

# **Understanding the importance of work histories in determining poverty in old age**

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# Life course and late-life poverty

- Key policy issue
- Little research on life course influences (e.g. trigger events and longer-term experiences) on poverty at older ages.
- Possibility of research due to recent availability of longitudinal data (both retrospective and prospective): ELSA & BHPS

# Previous Work

## ELSA

- ELSA Wave 3 report Ch 4 Emmerson & Muriel (2008)  
– financial resources and well-being

## BHPS

- Bardasi & Jenkins (2002) – work histories & later life incomes
- Zaidi (2001) – income changes in old age
- Sefton et al. (2008)– family histories & later life individual incomes for women

# Life course & late life poverty

- 6 month project (grant no. )
- Extended by 3 months, Equality and Human Rights Commission (EHRC)
- Life course influences: events and longer-term experiences (duration, occurrence and timing)
  - Retrospective: % of working life in paid work and in legal marital union; early or forced exit from the labour force, experience of divorce or widowhood and its timing; timing of first marriage & first birth.
  - Prospective: onset of poor health, loss of spouse, onset of caregiving, etc.

## Key Research Questions

1. to understand the relative importance of work histories and national insurance contributions and in determining later life poverty;
2. to build capacity within the DWP in the social and economic analysis of large datasets generally, and in the analysis of the ELSA dataset in particular;
3. to prepare a documented derived variable dataset to be deposited at the ESRC data archive and made available to the wider analytical community within the Department for Work and Pensions.

## Additional Research Aims

1. to understand the relative importance of work and family histories in determining later life poverty;
2. to investigate changes in pensioner incomes (and their correlates) (i.e. what happens when you are able to follow the same people)?
3. to examine the relationship between other measures of pensioner living standards in ELSA and the traditional income measure.
4. to investigate the circumstances of those reporting very low incomes.

# Life course & late-life poverty

- Variety of approaches
- Data sources
  - English Longitudinal Study of Ageing (2002, 2004, 2006)
  - British Household Panel Study (2002, 2004, 2006)

# What is poverty?

- Deprivation due to lack of financial resources to meet needs.
- Measures typically look at resources relative to a poverty line.
- Poverty line can be relative (e.g 60% of average population income) or absolute (e.g budget standards).
- Other approaches look at deprivation directly.

