

## **The material resources and well-being of older people**

*Vanessa Burholt and Gill Windle*

**A comparison of the income, material resources and financial well-being of different groups of older people, to identify the key determinants of poverty in old age.**

The risk of poverty among older people in the UK is three to four times higher than that in Europe. Identifying the factors that cause poverty in old age is a vital first step, and this report uses a range of data from the European Study of Adult Well-Being to explore what these factors are.

The report reviews what earlier life experiences and decisions determine both material resources and a sense of financial well-being in later life. It compares several groups of older people, to examine the multidimensional nature of poverty (currently working versus not working; with occupational pension versus without; with a private source of income versus without; living in a deprived area versus living elsewhere; and in good health versus in poor health). The report also examines whether there are any protective factors that ameliorate the effect of poverty on older people's satisfaction with their lives.

The findings indicate that women, people living alone, people who are widowed, divorced or separated, in poor health, with lower educations and living in deprived neighbourhoods tend to have low levels of material resources or income in old age.

This report will be of interest to researchers, policy makers, commissioners, and providers of services, particularly in health and economic sectors, and to older people's groups.



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# Executive summary

The risk of poverty among older people in the UK is about three to four times higher than the typical risk of poverty in Europe. Material resources (which are a representation of economic capital including housing conditions) are related to personal attributes, but an individual's quality of life is also affected by the resources they possess. Most people accept that poverty is a combination of the lack of basic requirements, such as food and shelter, but also a lack of a range of goods considered to be necessities of daily living.

This report uses a range of data from the European Study of Adult Well-Being to construct measures of material resources and financial satisfaction. The new measures are used to:

- compare the material resources and financial satisfaction of different groups of older people
- identify the key determinants of poverty in old age.

Overall, the findings suggest that differences in material resources and financial well-being in old age are determined by earlier life experiences, for example engagement in the labour market and subsequent ability to save and invest. Whereas younger generations may move in and out of poverty, once older people move into material deprivation, there is very little they can do about their position in later life. The cumulative impact of material disadvantage over the life course is extremely important as it contributes to social exclusion.

The findings indicate that social exclusion applies to particular groups of older people. Older people with low levels of material resources or income are over-represented by women, persons living alone, those that are widowed, divorced or separated, in poor health, with lower educations and living in deprived neighbourhoods.

Engagement in work (amongst other things) determines material resources, but is not important for the perception of financial well-being. In addition, the receipt of occupational pension appears to be very important in determining the level of income across the UK, but less important to the subjective dimension of financial well-being. However, a private source of income, including economic gain from rental, interest and insurance payments has a positive influence on all material measures. This demonstrates the importance of making investments prior to retirement to secure both material resources and a sense of financial well-being in later life.

## The material resources and well-being of older people

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The report concludes with some key areas that need to be focused on in order to alleviate poverty and financial dissatisfaction in the UK. In particular it is noted that:

- the financial satisfaction of the oldest-old (with low levels of material resources) may represent psychological adaptation to a financial situation that may not easily be changed, but does not reflect the receipt of an adequate income for meeting the financial needs of older households
- material resources are related to gender with higher levels of resources available to men
- over the coming years there is a projected increase in the proportion of divorced older people, who currently appear to have fewer material resources than others
- older people living in deprived areas have lower levels of material resources than those living in other areas
- there is a strong association between poor health and low levels of material resources
- low levels of material resources have a negative impact on the psychological well-being of older people
- education is vitally important for future generations to have an equal chance of material security in later life.

# 1 Introduction

The risk of poverty among older people in the UK is about three to four times higher than the typical risk of poverty in Europe. People aged 75 and over rely more on benefits as a source of income and get a smaller proportion of their income from occupational pensions and investments than younger pensioners. In the UK in 2004, a full state pension is £77.45 for a single pensioner and £123.80 for a married couple. The pension credit scheme guarantees £102.10 a week for single pensioners, or £155.80 a week for married couples. But pension credits have to be applied for, and the proportion of older people claiming benefits consistently falls short of the proportion eligible for support. It has been estimated that the level of income provided by the state is lower than that required to cover the costs of living (Parker, 2000). Consequently, in 2002/03 in the UK around 2.2 million older people lived in households below 60 per cent of median income (the most commonly used threshold of low income). This is over one fifth of all pensioners.

Material inequalities in later life are related to age, gender, work status, marital status, health, living arrangements, ethnicity and location in terms of level of rurality, region and level of deprivation in a neighbourhood. Material resources (which are a representation of economic capital including housing conditions) are not only related to personal attributes (which may be socially and structurally constructed), but also affected by other resources they possess. Material resources are related to life satisfaction, happiness, and enjoyment and are crucial to the well-being of older people (Bowling, 1995; Ferring *et al.*, 2003b). Some research has shown that the influence of income on well-being is mediated by community involvement (George, 1992). Certain other resources (such as social support) may also decrease the negative impact of low material resources on life satisfaction, but to date, little research has been conducted in this area.

Between 2002 and 2003, *Ageing Well: A European Study of Adult Well-Being (ESAW)* was carried out in six European countries (Austria, Italy, Luxemburg, The Netherlands, Sweden and the United Kingdom). The project was based on individual interviews with community-dwelling older people (aged 50–90), in each of the involved countries. In Britain, three distinct sub-samples were drawn representing England, Scotland and Wales, with rural and urban regions being chosen from each country. The British sample is an important existing source of cross-sectional data that has been used in this report to provide information to determine which factors affect the material resources of older people in Britain.

Inequalities in income affect the standard of living. But income alone is not a reliable measure of material resources. Most people accept that poverty is a combination of the lack of basic requirements such as food and shelter but also a lack of a range of goods considered to be necessities of daily living (Townsend, 1979, 2003; Darton and Strelitz, 2003). Therefore, rather than relying on a single indicator of material resources, such as income, ESAW has collected a range of data in line with recommendations by the Economic Commission for Europe (ECE, 2001). In addition to data on income, the ESAW dataset includes information on sources of income, home ownership, perceived 'decency' and 'safety' of environment, private health care insurance, food needs and provision and satisfaction with material and financial resources. In addition, the dataset contains measures of health and social support resources. These measures are important to include in analysis to examine the combination of factors associated with poverty.

This study aimed to use data from ESAW to:

- construct measures of material resources and financial satisfaction
- use the new measures to compare the material resources and financial satisfaction of different groups of older people
- identify the key determinants of poverty in old age by analysing the associations between age, gender, location (rural/urban; region of Britain), ethnicity, household composition, education, health and social support on the one hand, and material resources on the other hand
- identify the key determinants of financial need by analysing the associations between the aforementioned factors plus material resources, and (i) current financial satisfaction (ii) future financial satisfaction and (iii) overall financial satisfaction
- identify the protective factors ameliorating the effect of poverty (if any) by analysing the associations between age, gender, location (rural/urban; region of Britain), ethnicity, household composition, education, health, material resources and financial need, and life satisfaction, and the mediating effect of social support resources.

## 2 The study

The ESAW research design had three phases. Phase One consisted of questionnaire development, interviewer recruitment and training and sample selection. Phase Two was comprised of data collection and data preparation. Phase Three was concerned with data analysis, writing and dissemination. The methodology is discussed in detail elsewhere (Burholt *et al.*, 2003). However, here it is important to describe the British sample so that the findings from this study may be put into context.

In the United Kingdom, a population sample of adults aged 50–90 living independently (not institutionalised) was selected for the study. Samples containing equal numbers of people were drawn from England, Wales and Scotland. It was decided to divide the sample equally between the three participating countries because a proportional sample of respondents from Britain would result in almost ten respondents in England for every one in Scotland, and almost 17 for every one in Wales. In effect Scotland and Wales would not be represented. Furthermore, in the higher age bracket there would not be sufficient respondents to make comparisons between countries.

One rural and one urban community were selected from each British country. At the time of the study, in the UK there was no accepted definition of rurality (DEFRA, 2004).<sup>1</sup> Therefore a pragmatic approach was taken, whereby it was decided to sample large cities and obviously rural areas. The use of large cities meant that the grey area between 'rural' and 'urban' was avoided. For example, it is inconceivable that Birmingham could be classed as 'rural' using any current system. However, an historic small city such as Lincoln might be classed in this way. As it was not possible to calculate the proportion of people living in 'rural' Britain and 'urban' Britain, the sample comprises of equal numbers from the city and rural areas. The cities chosen were: Birmingham, England; Glasgow, Scotland; and Cardiff in Wales, and the rural areas were Norfolk, including a Fen area in England; the Highland region of Scotland; and Gwynedd in Wales.

Four distinct district types within each urban and rural area were selected for sampling. In the cities, the following districts were selected:

- 1 the most deprived
- 2 the least deprived (according to the Indices of Deprivation, 2000). The calculation of the index is not the same across England, Scotland and Wales, meaning that it

is not possible to make direct British-wide comparisons based on the scores. However, the purpose in using the index was to establish the status of a particular district within that city

- 3 one with a high ethnic population (figures obtained from 1991 Census). In two of the three cities, Birmingham and Cardiff, the district with the highest ethnic population was also the most deprived area of the city. In those cities, the most deprived area with an ethnic population percentage matching the average for the city was also chosen
- 4 an area of redevelopment was also selected in consultation with those in possession of expert knowledge of the city (e.g. the City Planning Department, Urban Planning Department of the local University or Housing Associations).

