2024) Figure 4.5, 4A.6

Notes: Incomes have been measured net of taxes and benefits and after housing costs have been deducted, equivalised using the modified OECD equivalence scale. Households with very high and negative incomes are excluded. 'Other income' includes council tax costs, private benefits, child income, the universal energy rebate, the warm home discount scheme, and the Welsh fuel support scheme. Positive growth rates for 'housing costs' indicate these costs are falling in real terms.

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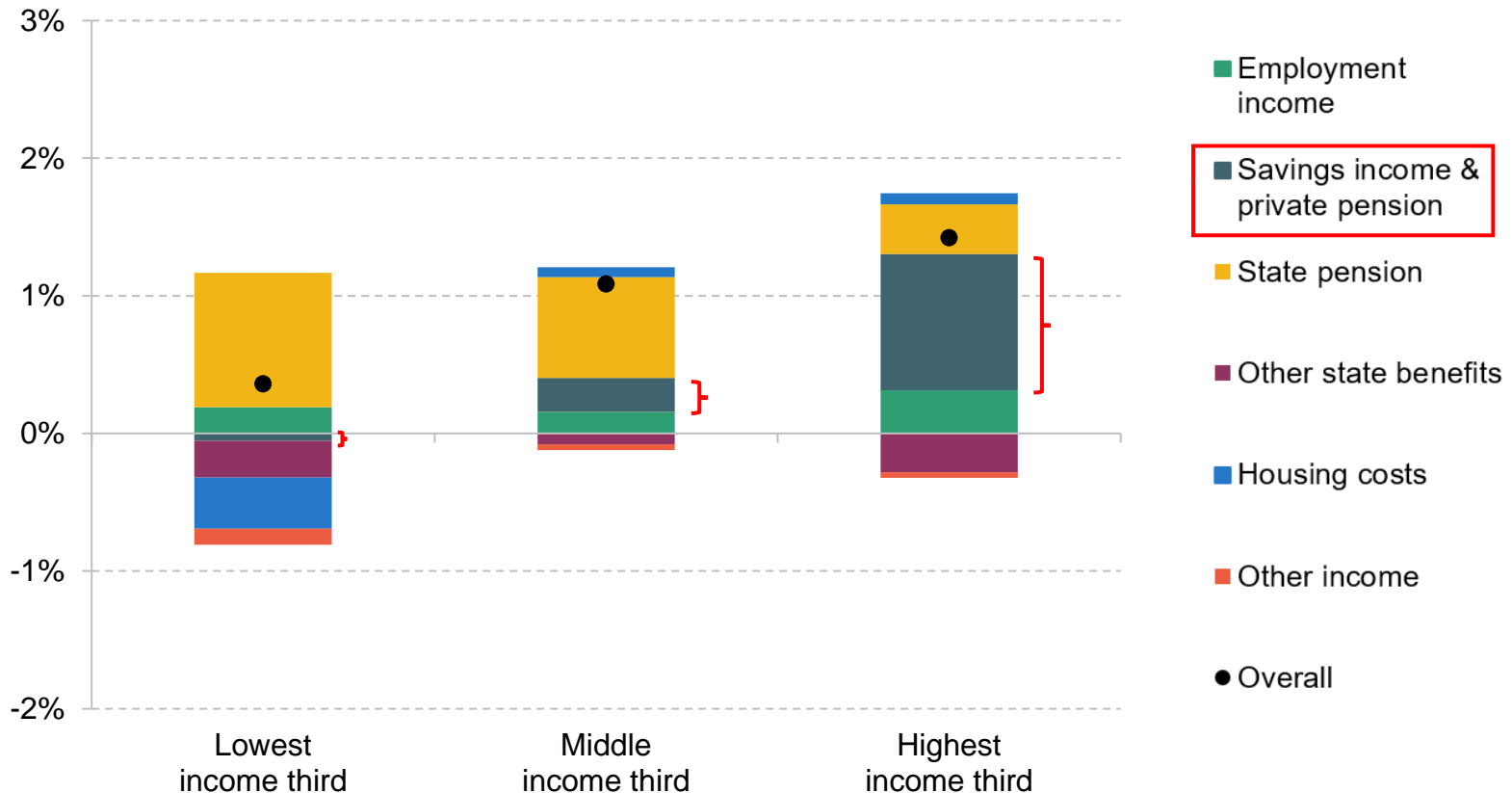