# ELSA

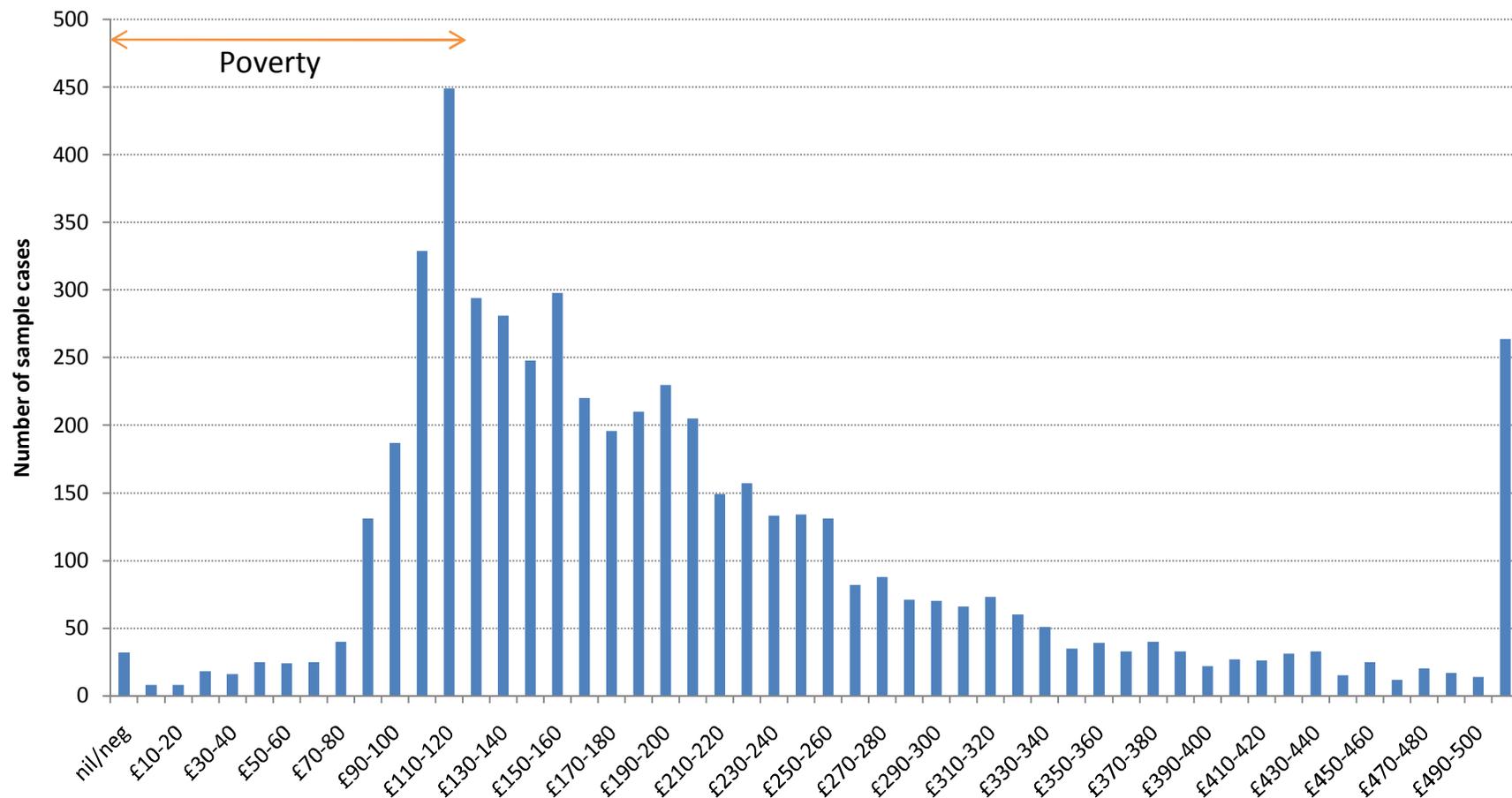
- Sample of people aged 50+ (c. 12,000 in 2002)
- Follows same people, interviews every 2 years
- 3 'waves' so far (2002/3, 2004/5 and 2006/7)
- Wide range of questions on health, employment, finances, attitudes. Includes nurse visit and other physical/mental tests
- Wave 3 collected detailed life histories (work, partnership, children, health)
- Potential for linking to administrative records e.g NI and benefits data

# Preliminary Research Findings

- Extent of poverty at older ages: what % of older people are poor?
- Extent of changes in poverty over time:
  - what % of older people report either entering or leaving poverty?
  - what is causing changes in incomes among older people?
- How does low income relate to other poverty measures?
- Relationship between life course influences and poverty in 2006.

# **EXTENT OF POVERTY AT OLDER AGES: INCOME DISTRIBUTION**

**Distribution of equivalised incomes - Wave 1 2002/3**  
**Numbers in each income band (£pw, 2006/7 prices)**  
**All over 65 in wave1**