The four district types chosen in rural areas were selected to represent:

- 1 a retirement area – this category includes towns (often seaside resorts) to which people frequently move upon their retirement
- 2 a market town – these are towns that serve a surrounding rural community; typically they contain banks, building societies, health facilities, and council offices
- 3 a sparsely populated farming area – the definition of ‘sparse’ was decided by reference to the country<sup>2</sup>
- 4 an area of socio-economic decline – many rural areas have suffered decline over the years, whether as a result of a decline in fishing, farming, or industries such as quarrying.

Although the British study sample included 1,853 people age 50 and over, this report uses data for 987 people aged 65 and over. The sample was representative of the age and gender distribution of older people in each of the three countries. The mean age of respondents was as follows: England 74.2 years; Wales 74.3 years; Scotland 73.9 years. In all countries, a majority (58 per cent) of older people were women, reflecting their greater longevity in developed countries.

As mentioned above, the sampling strategy for the British sample took into account the spatial segregation of minority ethnic groups in urban areas and selected respondents from wards with a high proportion of minority ethnic residents. Subsequently, five per cent of the sample is comprised of older people who define

themselves as other than the national majority. This does not necessarily represent the distribution of ethnic groups within the three countries nor the heterogeneity of ethnic groups, but does allow for analysis to take into account some of the effects of ethnicity with regard to respondents that define their ethnicity as 'other than the national majority'. This is often not possible with samples that have fewer respondents from ethnic groups.

There were differences in the marital status of respondents in each of the three countries. In the total British sample, over one half of the respondents were married, and one third were widowed. Around five per cent of the sample were divorced or separated, and fewer than one tenth (8 per cent) had never married.<sup>3</sup> The situation was slightly different in Scotland, where around one tenth of respondents had never married. Consequently there were slightly fewer married respondents in Scotland than in the sample as a whole.

As there were differences in the marital status of the people selected for the sample in each of the three countries, there were also differences in the household composition of respondents. Over one third of the British sample lived alone, but the highest proportion of older people living alone was in Scotland and the lowest in England. The most common living arrangement was for older people to live with their partner only, which was the case for around one half of the sample. England had the highest proportion of respondents living in households with children (17 per cent), while just over one person in twenty (6 per cent) lived in other kinds of households.

With regard to the educational level of older people in the sample, over two-thirds of respondents had attended a secondary school, and over one quarter finished college or university. The Welsh sample had the highest proportion of people who attained only primary school education (7 per cent). Although overall, older people in the British sample were most likely to have attended up to secondary school education, the proportion was greatest in Scotland, where three-quarters of Scottish respondents had finished secondary education. On the other hand, English respondents were more likely than Welsh or Scottish respondents to have completed further education.

A majority of respondents in each country owned their own homes. However, there were differences between the countries. There were high levels of home ownership in Wales, whilst there were low levels in Scotland. Consequently, there were differences in the proportion of respondents living in public housing, with a high proportion in Scotland and a low proportion in Wales.

There were differences in tenure between rural and urban areas. For the British sample, home ownership was higher in rural areas compared to urban areas, with over three-quarters of respondents in the countryside owning their own homes compared to only three-fifths of those in urban areas. Subsequently, as one would expect, fewer respondents in rural areas lived in public housing. Proportionally nearly twice as many respondents living in cities inhabited public housing compared to those in the countryside. On the country level, this pattern of tenure distribution was only significant in Scotland and Wales.

In the rural area of Wales and Scotland in this study, the Right to Buy policy during the 1980s has had a particularly great impact on the supply of social housing available. Despite the Government implementing restrictions on sales of social housing in national parks, areas of outstanding natural beauty and specially designated rural areas, the protection of housing has been difficult to implement. Overall, sales of social housing to tenants have been higher in rural areas than in urban ones. Currently, there are lower levels of social housing in rural districts than in other districts in Wales and this would affect the study area in the project. Likewise, within Scotland there are 12 authorities where social rented housing is less than one quarter of the total stock. In the main, these are rural areas and include the study area of the Highlands. On the other hand, social rented housing comprises one half of the total stock in the Scottish urban study area of Glasgow (Scottish Executive, 2004). Given the variances in provision of social housing within Britain, it is not surprising that there were differences between regions in the housing tenure of older people in this study.

### 3 Income of older people

The most commonly used threshold of low income is 60 per cent of median income. In 2002/03, before deducting housing costs, this equated to £194 per week for a couple with no children and £118 for a single person. Studies have found that around one fifth (21 per cent) of older people in the UK fall below this threshold (Palmer *et al.*, 2003). In our sample a greater proportion of older people fall below the poverty threshold, as three-tenths (30 per cent) have income below 60 per cent of the median income.

We use income terciles as one indicator of material resources. Box 1 discusses the construction of the measure from income intervals.

#### **Box 1 Construction of income terciles**

In the European study a decision was made to use categorical income ranges so that the question could be understood and answered as easily as possible. An indicator of material security has been constructed from income intervals.

- Household income ranges were transformed into median points.
- These median levels were divided by the square root of the number of persons living on the income (OECD, 2002: 32).
- Per capita income was ordered from the lowest to the highest levels for the UK.
- Some groups of cases straddled the boundary between two terciles and were moved from one tercile to the next in order to ensure the highest possible homogeneity within terciles and similar proportions in each tercile.
- The highest income class was open, therefore some cases were moved from the second to the third tercile because the median point for this class was calculated only from the lower extreme (obscuring the possibility that some respondents could have a much higher income).

The low-income tercile included older people with *personal* incomes less than £10,300 per year (equivalent to less than £200 per week). The medium income included people with annual incomes between £10,300 and £17,400 (equivalent to £200-335 per week), whereas those in the high-income tercile had annual incomes above £17,500 (equivalent to above £340 per week). In this study, as in others (Bhat,

1994; Longley, 1999), the level of missing data for income was high: over two-fifths (41 per cent) of the sample did not declare their income.

An overview of how the income dimension was associated with the main demographic characteristics of the sample is provided in Table 1. Older people with lower incomes were over-represented by women, persons living alone, those that were widowed, and with lower educations. On the other hand, people in the higher income tercile were disproportionately male, living with a spouse, married, and educated to above A-level standard (further education). Respondents with high incomes also had a greater level of social resources than others. Box 2 explains how social resources were measured.

**Table 1 Income terciles by main demographic characteristics**

	Low (%)	Medium (%)	High (%)
<i>Age group</i>	<i>n</i> = 250	<i>n</i> = 177	<i>n</i> = 159
65–69	28	32	37
70–74	32	33	20
75–79	21	18	25
80–84	14	14	14
85–90	6	3	5
<i>Gender</i>	<i>n</i> = 251	<i>n</i> = 176	<i>n</i> = 159
Male	41	48	57
Female	59	52	43
<i>Household composition</i>	<i>n</i> = 250	<i>n</i> = 176	<i>n</i> = 159
Alone	51	33	32
With spouse only	37	49	60
With younger generation	11	15	5
Other	2	3	4
<i>Marital status</i>	<i>n</i> = 249	<i>n</i> = 174	<i>n</i> = 159
Never married	6	10	8
Married	44	57	65
Widowed	42	29	23
Divorced/separated	8	3	4
<i>Education level</i>	<i>n</i> = 250	<i>n</i> = 174	<i>n</i> = 156
Up to primary	5	2	0
Up to secondary	80	69	46
Up to tertiary	6	6	8
Further education	9	22	46

## Box 2 Social resources measure

A variety of questions addressing the frequency and quality of contact with others was used to rate social support resources according to the Older American's Resources and Services Multidimensional Functional Assessment Questionnaire (OARS). The questions assessed the number of people that the respondent knew well enough to visit; number of times the respondent talked to someone in the past week; number of occasions in the past week that the respondent spent time with someone who did not live with them; the presence of a confidant; level of loneliness; whether the respondent saw friends and relatives as often as they wanted; and the availability of help. A summary rating was calculated that ranges from excellent functioning to totally impaired (Fillenbaum and Smyer, 1981).

In order to see whether different groups of older people had different levels of income, we examined the following: older people working versus those who were no longer engaged in employment; people with occupational pensions versus those without; respondents with private sources of income (such as savings and other assets) versus those without; people living in deprived neighbourhoods versus those living in other areas; and older people with a good health profile versus those with a poor health profile. Each comparison was made for the British sample as a whole, and then for each country sample (England, Scotland and Wales). Our findings are summarised in Table 2. Box 3 explains how deprived neighbourhoods were defined.

**Table 2 Income of different groups of older people (proportion in each income tercile, e.g. 92 per cent of people with a high income have an occupational pension)**

	Low (%)	Medium (%)	High (%)
Working	2	10	11
With occupational pension	48	69	92
With a private source of income	23	38	63
Living in a deprived neighbourhood	39	29	13
Good health profile	88	90	87

### Box 3 Deprived neighbourhoods

Deprived neighbourhoods as defined in this study included districts in the rural areas that were in socio-economic decline. In Birmingham and Cardiff, two neighbourhoods were selected: the most deprived and the areas with the highest ethnic population. In Glasgow, only the most deprived neighbourhood was selected, as the area with a high level of ethnic population was not a deprived area.

- Working was associated with a high income for the British sample. Within the three countries, a low income was associated with not working in Wales and Scotland but not in England.
- Older people with occupational pensions were more likely to have high incomes in all groups, that is in the British sample and in the English, Scottish and Welsh samples.
- Securing an income stream from a private source was also associated with a higher income within Britain. On the country level, in Wales and Scotland (but not England) income from a private source was associated with a higher income.
- Within Britain as a whole, older people living in deprived areas were more likely to have low incomes than others. Over one half (57 per cent) of respondents living in a deprived area had a low income. Older people in England and Wales (but not in Scotland) living in deprived areas were also more likely to have low incomes than others.
- There were no differences in the levels of income for older people with a good health profile compared to those with a poor health profile. Box 4 explains the health profile measure.