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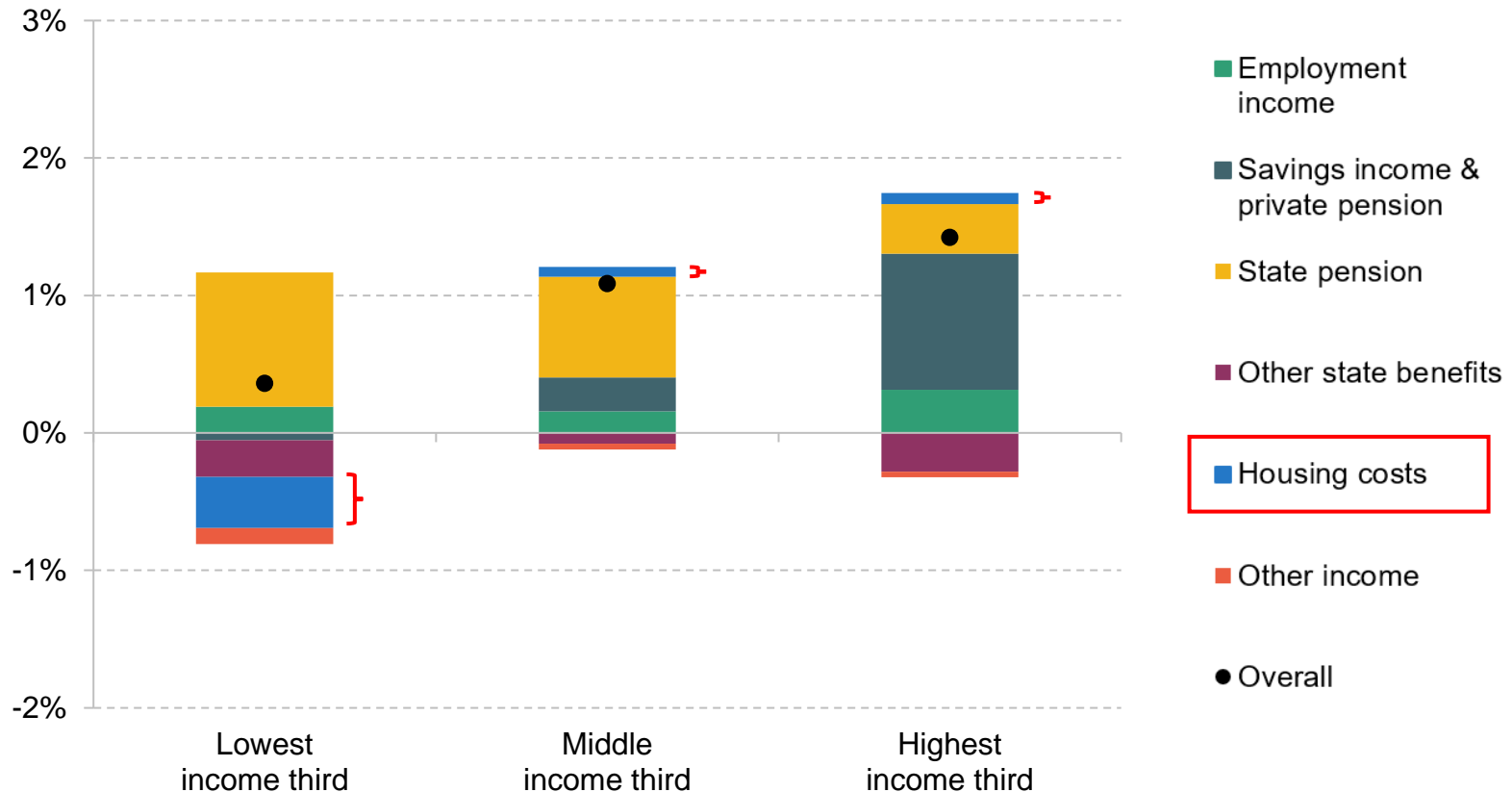


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Poorer pensioners faced rising housing costs