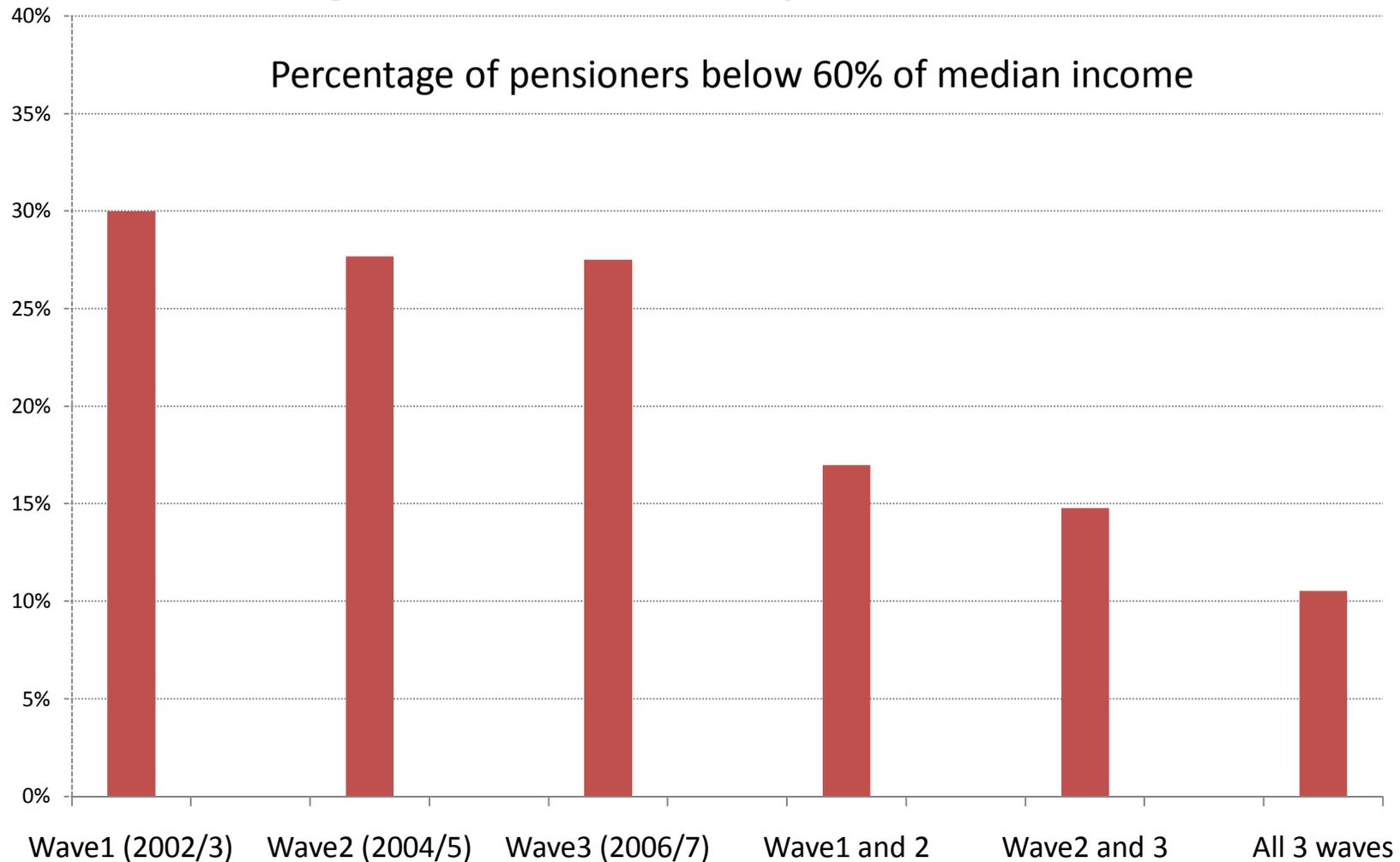
# Income data in ELSA

- Incomes data comparable with other sources (e.g Family Resources Survey)
- Poverty rates for over 65s are slightly higher than in FRS – partly reflects differences in the income measure used
- 30% of over 65s were in poverty in 2002/3
- Fell to 25% by 2004/5 (& similar level in 2006/7)
- But ELSA also allows us to track the same people over time