#### **Box 4 Health profile**

A number of variables were used to define respondents' health status. These included the number of medicines taken, number of illnesses reported, ability to manage seven instrumental activities of daily living (using the telephone; going out; shopping; preparing meals; housework; taking medication; and handling financial matters), seven physical activities of daily living (eating; dressing; combing hair or shaving; walking; getting in and out of bed; taking a bath or shower; and getting to the toilet) and self-assessed health rating. The scoring for the activities of daily living range from 0 to 14 with 0 representing the ability to do all seven activities without help, and 14 indicating that the respondent was unable to do any of the activities without help from someone. Cluster analysis of these health variables resulted in the allocation of respondents to one of two classes. One class had higher self-assessed health ratings, fewer problems with activities of daily living, took less medication and had fewer chronic conditions and could be considered to have a good health profile. The second group could be considered to have a poor health profile.

## 4 Material resources of older people

The methods used in studies of material resources vary. Although some authors use broad and multidisciplinary approaches, in most cases a more pragmatic approach is taken, which often reduces material resources to one single, easily measured indicator, i.e. income. However, mean levels of income can mask the difficulties faced by many older people, as they are influenced by people with high income (Age Concern, 2001). In addition, people often experience recall errors in declaring income, or fail to include unearned income, for example from savings or other assets (Longley, 1999). As noted in Chapter 3, the level of missing data for income in this study was high. To exclude older people who had not responded to this question from the analysis may bias the sample, as those older people who *did* answer the question may not be representative of the study population (Bhat, 1994). Imputation of income data using observations of other variables also has pitfalls. One naïve approach to impute income is to use occupational data to establish income norms, and to assign these values to all individuals in a geographical area (Longley, 1999). This method of imputation is not likely to be appropriate to the estimation of the income levels of older people, as the likelihood of being engaged in paid employment is considerably lower than for younger generations. Other forms of imputation fail to take into account 'self-selection' in the group of respondents who choose not to respond (Bhat, 1994). Using estimations of non-response rates across geographic areas, research has consistently shown that people who choose not to respond to questions on income are more likely to have above-average incomes (Lillard *et al.*, 1986; Mistiaen and Ravallion, 2003).

Given the sizeable non-response to the income question, it was decided that it would be appropriate to construct a variable that represented the material resources of older people in Britain. Box 5 explains how the measure was constructed. The material resource measure captured elements of employment status and private investment, and was measured on a six-point scale with zero representing no more than basic material resources (e.g. state pension only or below) and 5 representing excellent material resources. There were no differences between England, Wales and Scotland in older people's material resources.

**Box 5 Construction of material resources measure**

Exploratory factor analysis using principal axis factoring was undertaken with a set of objective variables. The items included: employment status, a variety of sources of income, home ownership, paying for one's own food, and whether respondents had private health care insurance.

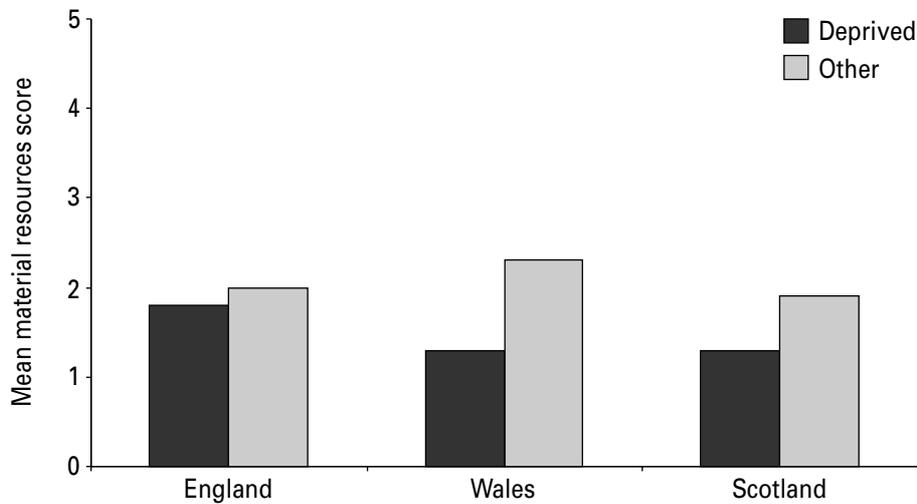
Items with fewer than two cases, zero variance, or that correlated less than 0.3 with a factor were omitted from consideration. Reliability co-efficients were estimated for the selected variables by computing Cronbach's Alpha ( $\alpha$ ). Items were dropped where the reliability of the measure could be increased to the recommended level (Helmstader, 1964; Nunnally, 1978).

After data reduction, the rotated (oblique) factor matrix indicated that there were two underlying factors for the material resources measure. After extraction, factor one accounted for 25 per cent of the variance, and factor two 18 per cent. Factor one can be interpreted as employment status, including variables for earnings from income and employed full or part time. Factor two appears to capture a dimension of private investment relating to previous financial investments into an employment-related pension, property, or other assets, such as savings accounts.

We examined the material resources of older people living in deprived neighbourhoods versus those living in other areas; and older people with a good health profile versus those with a poor health profile. In this instance we did not compare those working versus those who were no longer engaged in employment; people with occupational pensions versus those without; respondents with private sources of income (such as savings and other assets) versus those without as each of these elements of material resources were included in the dimensions of the material resources measure. The comparisons were made for the British sample as a whole, and then for each country sample (England, Scotland and Wales). Our findings are summarised below.

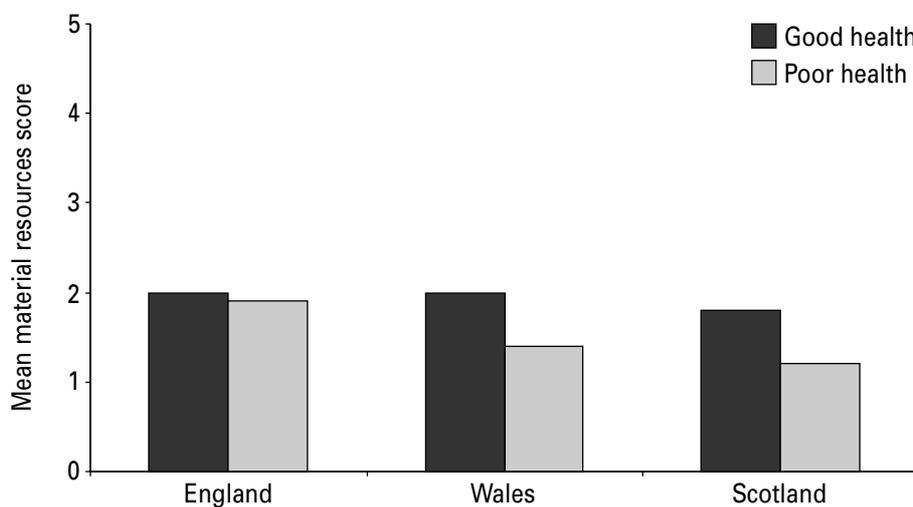
- Living in a deprived neighbourhood was related to lower levels of material resources for the total sample. Although similar differences can be observed on the country level in Wales and Scotland, in England there were no differences in the material resources of people living in either deprived or other neighbourhoods (see Figure 1).

**Figure 1 Material resources of older people by type of area in England, Scotland and Wales**



- In the British sample, older people with a good health profile had greater levels of material resources than those with a poor health profile. This was also the case in Wales and Scotland, but not in England (see Figure 2).

**Figure 2 Material resources of older people with different health profiles in England, Scotland and Wales**



As well as examining the material resources of different groups of older people, we wanted to identify which factors from the following were most useful in explaining differences in material resources: age, gender, educational level, ethnicity, living arrangements (alone or with spouse only), marital status, health, social support and location (rurality, region and deprived neighbourhood). Box 6 describes the analysis (multiple regression) that was used to identify the correlates for material resources.

### **Box 6 Multiple regression**

Multiple regression can establish that a set of independent variables explains a proportion of the variance in a dependent variable at a significant level (significance test of  $R^2$ ), and can establish the relative predictive importance of the independent variables (comparing beta weights). It is a flexible technique that allows the use of categorical as well as continuous data.

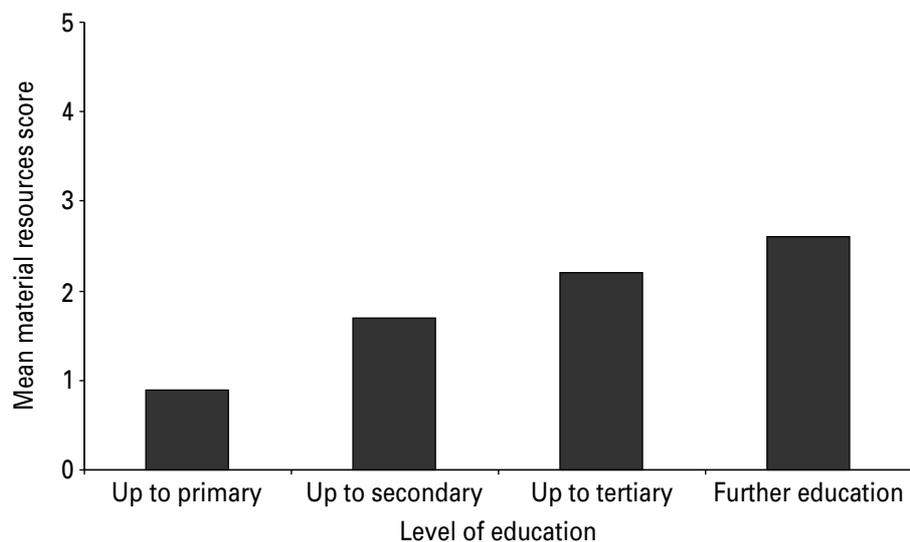
Nominal data is entered into the model using dummy variables. Using a stepwise regression procedure the variables are entered and removed from the model. In stage one, the independent variable that correlates the best with the dependent variable is included in the equation. In the second stage, the next independent variable with the highest partial correlation with the dependent, controlling for the first independent, is entered. This process is repeated, at each stage partialling for previously-entered independents, until the addition of a remaining independent does not increase R-squared by a significant amount (or until all variables are entered). A nominal 0.05 significance level is used at each step.