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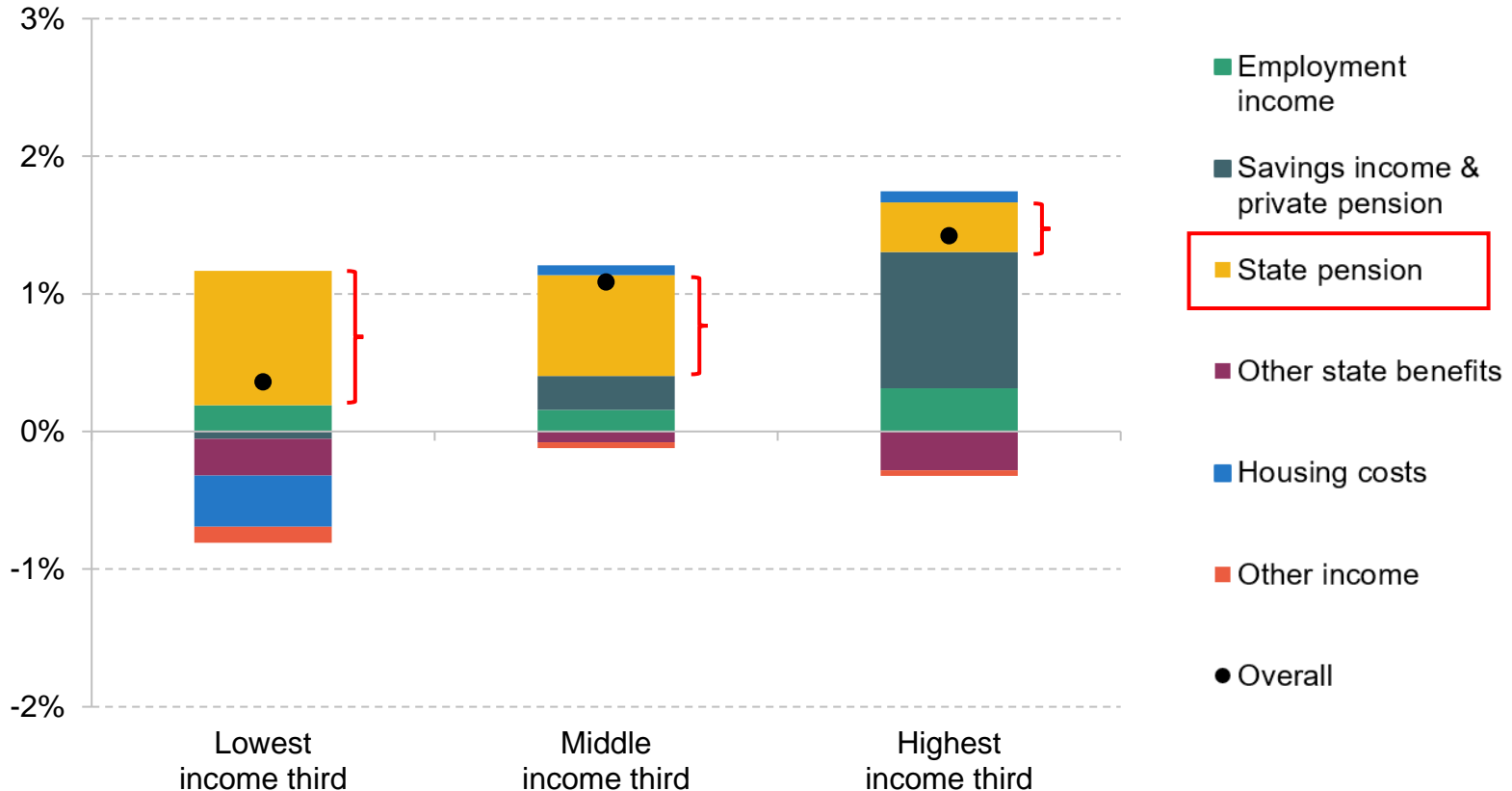


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State pension is the largest contributor to income growth of poorer pensioners