# **INCOME CHANGES OVER TIME: IMPLICATIONS FOR POVERTY**

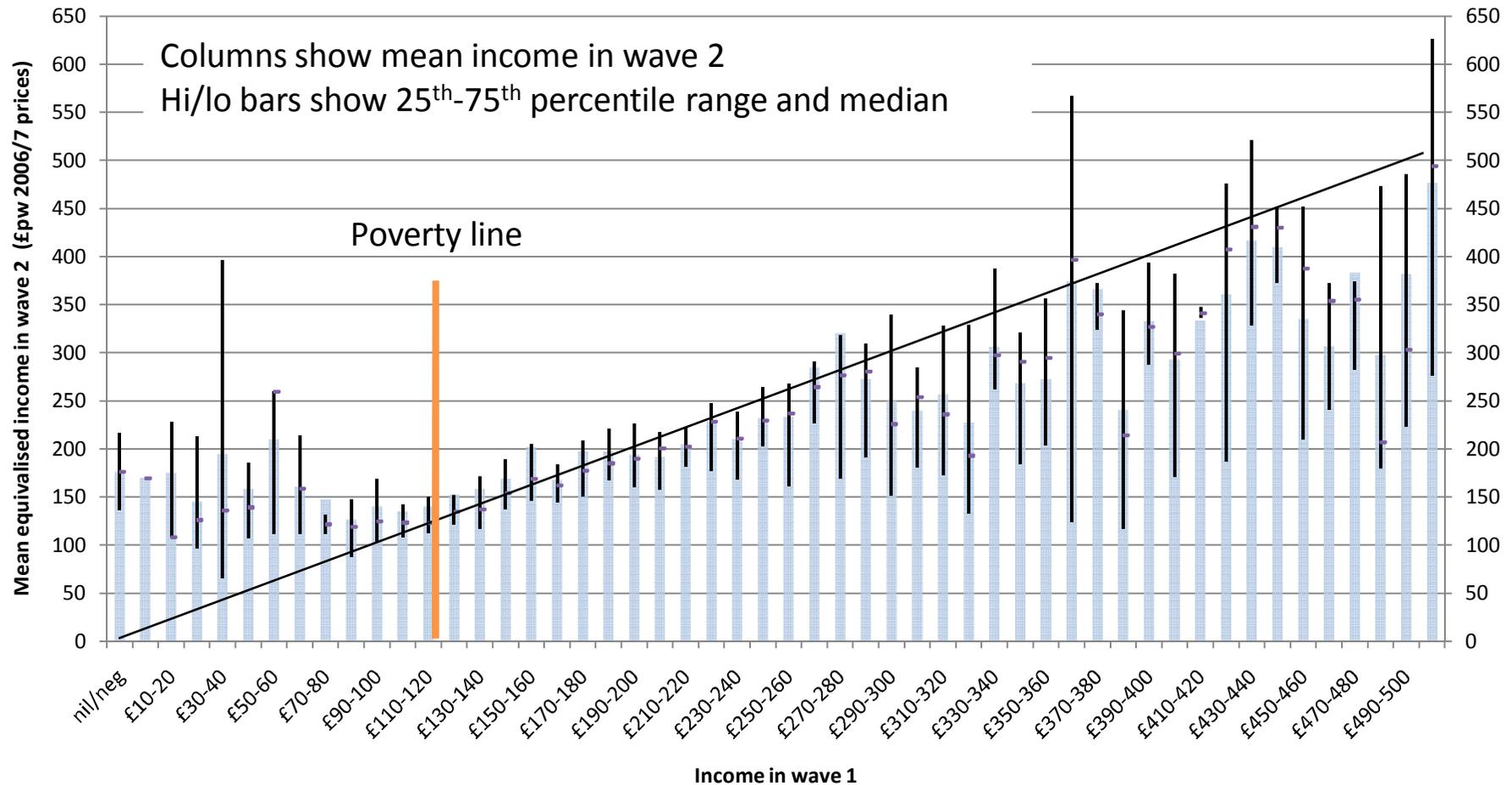
# Those who are poor don't all stay poor...