Our analysis is summarised below.

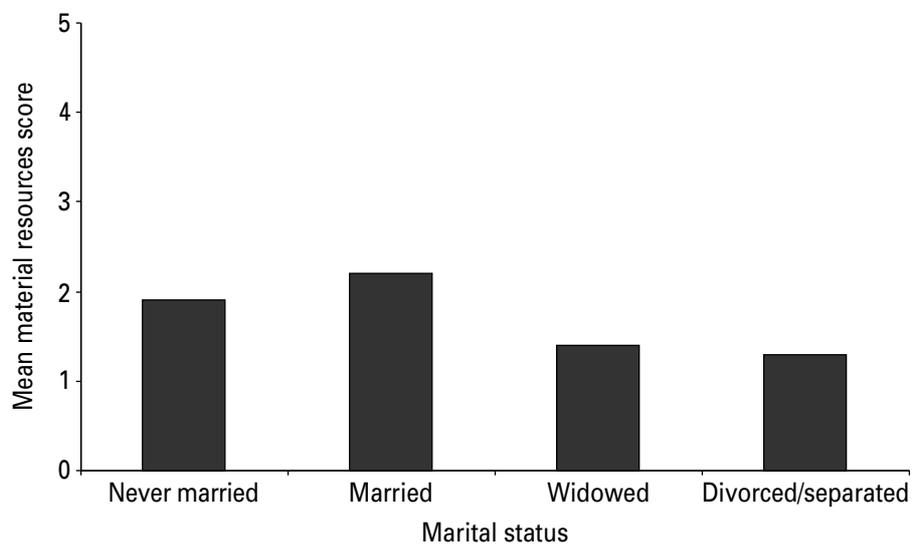
- Education was the strongest correlate with material resources. Older people who had undertaken further education had greater material resources than those with primary education (Figure 3).
- Consistent with previous studies, males had higher levels of material resources than women.
- Older people who were married had higher levels of material resources compared to those who were not. Single (never married) respondents had only slightly lower levels of material resources than older people who were married, and had greater levels of material resources than those who were widowed, divorced or separated (Figure 4).
- There was a negative correlation between age and material resources; older respondents had fewer material resources than younger respondents.
- Good health correlated with higher levels of material resources.

- Where one lives affects material resources: living in a deprived neighbourhood was associated with lower levels of material resources, but living in Wales was associated with slightly greater levels of material resources.

**Figure 3 Older people's material resources by level of education for Britain**



**Figure 4 Older people's material resources by marital status for Britain**



## 5 Financial satisfaction of older people

Raising the incomes of all, does not increase the happiness of all, because the positive effect of higher income on subjective well-being is offset by the negative effect of higher living level norms brought about by the growth in incomes generally.  
(Easterlin, 1995: 36)

In effect, this quote is saying that there is not a direct link between material resources and financial satisfaction, but there *is* a link between income inequalities and financial satisfaction. Because of the ambiguity surrounding the possible associations between material resources and financial satisfaction, in this analysis we felt that financial satisfaction should be studied as a separate entity from material resources. We believed that there would be a different set of variables associated with financial satisfaction than those associated with material resources.

The same methodology employed for the construction of the material resources measure was used to construct a measure of financial satisfaction. Box 7 describes the construction of the measure. The financial satisfaction measure captured elements of current and future financial satisfaction alongside satisfaction with the local environment, and was measured on a 12-point scale with 1 representing very low satisfaction and 12 representing very high satisfaction. There were no significant differences in the mean scores between England, Wales and Scotland.

### **Box 7 Construction of the financial satisfaction measure**

Exploratory factor analysis using principal axis factoring was undertaken with a set of subjective variables. The items included: perception of the environment, that is whether it is a decent or safe place to live, and a battery of questions that ask about perceptions regarding the adequacy of financial and material resources to meet the older person's needs.

After data reduction, the rotated (oblique) factor matrix suggests that there were three components underlying the variables. After extraction, factor one accounted for approximately 22 per cent of the variance, factor two 12 per cent of variance and factor three 10 per cent of variance. In total the three-

*Continued*

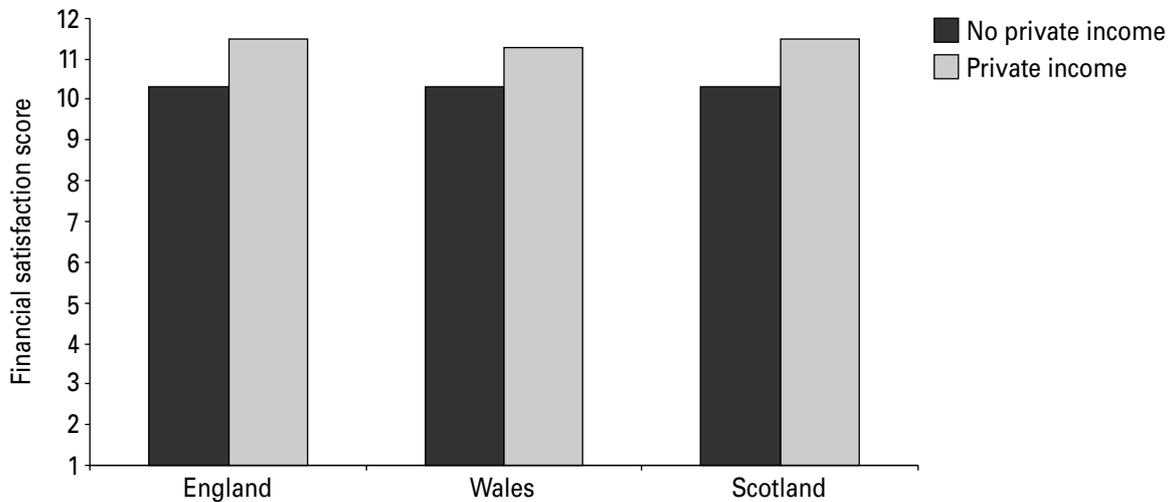
component model explained 43 per cent of covariance. Factor one can be interpreted as perceived material resources in reserve (i.e. perceived ability to afford emergencies, bills, luxuries and future needs). Factor two captured a dimension of perceived current material resources, whereas factor three related to the security afforded by the home.

We examined the financial satisfaction of different groups of older people. Our findings are summarised below.

- Work status was not associated with financial satisfaction, neither at the British nor country level.
- Occupational pensions were related to financial satisfaction for the British sample. At the country level, occupational pensions were only related to financial satisfaction in Wales.
- A private source of income was related to financial satisfaction for the total sample and in all three countries. Overall, private sources of income seem to offer assurance in terms of financial security and impact on financial satisfaction in all studied regions of Britain (Figure 5).
- For the British sample and in England and Wales, older people living in deprived neighbourhoods had lower levels of financial satisfaction than those living in other areas.
- In the British sample, older people with a good health profile were more likely to have greater levels of financial satisfaction than those with a poor health profile. On the country level, respondents with a good health profile in Wales and Scotland also had greater levels of financial satisfaction than those with poor health profiles.

As well as examining the financial satisfaction of different groups of older people, we wanted to identify which factors were most useful in explaining differences in financial satisfaction. Box 6 in Chapter 4 described the analysis (multiple regression) that was used to identify the correlates of financial satisfaction. Using this procedure we identified the correlates of current financial satisfaction, future financial satisfaction, and overall financial satisfaction. Box 8 describes the measures of current and future financial satisfaction.

**Figure 5 Financial satisfaction for older people with and without private sources of income in England, Scotland and Wales**



**Box 8 Measures of current and future financial satisfaction**

The variable representing current financial satisfaction was constructed by summing the values for the variables that loaded onto factor two of the overall financial satisfaction factor matrix. These questions asked respondents to assess their financial situation compared to other people their own age, and asked whether current financial resources met their present needs. The resulting current financial satisfaction score was on a five-point scale, with 0 representing severe need and 4 representing excellent resources.

The variable representing future financial satisfaction was constructed by summing the values for the variables that loaded onto factor one of the overall financial satisfaction factor matrix. These questions asked respondents whether they felt they had enough material resources to meet emergencies, to make payments for expenses, to pay for medication and other medical needs, to buy luxuries and to meet future needs. The resulting future financial satisfaction score was on a six-point scale with 1 representing severe need and 6 representing excellent resources.

## The material resources and well-being of older people

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For current financial satisfaction, our analysis showed that:

- material resources were most strongly associated with current financial satisfaction
- older people with greater levels of social resources had higher levels of current financial satisfaction
- older people who had never married on average had a greater level of current financial satisfaction than others
- whereas older respondents had fewer material resources than younger respondents, in this instance older respondents were more satisfied with their current financial situation than younger respondents.