Contributions to annualised income growth, 2011-12 to 2019-20

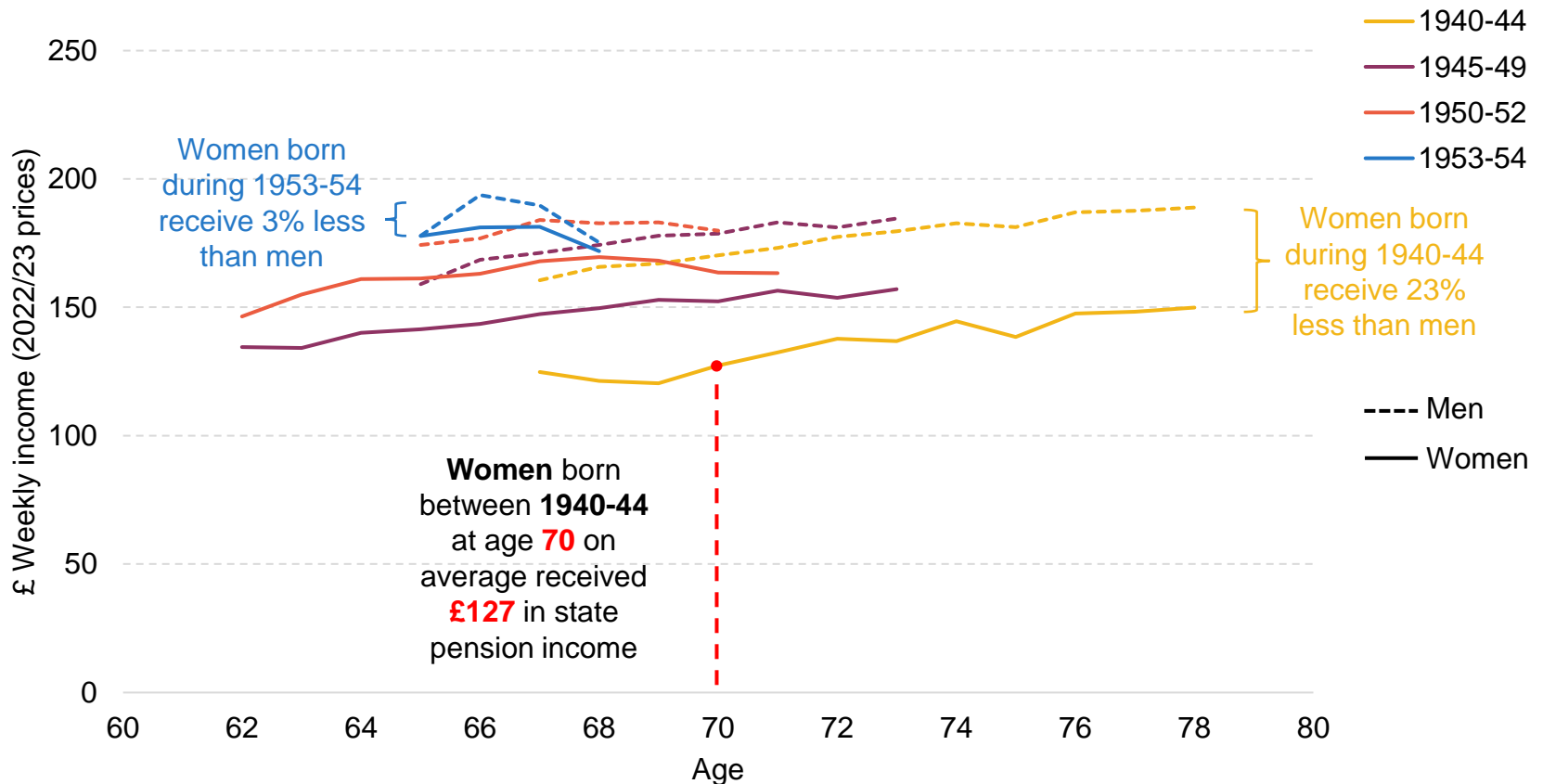


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Gender gap in average state pension income has been closing