**Persistence of pensioner poverty in ELSA**  
**All aged 65+ in wave 1 and still present in waves 2 and 3**



# Incomes change considerably, even over a two year period...

**Distribution of incomes in wave2 by income band in wave 1**  
**Equivalised income - £pw, 2006/7 prices (missing income not imputed)**  
**All those aged 65+ in wave 1 and still present in wave 2**



## Income changes – initial findings

- Incomes can change substantially from one wave to the next, particularly those who report the lowest incomes.
- Those on the very lowest incomes typically have much higher average incomes by the next interview - average incomes of those in the bottom 5% in one wave more than double by the next wave.
- A quarter of those in the bottom 5% in one wave are still in the bottom 5% in the next wave. But a quarter of them are in the top half of the income distribution .
- 40% of those in the top 5% in one wave are still in the top 5% in the next wave.

# **CIRCUMSTANCES OF THE LOWEST INCOME GROUPS**

# What is changing for those on the lowest incomes?

Incomes in the bottom 25% of the pensioner income distribution in wave 1 - average incomes by source in wave 1 and wave 2

Income position in wave 1	Bottom 5%			5-10%		
	Wave1	Wave2	Δ	Wave1	Wave2	Δ
<b>Total income</b>	77.83	184.51	106.68	108.03	153.46	45.43
<b>State pension</b>	59.95	117.67	57.71	98.79	106.25	7.46
<b>Private pension</b>	5.80	42.22	36.42	3.66	24.11	20.45
<b>Benefit income</b>	8.19	21.48	13.29	2.31	17.25	14.94
<b>Earnings</b>	0.57	0.41	-0.16	0.00	0.01	0.01
<b>Self-employment</b>	-1.20	-1.61	-0.42	0.05	0.00	-0.05
<b>Asset income</b>	4.52	4.35	-0.17	3.22	5.84	2.63
<b>Other</b>	0.00	0.00	0.00	0.00	0.00	0.00

## Explanations of income changes among the lowest income groups

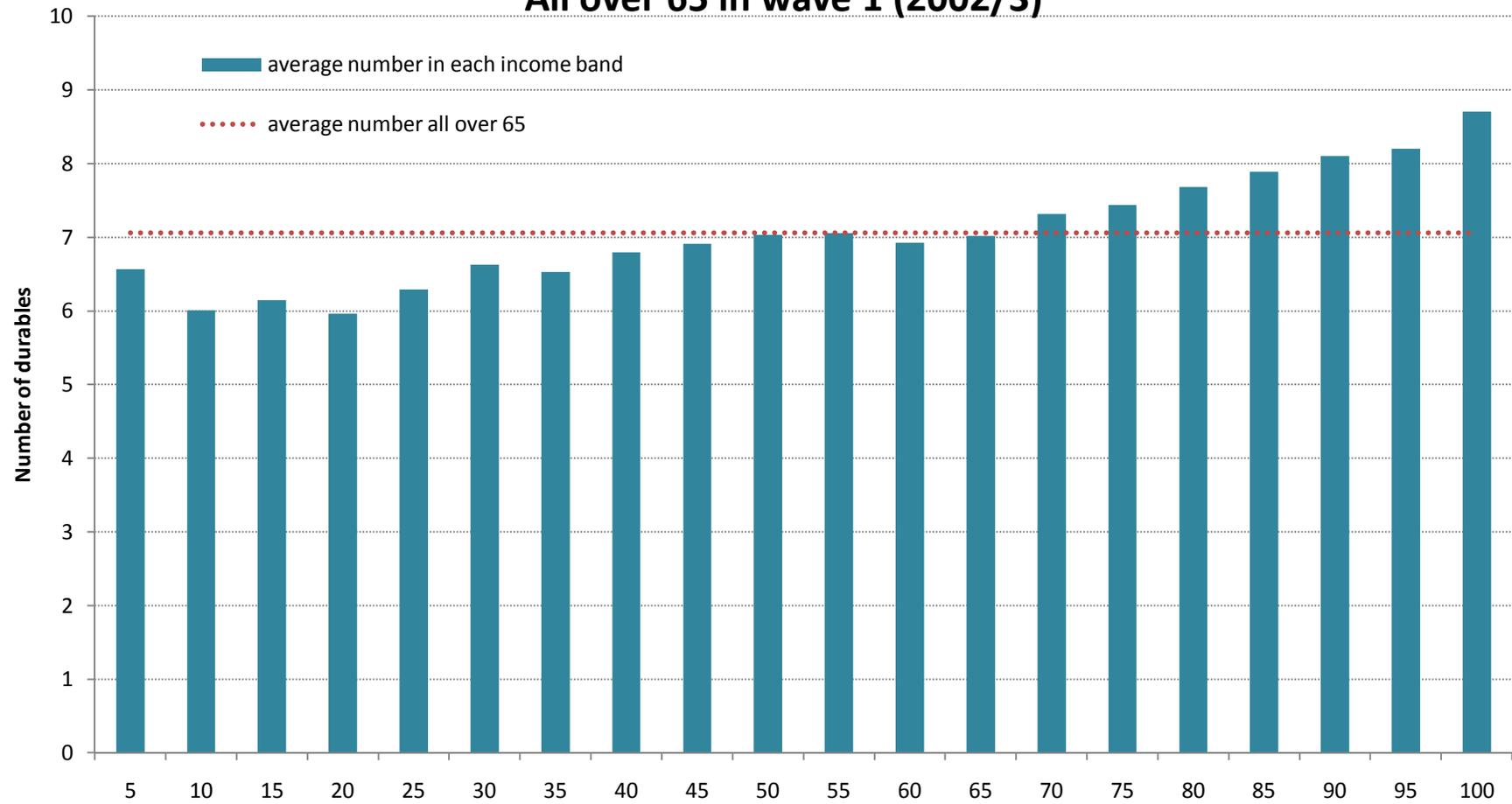
- Income increases between waves are largely due to increases in state and private pensions.
- Partly reflects higher proportions in receipt, but most of increase is due to higher average amounts.
- No clear evidence that lowest income cases are predominantly those close to SPA, who may have deferred taking pensions (or are waiting for partners to become eligible).
- Further work needed to understand these changes (some may be measurement error).