For future financial satisfaction, our analysis showed that:

- once again, material resources were most strongly associated with future financial satisfaction
- older people living in deprived neighbourhoods had lower levels of future financial satisfaction, in other words they did not believe that they had enough resources to meet their future financial needs
- older people in good health had greater levels of future financial satisfaction
- whereas increases in age correlated with decreases in material resources, in this instance older respondents were more likely than younger respondents to believe that their material resources would meet their future financial needs.

For overall financial satisfaction, our analysis showed that:

- as for current and future financial satisfaction, material resources were most strongly associated with overall financial satisfaction
- on average, having a good health profile increased levels of financial satisfaction
- older people who lived in deprived neighbourhoods had lower levels of financial satisfaction

- older people with greater social resources had higher levels of overall financial satisfaction
- whereas increases in age correlated with decreases in material resources, in this instance an increase in age correlated with an increase in financial satisfaction
- older people who had never married on average had greater levels of financial satisfaction than others.

## 6 Material resources and life satisfaction of older people

We wanted to find out if there were any protective factors that may ameliorate the effects of poverty on life satisfaction. The measure for life satisfaction is described in Box 9.

### Box 9 Life satisfaction index

Subjective well-being was assessed by the Life Satisfaction Index (Wood *et al.*, 1969). Respondents were asked whether they agreed or disagreed with each of 13 items (shown below) relating to satisfaction with life.

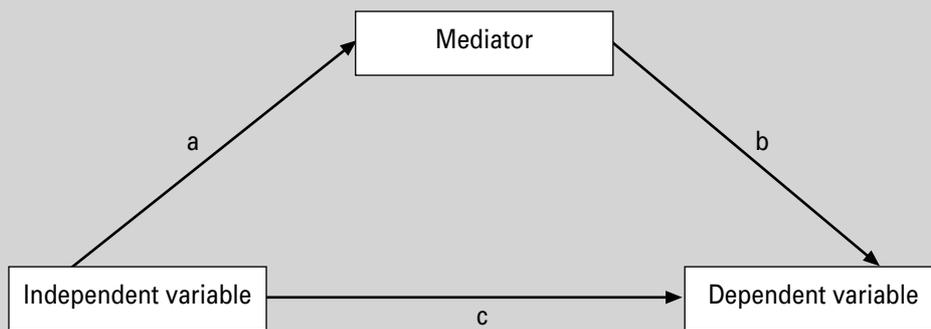
- As I grow older, things seem better than I thought they would be.
- I have had more good luck in life than most of the people I know.
- This is the dreariest time of my life.
- I am just as happy as when I was younger.
- These are the best years of my life.
- Most of the things I do are boring or monotonous.
- The things I do are as interesting to me as they ever were.
- As I look back on my life, I am fairly satisfied.
- I have made plans for things I'll be doing a month or a year from now.
- When I think back over my life, I didn't get most of the important things I wanted.
- Compared to other people, I get down in the dumps too often.
- I've got pretty much what I expected out of life.
- In spite of what people say, the lot of the average person is getting worse, not better.

In order to see whether social resources (Box 2) protected life satisfaction from the effects of material resources, multiple regression and mediation analyses were used. Box 10 explains the mediation analysis.

**Box 10 Mediation analysis**

Multiple regression analysis was used to determine the independent predictors of life satisfaction and the mediating effects of social support resources in the three countries. In this analysis, variables are entered in blocks, according to the steps of the analysis. In order to demonstrate mediation, three pathways are established and tested. In path A, the independent variables should predict the mediator (see Figure 6). In path B the mediator should predict the outcome variable and in path C the independent variables should predict the outcome variable. Perfect mediation occurs when a previously significant relationship between the independent variables and the dependent variables is no longer significant with the inclusion of the mediator in the last equation. A decrease in the coefficients in path C in the last equation, after including the mediating variable, demonstrates an element of mediation (Baron and Kenny, 1986).

**Figure 6 Pathways in the mediation model**



The selection of the variables for inclusion into the models was based on previous research, theoretical interest and empirical restrictions. To avoid the possible pitfall of multicollinearity arising from highly correlated indicators, preliminary correlation analysis was performed to determine which items would: a) represent the theoretical aspect of the research; and b) have some association with the measures of social resources and life satisfaction for the mediation analysis.

Our analysis showed that life satisfaction was predicted by an older person’s level of social resources. In turn, the level of social resources that an older person possessed were determined by their age and marital status for those living in Wales and Scotland. There was a tendency for older married couples to have greater levels of social resources and increasing age to decrease levels of social resources. In England the level of social resources was determined by the older person’s marital

status only. As material resources did not affect an older person's level of social resources, it was not possible for social resources to mediate the effect of material resources on life satisfaction. However, what the study did show is that for all three countries, three variables – good social resources, higher levels of material resources and fewer illnesses – were important for maintaining life satisfaction or well-being. In this context these three factors are crucial for successfully achieving a 'good life' in older age.

## 7 Discussion

This study sought to construct measures of material resources and financial satisfaction. With respect to material resources, an indicator was constructed from income intervals. This is probably the least satisfactory measure developed in the course of these analyses. The reasons for the unsatisfactory nature of this measure are twofold. First, the highest income class was open, so the median point for this class obscures the possibility that some respondents could have much higher incomes. Secondly, a large amount of missing data meant that either imputation of income data, or dropping the missing data may have biased further analysis, as the resulting remaining sample may not be representative of the study population. In order to overcome the difficulties associated with income data, exploratory factor analysis was used to develop several measures assessing the material resources and financial satisfaction of older people.

The material resources and financial satisfaction measures that have been developed are not as complex as other measures (e.g. OARS, Fillenbaum and Smyer 1981), but they are reliable. The interpretation of the factors also suggests that they have internal validity and capture some key dimensions of material well-being. The material resources measure captured two dimensions: employment status and private investment (including property, savings and occupational pension). The financial satisfaction measure captured perceptions of resources in reserve, current material resources and the security afforded by the home. The first two dimensions of the measure have been used as measures in their own right in this report. Although the dimensions associated with a safe and decent place to live are not used in other analyses in this report, it is argued that this is a valid component of financial satisfaction.

'Home' is often associated with the general activities of daily living that are carried out in the domestic sphere. However, 'home' has broader dimensions, which relate to issues of identity, economic and social positions (Kellett and Moore, 2003). Studies show that poverty affects people's ability to find decent housing in safe neighbourhoods (Newman, 1994; Carling and Curtis, 1997) and therefore, one would expect the safety and decency of the dwelling place to be related to financial well-being. Despite this, many definitions of material resources and poverty focus on basic needs (e.g. Narayan *et al.*, 2000) without taking into account other subjective requirements that may be associated with these needs. An exception to the focus on objective indicators of financial need is Nussbaum's (2000) list of material requirements. She states that in order to meet basic housing needs, one must be able to 'hold property ... not just formally but in terms of real opportunity' (Nussbaum,

2000, p. 80). Thus, it is not enough to have shelter alone, but the shelter has to provide an 'opportunity' to live one's life in full, by providing a 'decent' place in which one can consider oneself 'safe'. The overall measure of financial satisfaction developed in this study, covers a subjective notion of security afforded by the home and environment, which is an important component.

### **Income, material resources and financial satisfaction of different groups of older people**

The report has compared the income, material resources and financial satisfaction of different groups of older people (working/not working; with/without occupational pensions; with/without private sources of income; living in a deprived area/living in other areas; in good health/in poor health). This section summarises the findings for the three former groups, while health is dealt with later in the discussion.

#### ***Working***

Employment status was one of the underlying dimensions of the material resources measure. It is clear that work was important in terms of the objective measures of material resources, but was not important for the perception of financial well-being. Clearly, those respondents who were working were likely to have a higher income than those who were not working. This represents the predictable drop in income at retirement (Rosenberg and Everitt, 2001; Bardasi *et al.*, 2002) (see Table 3).

#### ***Occupational pension***

The receipt of an occupational pension was one of the underlying dimensions of material resources. Receiving an occupational pension was clearly linked to a higher level of income for older people in all samples. However, an occupational pension only affected respondents' financial satisfaction in Wales (although the British sample also shows an association). The receipt of an occupational pension appeared to be very important for income across Britain, but less important to the subjective dimension of financial well-being (see Table 4).

**Table 3 Associations between working and a range of material measures**

Measure	England	Wales	Scotland	All Britain
Income terciles		+	+	+
Financial satisfaction				

*+ = a positive relationship; blank cell = no relationship*

**Table 4 Associations between receiving an occupational pension and a range of material measures**

Measure	England	Wales	Scotland	All Britain
Income terciles	+	+	+	+
Financial satisfaction		+		+

### ***Private sources of income***

A private source of income included economic gain from rental, interest and insurance payments and was also one of the underlying dimensions of the material resources measure. We can see from the associations between the private source of income and the objective and subjective measures that in nearly all instances<sup>1</sup> a private income had a positive influence (see Table 5). Those with a private source of income had higher incomes in the British sample, in Wales and Scotland. Whereas an occupational pension only had an influence on financial satisfaction in Wales, a private income affected financial satisfaction in all countries. This demonstrates the importance of making investments prior to retirement to secure both material resources and a sense of financial well-being in later life.