Average (median) state pension income, by birth cohort, age and sex

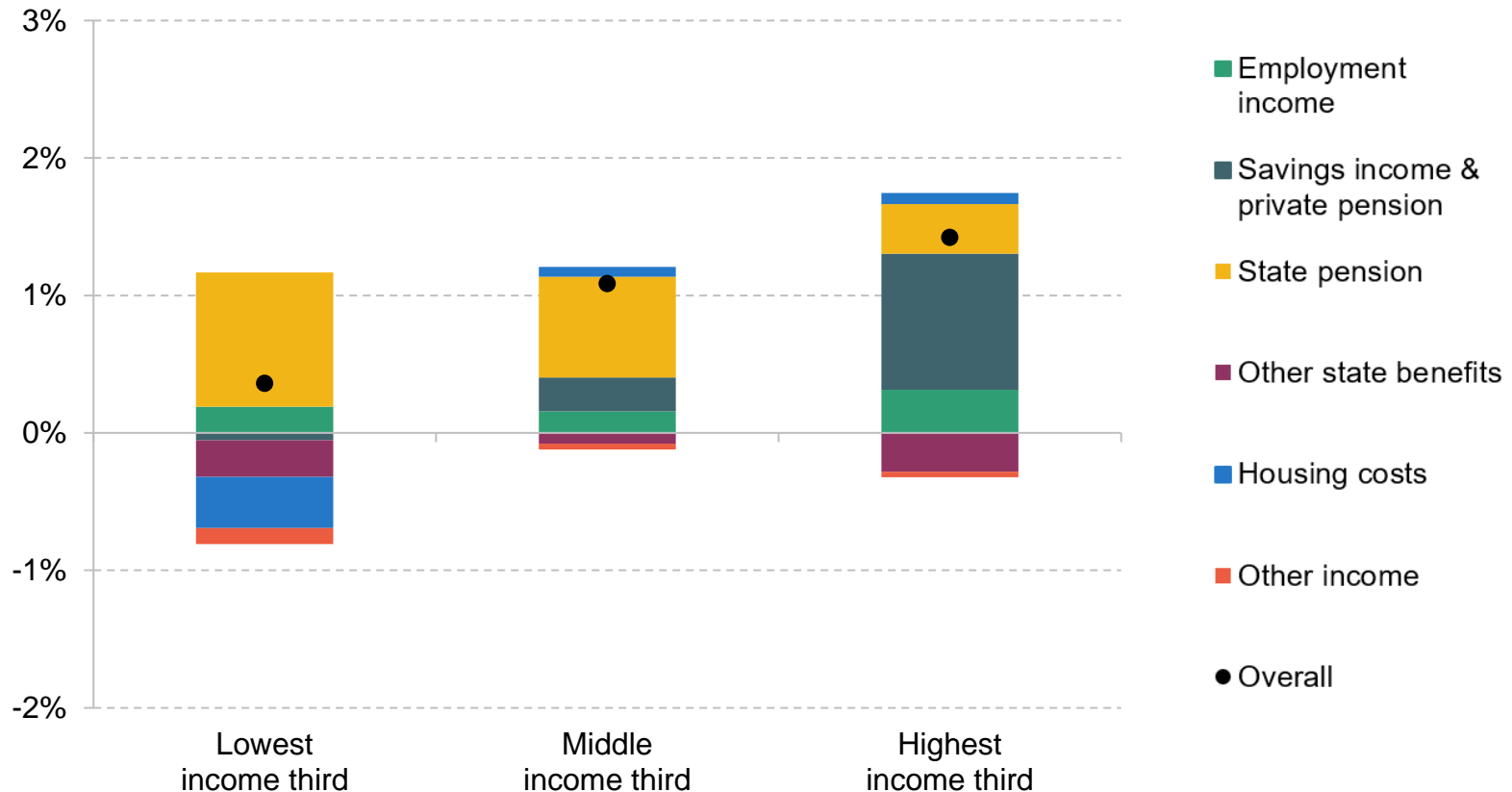


Source: Cribb et al. (2024) Figure 4.10A

Notes: The graph shows the median state pension income received by individuals within the specified birth cohort over different ages. Birth cohorts are defined over financial year of birth. Incomes are presented in 2022–23 prices. Household incomes are equivalised and expressed as the equivalent for a childless couple.

Average income from other state benefits fell across the income distribution

Contributions to annualised income growth, 2011-12 to 2019-20

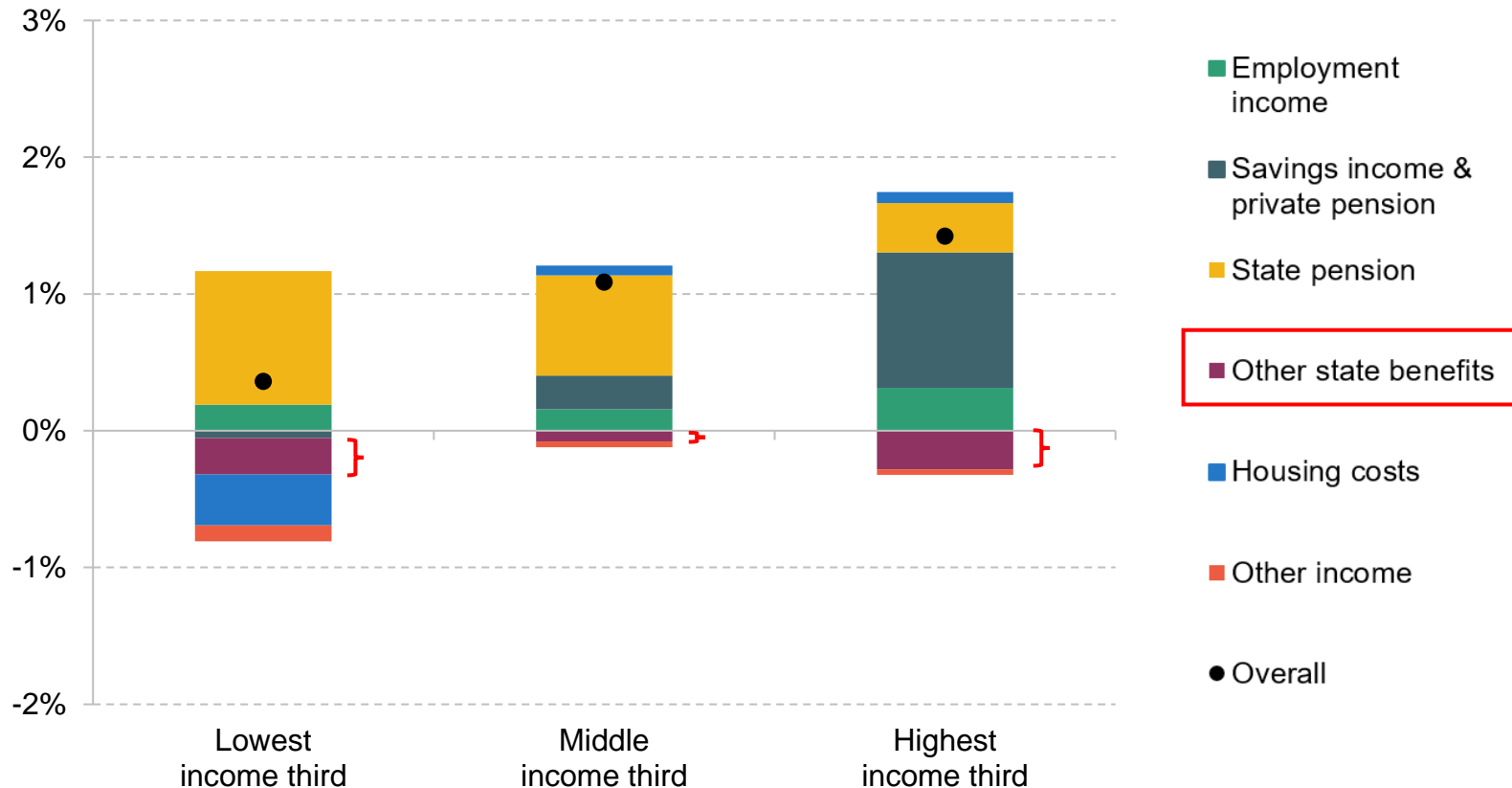


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Total income from the state for low-income pensioners