# **INCOMES AND LIVING STANDARDS**

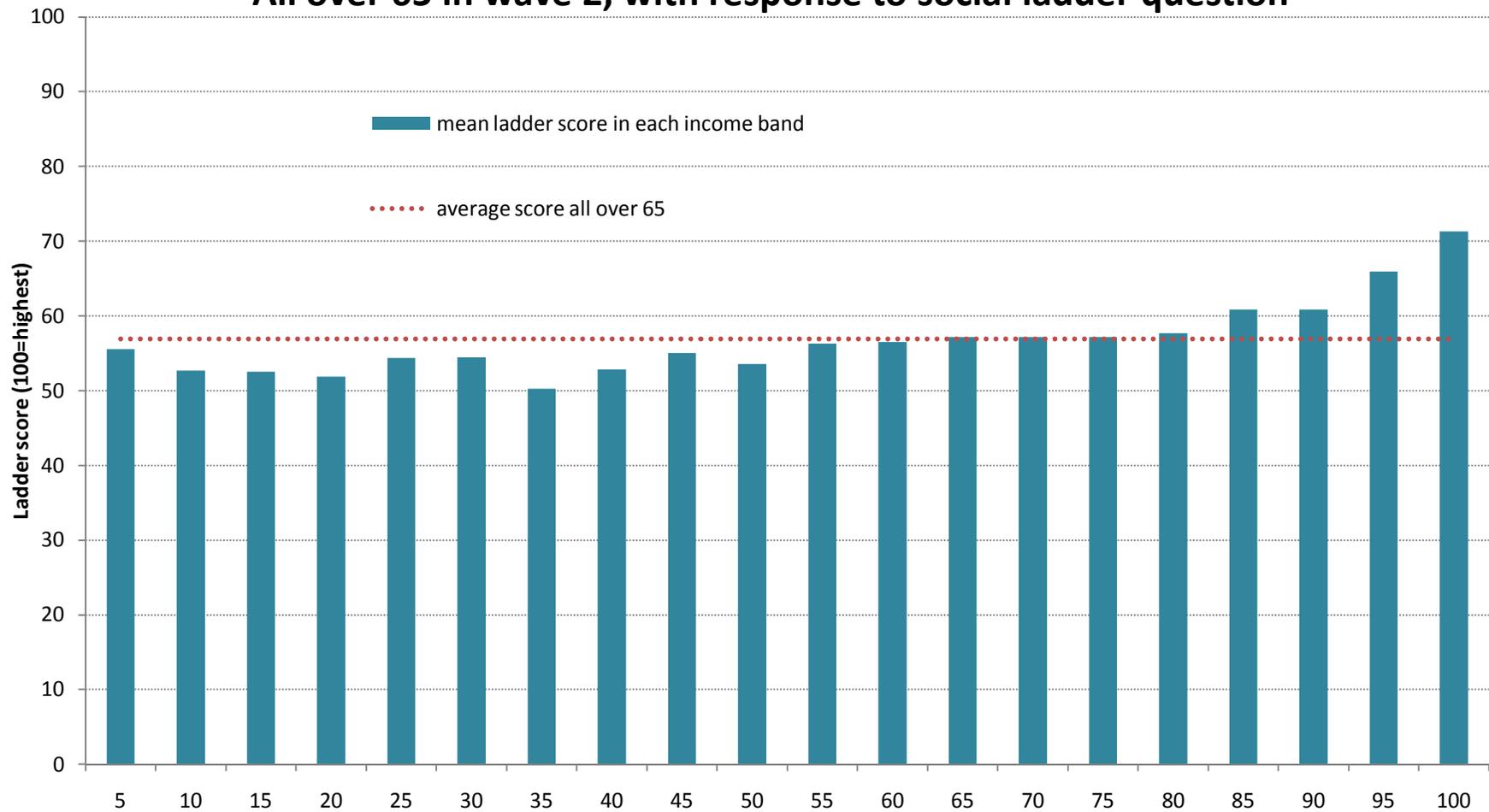
## Other living standards measures in ELSA

- Wealth
- Expenditure – but only food, fuel, clothing, leisure and gifts
- Possession of consumer durables
- Subjective questions about how well off people feel they are, how they are managing financially, and where they place themselves on a social status 'ladder'

# Average number of durable goods owned in household By income vintile group All over 65 in wave 1 (2002/3)



**Average ladder score by income vintile group - Wave 2 (2004/5)**  
**Equivalised income £pw in 2006/7 prices**  
**All over 65 in wave 2, with response to social ladder question**



# Income and other measures of living standards in ELSA

## - Initial findings

- Other measures look to be broadly correlated with income, although on some measures the lowest 5% appear better off than those with slightly higher incomes.
  - Those on lower incomes also tend to have lowest levels of financial and housing wealth
  - Distributions for possession of durables show gentle gradient with income. Some indication that the gradient disappears/reverses among the lowest income cases. Similar pattern with food and fuel expenditure.
  - Subjective questions show that most pensioners, even those on very low incomes, don't report major financial difficulties.
- IFS found similar pattern when they compared levels of spending with reported incomes (Brewer et al 2006).

# **RELATIONSHIP BETWEEN LIFE COURSE INFLUENCES AND POVERTY IN 2006**

## Preliminary Findings & Future Steps

- Depends on which dataset you use
  - On the one hand, ELSA shows little relationship between life course histories and poverty in later life.
  - On the other, using the BHPS life course factors do appear to matter.
  - Either way, so far, our models do not tell us a great deal about what causes poverty at older ages.
- Why?
  - Way samples selected?
  - Attrition?
  - Way life histories collected?
- Future steps
  - Investigate differences between ELSA & BHPS
  - Examine impact of the receipt of benefits on poverty