**Table 5 Associations between having a private source of income and a range of material measures**

Measure	England	Wales	Scotland	All Britain
Income terciles		+	+	+
Financial satisfaction	+	+	+	+

## **The key factors associated with poverty and financial well-being in later life**

As noted in the introduction, material inequalities in later life are related to age, gender, marital status, living arrangements, ethnicity and location in terms of level of rurality and region. The analysis in this study sought to identify the key associations between a range of variables and material resources, current financial satisfaction, future financial satisfaction and an overall measure of financial satisfaction. Table 6 summarises the findings.

**Table 6 Summary of the main associations for material resources, and a range of financial satisfaction measures**

Measure	Material resources	Current financial satisfaction	Future financial satisfaction	Overall financial satisfaction
Age	–	+	+	+
Male	+			
<i>Location</i>				
Deprived neighbourhood	–		–	–
Wales	+			
<i>Marital status</i>				
Never married		+		+
Married	+			
Further education	+			
Good health	+		+	+
High social resources		+		+
High material resources	na	+	+	+

– = a negative relationship; na = not applicable

### Age

Our analysis highlighted a seemingly contradictory finding for the effect of age. Whereas increases in age correlated with decreases in material resources, an increase in age correlated with an increase in financial satisfaction (both current, future and overall).

There are several reasons that could account for the seeming anomaly. There are fundamental differences in the measures used. The material resources measure is essentially an objective measure, constructed from variables that represent engagement in work, earnings from employment, and investment. Employment is undoubtedly affected by age, with retirement practices and policies having a negative impact on the likelihood of being engaged in paid employment at increased ages. The other measures, which show increases in financial satisfaction with increased age, are subjective measures attempting to capture the extent to which an individual judges the overall material quality of his or her life as favourable compared to others (e.g. Diener *et al.*, 1999).

Looking at the objective measures of material resources we find limited evidence to suggest that material resources decrease with age. The life cycle hypothesis of saving assumes that individuals plan for the future in a rational way and that on retirement, households run down their wealth. This may be achieved by ‘downsizing’ housing wealth through relocation or equity release (Disney *et al.*, 2002). However, research in the USA suggests that this is not the case, and that retired households continue to save or accrue wealth through assets (Banks and Rohwedder, 2001).

There is also a sharp drop in consumption at retirement, which is often referred to as the 'retirement saving puzzle' (Bernheim *et al.*, 2001). Subsequently retired households do not decumulate wealth and assets to the extent that would be expected if one applied the life cycle hypothesis (Disney *et al.*, 2002). So, if the lower levels of material resources for the oldest old (over 75 years) compared to the young old (under 75 years) in our study (and others e.g. Bardasi and Jenkins, 2002) are not due to a particular life cycle pattern of savings and consumption that apply to all retired people, perhaps they are a consequence of cohort effect. Cohort effect is explained in Box 11 and is discussed in more detail later in this section.

### **Box 11 Cohort effect**

Cohort effect is the variation in characteristics (e.g. material resources or financial satisfaction) of people of different ages that arise because they are born at different times and have experienced different factors as the environment and society change. Each birth cohort is exposed to a unique milieu that coincides with its life span.

Looking at the subjective measures of financial satisfaction and the discrepancy between decreases in material resources and increases in financial satisfaction with increased age, we can find evidence from the psychological literature to explain this phenomenon. The correspondence between the objective and the subjectively experienced life situation could be described as 'actual well-being' and as 'deprivation', respectively. On the other hand the divergences between these experiences can be described as a 'dilemma of discontentment' (e.g. if a high level of material resources corresponds with low levels of financial satisfaction), or a 'satisfaction paradox', whereby in this case low levels of material resources correspond with high levels of financial satisfaction (see also Palmore *et al.*, 1984; Stoller and Stoller, 2003). The 'satisfaction paradox' in this instance appears to be related to the older age groups and is often referred to as indicating the effectiveness of psychological regulation and adaptation (Ferring and Filipp, 1997; 2002) (Table 7 illustrates these relationships).

**Table 7 Objective life situations and their subjective evaluations**

Subjective judgment	Objective life situation	
	Good	Bad
Good	WELL-BEING	SATISFACTION PARADOX (ADAPTATION)
Bad	DILEMMA OF DISCONTENTMENT (DISSONANCE)	DEPRIVATION

*Adapted from: Zapf (1984) and Ferring et al. (2003b)*

In this respect, a high level of financial satisfaction in old age may be shaped by reducing discrepancies between the 'is' and the 'ought'. In other words, older people may change their evaluation of the present life situation by using new evaluation criteria (how current material resources are perceived), or by changing the evaluation of the desired life situation (how much they believe they ought to have) (Ferring and Filipp, 1997; 2002). But, financial satisfaction in old age may reflect inter-individual differences in the use of these regulative strategies (i.e. changing one's own perception of material resources) or it may represent a context-sensitive judgment, for example cohort effects.

This study has used cross-sectional data and therefore may reflect cohort differences in material resources and financial satisfaction in different life situations, rather than decreases or increases in the objective and subjective measures occurring with age. With regard to our objective measures of material resources it is likely that the findings in the study represent cohort effects, as other research using the annual Family Expenditure Survey (FES) data for the period from 1974 until 1995 indicates that there have been substantial variations between age cohorts. Banks and Rohwedder (2001) show that there are three groups of retired and retiring households in the UK, which are differentiated by their lifetime experiences of saving and investment. They suggest that the first group of oldest pensioners typically have lower material resources than others and rely almost entirely on the state pension. The second group has built up substantial occupational pensions through SERPS but is unlikely to have had much chance to invest in private pension schemes. Consequently this second group of pensioners has higher levels of material resources than the oldest old pensioners. The third group are 'would be' pensioners, those people who are currently working. Banks and Rohwedder (2001) note that this group does not expect to receive an adequate state or occupational pension. Consequently, investment is made into private pensions with the expectation that majority of retirement income would be provided from this source.

These are highly idealised 'pensioner' groups, and there will be considerable variation between the members of each cohort. The entitlement to occupational and state pensions, the investment in private pensions and the accumulation of savings are strictly related to the type of work in which people have been engaged across their life course. An individual's occupation and lifetime occupational trajectory depends on educational qualifications (Bardasi and Jenkins, 2002) and our research indicates that households with more education are more likely to have higher levels of material resources. Therefore, it is likely that *future* policy will have to focus on the variation both between and within cohorts, and the potential for further inequalities in retirement incomes. This may be particularly salient for individuals that have been unemployed for periods of their working lives, for those that have not invested in private pensions and for instances of depreciation of occupational pensions.

In addition to the likelihood of cohort effects impacting on the material resources of older people in this study, it is also likely that our subjective measures of financial satisfaction were influenced by cohort effects. In the USA, research has shown that younger cohorts are less satisfied financially than the older ones (Hsieh, 2002). The paradox between low levels of material resources and high levels of financial satisfaction may be a result of social comparison and relative deprivation (Liang *et al.*, 1980; Day, 1986). As part of their life course events the oldest respondents in this study may have experienced the tail-end of the depression in the 1930s, and rationing during the war, and subsequently current financial resources may appear adequate. However, it has been suggested that this reckoning is 'unreasonable and unrealistic for meeting the financial needs of older households' (George, 1992: 75).

### **Gender**

Consistent with previous studies we found an association between gender and material resources, with males having greater levels of material resources than women (Disney and Johnson, 2001; Ginn, 2001; Ginn and Arber, 2001; Rake and Daly, 2002; Bradshaw *et al.*, 2003). However, gender was not associated with financial satisfaction.

Material resources (which include work status and private assets) are related to life course activities, especially engagement and disengagement in the labour market. Women are more likely than men to have a lifelong experience of poor socio-economic conditions due to inequities in the labour market. For example, women are more likely than men to have been engaged in employment associated with lower social class (Arber and Cooper, 1999). In addition, there is a gendered dimension to

caring, with women more likely than men to have been responsible for children or partners (Arber, 2004). These lifelong conditions have material consequences in later life in terms of a reduction in women's ability to contribute to state and private pensions (Ginn and Arber, 2001).

A majority of literature regarding gender and material resources has focused on the impact of marital status for material resources in later life, in particular the negative impact of divorce or widowhood on income. This analysis suggests that in addition to the negative effect of widowhood, divorce or separation on material resources, there is an additional gendered dimension to material well-being in later life. Elsewhere it has been found that widowhood has a major adverse effect on the material well-being of older women, but is not so great for men (Arber, 2004), supporting the evidence presented here.

In a sense, 'ageing' is predominantly a female experience. The majority of older people (aged 65 years and over) in the UK are women, with 113 women to every 100 males in the 65 to 74 age group. The ratio increases amongst the oldest old to 259 women to every 100 men aged 85 and over (National Statistics, 2004). Therefore, gender inequalities that financially disadvantage women in later life have an impact on a majority of the older population. Of particular importance to policy makers should be the greater reliance of women than men on state sources of pension. Recent analysis shows that fewer older women than older men received a private pension (35 per cent versus 67 per cent) (Ginn, 2001), and in this study fewer women than men received an occupational pension (57 per cent versus 71 per cent). Consequently, the decline in basic pension since 1980 is particularly pertinent to the material well-being of older women. This trend is likely to continue in the future with fewer women than men between the ages of 20 and 59 with a private pension (38 per cent versus 64 per cent) (Ginn, 2001).

Although gender was associated with material resources it was not associated with financial satisfaction. Age as a correlate of the objective and subjective measures of material well-being clearly showed opposite predictive mechanisms, which has been explained in terms of the 'satisfaction paradox'. As gender was strongly associated with material resources, one would expect it to play a part in the subjective experience of financial satisfaction, but this was not the case. Perhaps this finding also demonstrates a 'satisfaction paradox' and a divergence between the objective and the subjectively experienced material life situation of older women.