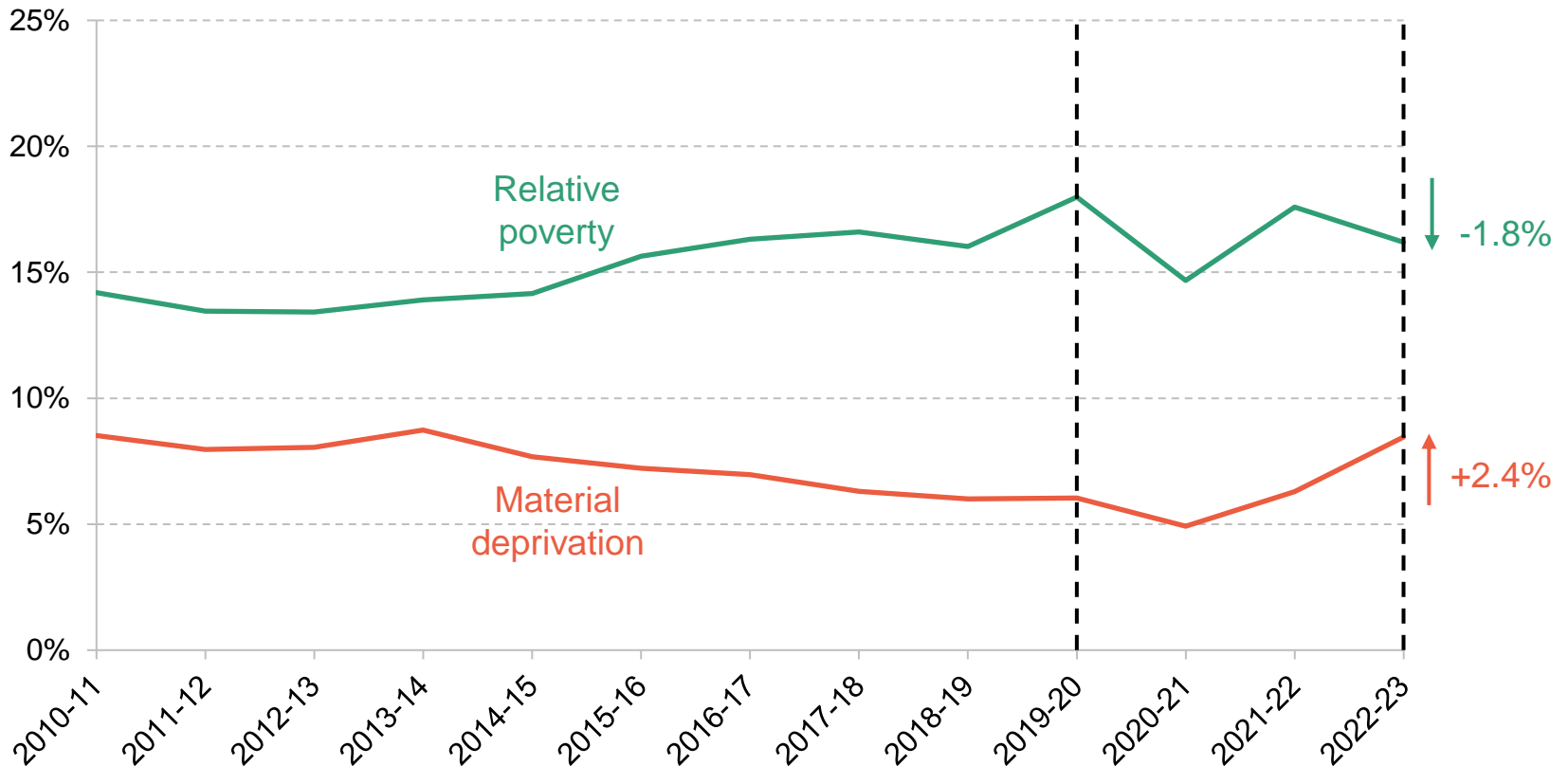
- State pension has been increasing on average in real terms
 - **Increased by £23 (9%)** per week between 2011-12 to 2019-20 for low-income pensioners
- As low-income pensioners become better off, their eligibility for means-tested state benefits falls
 - Average incomes from other state benefits **fell by £6 (8%)** per week between 2011-12 to 2019-20 for low-income pensioners
- **Total weekly income from the state increased by £17 (5%)** on average between 2011-12 to 2019-20 for low-income pensioners