**Location**

Our analysis indicated that older people living in deprived neighbourhoods had lower levels of material resources than people living elsewhere. Although they believed that their material resources would meet their current needs, they did not believe they would meet future needs. As material resources of people in deprived areas are lower than for others living elsewhere, it is not surprising that respondents tended to believe that these resources would not meet future needs. In order to explain why older people in deprived areas thought their resources met their current needs we can refer to social comparison theory.

The measure of current financial satisfaction is comprised of two questions, one of which asks respondents to compare their financial situation to other people their own age. According to the social comparison theory, people are selective in who they choose to compare themselves with (Festinger, 1954). On the whole, people tend to select a comparison group that is similar to the self (Festinger, 1954).

Neighbourhood-level research has found that in social comparison, outcomes are explained by the socio-economic status of the local environment, above and beyond the socio-economic status of the individuals within the environment (e.g. Robert, 1999). Consequently, older people living in deprived neighbourhoods are most likely to make a social comparison between themselves and immediate neighbours of the same age, who are also likely to be in a similar financial situation.

The analysis also showed that older people living in deprived neighbourhoods had lower levels of overall financial satisfaction. This measure captures dimensions of current and future financial satisfaction, but also satisfaction with the environment. In this respect, our findings corroborate other evidence that indicates that older people living in deprived neighbourhoods are concerned about crime and the physical appearance of their neighbourhoods (Scharf *et al.*, 2002) and therefore are likely to have lower scores on a measure that encompasses environmental decency and safety.

At this juncture it is important to mention ethnicity with reference to location. Although ethnicity was included in our analysis it did not correlate with income, material resources or financial satisfaction. This however does not imply that there are not differences in these measures between minority ethnic groups and the national majority in Britain.

Occupation and income are indubitably linked to housing, settlement and resettlement patterns. The majority of immigration to Britain in the 1950s to 1970s was accounted for by single men between the ages of 20 and 29 years who were

economically oriented, which meant there were distinctive geographical settlement patterns regionally concentrated around areas of employment. In the UK immigrants were needed to overcome labour shortages and to fill jobs that native-born residents did not want. Concentrations of minority ethnic groups were established in the large conurbations, such as London and Birmingham. However, immigrants also went to the metal manufacturing areas such as the West Midlands and to the textile towns of the North West. The material conditions of newly arrived migrants were poor. On the local level, poverty meant that immigrants inhabited privately rented accommodation or shared the worst owner-occupied housing clustered in inner cities (Burholt, 2004). In this study, we deliberately selected areas in cities that had high proportions of resident minority ethnic groups in order to achieve a large enough sample for analysis. However, with the exception of Glasgow, these areas were deprived areas of the city. In this respect, older people from minority ethnic groups and indigenous older respondents living in deprived areas have lower levels of income, material resources and financial satisfaction than others.

Ethnic solidarity in the form of large, strong social networks clustered in particular areas are likely to facilitate the search for a job and provide social capital that can be drawn on. However, clustering of ethnic groups also has a downside. Historically the type and availability of jobs were limited in areas of settlement for minority ethnic groups. On the whole, ethnic minorities have shown a 'hyper-cyclical' pattern of employment, that is the fastest rise in unemployment rates during economic downturns, and the fastest rise in employment rates during a period of recovery (Burholt, 2004). The pattern of employment and unemployment contributes to a lower lifetime income and a poorer pension entitlement in later life for many ethnic elders (Ginn and Arber, 2001). These potential differences between older people in ethnic groups and the white majority are masked in this study, by the overwhelming negative effect that living in a deprived area has on material well-being and financial satisfaction.

This study suggests that most differences are related to settlement patterns, however, we do not have sufficient information on the material situation of minority ethnic groups living outside of inner city deprived areas to look at the relevance of ethnicity to material well-being. In addition, the proportion of minority ethnic elders in this sample is too small to analyse on an individual ethnic group basis. Other studies show that there are also considerable differences in material resources *between* ethnic groups (e.g. Evandrou, 2000; Burholt and Wenger, 2003). Given the evidence from other studies, we suggest that readers should not generalise our findings regarding the association between material resources and deprived neighbourhoods to all ethnic minority elders, but need to differentiate consistently between ethnic groups and area of residence.

In addition to highlighting the differences in material resources for those living in deprived areas compared to those living elsewhere, our analysis shows an association between higher levels of material resources and living in Wales. We think that this finding is based on the high levels of home ownership in the Principality, as this is one of the underlying dimensions of material resources. However in Wales, home ownership may not always be a positive financial asset. For example, the Welsh housing stock is older and in worse condition than in England. Housing in Wales may be the worst in Western Europe if the age of the housing stock is used as an indicator. Within Gwynedd (the rural study area) nearly one half of the housing stock was constructed before 1919 (National Assembly for Wales, 2001). Old properties are often poorly insulated and have inappropriate heating and dwellings occupied by pensioners are less likely to have central heating. We believe that high levels of home ownership in Wales have confounded the findings and that the association between living in Wales and higher levels of material resources does not necessarily indicate that older people living in Wales are substantially better off than their counterparts elsewhere in Britain.

### ***Marital status***

Our findings demonstrate that marital status is definitively related to levels of material resources and financial satisfaction. Those who are currently married are more likely to have higher levels of material resources than all other groups. For unpartnered respondents, those who have never married tend to have greater levels of current and overall financial satisfaction than others.

It has been well documented that married older couples have higher incomes than others (Henrard, 1996). In this study the position of married older people in terms of their material resources is very similar to those who have never married. Older people's financial situation in retirement is tied to engagement in the workforce throughout their life, which in turn affects pensions acquisition (both state, occupational and private). Whereas married, widowed or divorced women are more likely than men to have been responsible for caring for children or partners, and thus have disrupted labour market participation, this is not likely to be the case for never married women or men. In particular, never married women are the group of women most likely to have accrued an occupational pension, as they are most likely to have been engaged in employment throughout their working life (Arber, 2004).

In our analysis, household composition was not associated with any of the material resources measures. This is probably because marital status was associated with the measures. Widowed, divorced and separated older people are most likely to live

alone (and have poor material conditions). The group of never married respondents with high incomes are also likely to live alone, but comprise a much smaller proportion of this group. The better financial position of married couples corresponds with a more positive material situation for older people living with a spouse.

The findings demonstrate that widowed and divorced older people have the lowest levels of material resources. In the UK, one may consider future trends for marital status. Projections for 2021 suggest that for people aged 65 and over, widowhood will decline for both men and women. There will be an increase in the proportion of married women, but a decrease in the proportion of older married men (although the proportion of married men will still be substantially greater than the proportion of married women, 66 per cent versus 45 per cent). There is predicted to be a decline in the proportion of never married women from 12 per cent (in 1981) to 5 per cent (in 2021), but little change in the proportion of never married men (7–8 per cent). The most dramatic change is the 12 per cent increase in the proportion of the older population that are projected to be divorced by 2021 (Shaw, 1999). Given that the divorcees in this and other studies experienced low levels of material resources, this should be a cause for concern. As Sara Arber (2004) notes:

If the life course and societal mechanisms that have led to the material disadvantage of the current cohort of older divorcees continue over the next 20 years, there will be a very substantial sector of the older population of both men and women living in significantly disadvantaged material circumstances.

### ***Education***

Education was associated with income in Britain: education only up to primary level was associated with low income, whilst further education (beyond secondary level) was associated with high income. Elsewhere it has also been shown that in the older population, lower educational levels strongly correlated with lower incomes (Rosenberg and Everitt, 2001).

Level of education had the strongest association with material resources. Remembering that the underlying dimension of material resources in this context is employment status and private investments, this finding is congruent with previous studies in the USA which indicate that education exerts an important influence on portfolio choice – that is whether money is invested in pensions, shares and other assets. In general, households with more education are more likely to hold diversified portfolios, perhaps because they have better information about various

investment opportunities (King and Leape, 1998). It is also likely that older people with lower educational levels had limited job opportunities, and were less likely to be able to access jobs requiring greater level of skills providing higher salaries. This in turn would affect the household's ability to invest in private pensions, home ownership or savings (Bosma *et al.*, 1999).

If one asks 'what is the best instrument for equalising opportunities for income acquisition?' one may consider investment in education as an option (Roemer *et al.*, 2003). However, there appears to be an element of class reproduction in education. During the 1960s and 1970s education aimed to promote equality of opportunity, but this has only been partially fulfilled (Husén, 1987). Research in industrialised countries suggests that there has been more success in reducing gender inequalities than there has in reducing socio-economic inequalities (Shavit and Blossfeld, 1993). Consequently, children born into families of lower social class are likely to perpetuate the material status of the family, through inequitable access to further education, and subsequently fewer job opportunities with a lower likelihood of investment, savings and pension acquisition. The solution to educational inequality may lie at the societal level rather than an individual level. It has been shown that a low degree of income inequality within a country fosters equalisation of educational and occupational opportunities, rather than a reduction in educational inequalities equalising income (e.g. Erikson and Goldthorpe, 1992; Jonsson *et al.*, 1996).

### **Health**

The onset of disability is a transition that can have an impact on material resources. As people age, the probability of developing functional impairment and age-related diseases rises (Grundy *et al.*, 1999). In Europe it has been shown that older people with deteriorating health are more likely to have low incomes (Ferring *et al.*, 2003a).