Pensioner living standards during cost of living crisis

Pensioner material deprivation rose from 6% to 8% between 2019-20 and 2022-23

Relative income poverty and material deprivation rates amongst pensioners since 2010-11

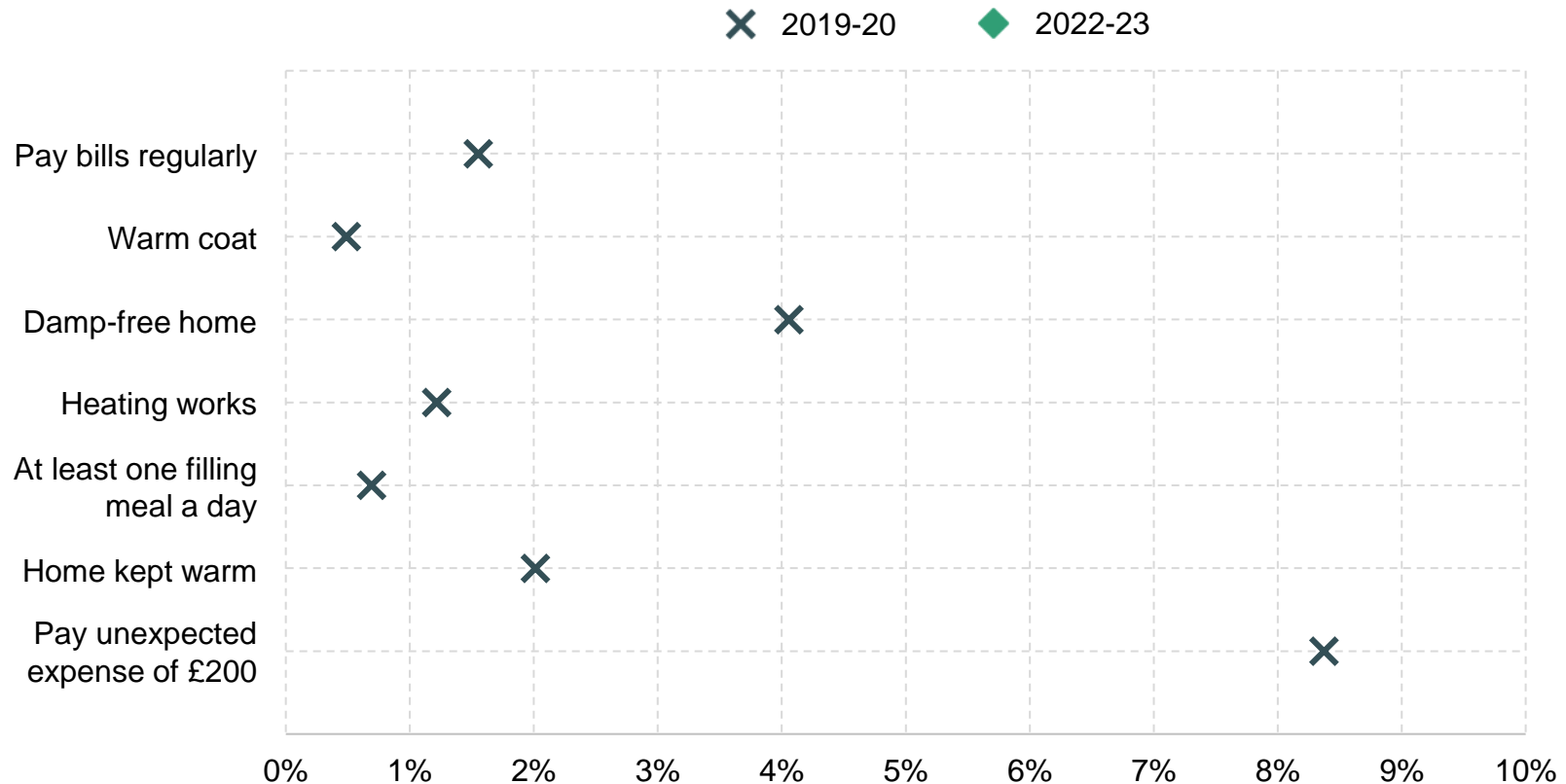


Source: Cribb et al. (2024) Figure 4.6, 4.7

Notes: Relative poverty is defined as having income less than 60% of contemporaneous median income of the population. A pensioner is said to be in material deprivation if they have a pensioner material deprivation score greater than 20.

Pensioners who report being unable to 'keep home warm' rose from 2% in 2019-20 to 5% in 2022-23

Proportion of pensioners who cannot afford certain basic items from 2019-20 to 2022-23

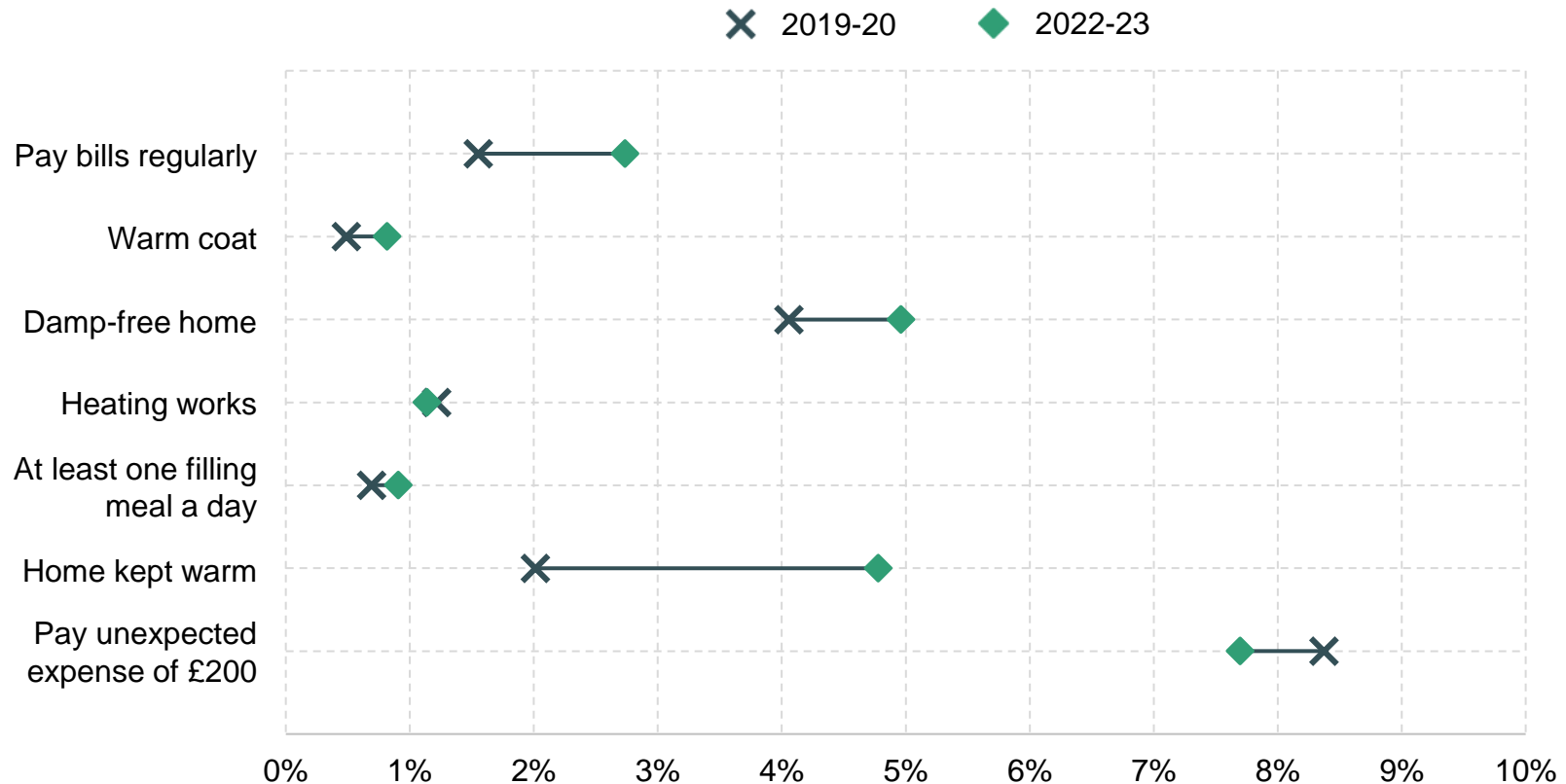


Source: Cribb et al. (2024) Figure 4.8

Notes: A selection of pensioner material deprivation items are shown.

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Notes: A selection of pensioner material deprivation items are shown.

...but some of the recent rise in material deprivation are likely to be temporary



- Latest data is only 2022-23
- State pension has risen in real terms since then. Between financial years 2022-23 and 2024-25:
 - State pension uprated by a total of **19%**
 - Prices (CPI) expected to be up by **7%**
- Energy prices have fallen from peak in 2022-23
 - Significant expenditure category for pensioners

Summary

- Pensioner incomes rose in real terms from 2011-12 to 2019-20
- But poor pensioners fell behind during this period
 - Missing out on private pension and savings growth
 - More people received income from state pension rather than state benefits
- Since Covid-19 pandemic, relative income poverty rates showed improvement
 - Whilst material deprivation increased

The Institute for Fiscal Studies
7 Ridgmount Street
London
WC1E 7AE

www.ifs.org.uk