Our findings showed that health was strongly associated with material resources. We are not implying poor health 'causes' low levels of material resources. Although we cannot use our cross-sectional data to look at cause and effect, there are many studies of health and material resources that take time into account (for a review of the literature see Benzeval and Judge, 2001). These studies have shown that income and health are causally related with the main direction of causation running from income to health. In other words income has an impact on health outcomes.

There is plenty of evidence to support the existence of income-related inequalities in health. However, there is still considerable debate over whether individual health is the function of individual income (the absolute income hypothesis, e.g. Wildman,

2003) or whether individual health is the function of income inequality (the relative income hypothesis, e.g. Wilkinson, 1996). The epidemiological transition theory (explained in Box 12) suggests that prior to epidemiological transition absolute income has the biggest impact on health, whereas after transition, relative income (or income inequality) has the largest impact on individual health. The *Independent Inquiry into Inequalities in Health* (DoH, 1999) refers to a possible link between health and income inequalities, however, until recently, little was known about the extent to which poorer health is attributable to lower income. A recent study has shown that within Britain income-related health inequality was largest in Wales, with income having a greater effect on health in Wales and Scotland than in England (Gravelle and Sutton, 2003). This has implications for health policy. Any policy that attempts to tackle individual health needs to take into account income inequality. Policies that promote unequal income growth are likely to have a detrimental effect on individual health for those with relatively lower incomes (Wildman, 2003).

### Box 12 Epidemiological transition

Epidemiological transition occurs when the primary causes of mortality in a country change from infectious disease to degenerative diseases, such as cancer and heart disease.  
(Wildman, 2003)

Others argue that the link between material resources and health is indirect. For example some studies show that low-income groups (people with low levels of material resources) are more likely to consume unhealthy diets and develop chronic diseases at an earlier age than those people with higher levels of material resources (Lobstein, 1999). Although low material resources (low income and lack of transport) may provide a barrier to accessing wholesome food and difficulties with affordability of fruit and vegetables (Donkin *et al.*, 2000), other research suggests that the association between material resources and consumption of healthy diets is more complex, and that habitual dietary actions, especially of older people, may have developed over the life course (Dibsdall *et al.*, 2002).

The association between material resources and health found in this study corroborates other cross-sectional evidence from the UK. Some studies have found that the association between income and health is weaker for retired people than for those under retirement age (Benzeval *et al.*, 2000). It is likely that this is because the measure (income) does not reflect access to other material resources accumulated over the lifetime (Benzeval and Judge, 2001). In this study material resources

included access to reserves, that is private investment, relating to previous financial investments into an employment-related pension, property, or other assets, such as savings accounts. These types of investment represent a life course approach to material resources, where previous income and employment affect the ability of people to make these investments. Elsewhere, it has also been shown that poor health decreases the probabilities of owning retirement accounts, bonds, and risky assets (Rosen and Wu, 2004). The analysis would support other evidence that suggests that persistent poverty (represented in this case as an inability across the life course to make investments and savings) is related to poor health (Benzeval and Judge, 2001).

Another underlying dimension of the material resources measure represented engagement in paid employment. In this respect, the associations between health and material resources confirms other studies, which show that paid work is associated with better health for men and women (e.g. Walter *et al.*, 1995; Arber, 1997).

In this study, health was not associated with current financial satisfaction. Once again, this may be because when respondents were asked to compare their situation with others, they selected a comparison group that was similar to the self (Festinger, 1954) and thus, in this instance, also in poor health with poor financial resources.

Although health was not associated with current financial satisfaction, it was strongly associated with future financial satisfaction and the overall measure of financial satisfaction. In both instances, good health was associated with greater scores on the measures. Other research has also shown that older people in poor health assess their financial resources as less adequate than those in good health (Stoller and Stoller, 2003). Although it has been suggested that control and mastery may be maintained in the face of losses associated with older age (Baltes, 1996), in the face of poor health, several future scenarios may be generated which require expenditure of some kind, for example to pay for domiciliary care, housing adaptations to meet functional decline, or residential care, for which the person has only current assets and resources to rely on. Whereas younger generations may move in and out of poverty, older people (especially those with poor health) are likely to have exited from the labour market, and therefore are less able to change or control their financial situation in later life (Rosenberg and Everitt, 2001).

### ***Social Resources***

Our findings showed that social resources were not associated with material resources but were associated with current financial satisfaction and the overall measure of financial satisfaction. The lack of association between social resources and material resources was surprising as there is good reason to believe that higher levels of material resources would increase the capacity for extending opportunities for acquaintances (Kosteniuk and Dickinson, 2003), or facilitate an older person's ability to participate in community activities (Davis Smith, 1992).

The link between financial satisfaction and social resources has been identified in other research (Costigan *et al.*, 1999). It has been suggested that informal support has a cushioning effect that prevents older people from identifying their objective level of financial need. The study of uptake of minimum income guarantee (pension credit) found many older people who said they managed on this level of income (which is considered to be lower than required to cover the costs of living) tended to be receiving financial and practical help from family members.

### ***Material resources***

Material resources had the strongest association with all three financial satisfaction measures. Other studies also indicate that income and work status (Liang *et al.*, 1980; Hsieh, 2001) are directly and/or indirectly related to financial well-being for older people. Both work status and income (through private investment) represent some of the underlying dimensions of the material resources measure. In the context of this study, it may be important to focus primarily on the factors associated with material resources in order to alleviate poverty and financial dissatisfaction in Britain.

## **Material resources, social resources and well-being in later life**

Subjective well-being is considered an important component of 'the good life' and is used as an indicator of quality of life (Wilson and Cleary, 1995; Diener *et al.*, 1999; Smith, 2000). Maintaining high levels of well-being is considered to be a factor for 'successful' ageing (Baltes and Baltes, 1990). However an individual's quality of life is affected by the resources they possess. Material resources are acknowledged as being an important factor for quality of life and crucial to the subjective well-being of

older people in Britain (Bowling, 1995; Ferring *et al.*, 2003b). Social support resources have also been identified as an important psychosocial resource to people at all stages of the life cycle, and its contribution to well-being has been well documented (Pinquart and Sörensen, 2000). However, little consideration has been given to the potential of social factors to alter the association between material resources and well-being (Diener and Biswas-Diener, 2002).

In this report we tried to identify any protective factors that may ameliorate the negative effect of low levels of material resources on life satisfaction, by analysing the mediating effect of social support resources. Our findings showed that social support did not mediate the effect of material resources on well-being. For all the countries three variables – good social resources, higher levels of material resources and fewer illnesses – were important independent factors for maintaining well-being. These findings corroborate other studies that identify associations between these factors and life satisfaction.

- Research has shown that relationships with friends are important for well-being in old age (Pinquart and Sörensen, 2000). The absence of companionship or of a confiding relationship has been found to reduce well-being and increase the risk of depression (Chappell and Badger, 1989).
- Wealthier people are generally happier than poorer people in rich nations, although these effects are small. Overall, people living in wealthy nations appear happier than those living in poorer ones (Diener *et al.*, 1999). Higher socio-economic status (measured by education, income and social class) is associated with higher subjective well-being (Pinquart and Sörensen, 2000).
- Good health is associated with higher well-being scores (Wood, 1987). Conversely, poor physical health and functioning are linked to lower levels of life satisfaction (Bowling *et al.*, 1993; 1996).

In this context, these three factors (social resources, material resources and health) are crucial for successfully achieving a 'good life' in older age.

## 8 Conclusions

This report has highlighted some important cross-cutting themes that need to be addressed across Britain. Overall, the findings suggest that differences in material resources in old age are generally determined by earlier life experiences, for example engagement in the labour market and subsequent ability to save and invest. Whereas younger generations may move in and out of poverty, once older people move into material deprivation, there is very little they can do about their position in later life (Rosenberg and Everitt, 2001). The cumulative impact of material disadvantage over the life course is extremely important as it contributes to social exclusion (Phillipson and Scharf, 2004).

In this study, older people with low levels of material resources (i) had a reduced consumption ability (that is the ability to purchase 'normal' goods and services); (ii) were less likely to have saved or accumulated assets in terms of a house, savings, private source of income, or accumulated an occupational or private pension; (iii) were less likely to be engaged in a paid occupation; (iv) and had lower levels of social resources. These items represent four out of the five components that Burchardt *et al.* (1999) have identified as elements that contribute to social exclusion.

The findings indicate that social exclusion applies to particular groups of older people. These groups may be delineated by individual characteristics that are socially and structurally constructed, e.g. work status and gender (Estes, 2004), or by spatial segregation, e.g. living in deprived neighbourhood (Scharf *et al.*, 2002). Older people with low levels of material resources or income were over-represented by women, persons living alone, those that are widowed, divorced or separated, in poor health, with lower education and living in deprived neighbourhoods. These findings are supported by evidence from other studies which also show that being in the 'old-old' age cohorts, female and/or living alone rapidly increase the likelihood of living in poverty (Rosenberg and Everitt, 2001; Phillipson and Scharf, 2004).

Given that material resources were strongly associated with financial satisfaction, it may be that the factors associated with this measure should be focused on in order to alleviate poverty and financial dissatisfaction in Britain. The following should be of particular concern to policy makers.

- 1 The financial satisfaction of the oldest-old (with low levels of material resources), which may represent psychological adaptation to a financial situation that may not easily be changed, but does not reflect the receipt of an adequate income for meeting the financial needs of older households.
- 2 The gendered dimension of material resources, which demonstrates higher levels of resources available to men. 'Old age means something quite different – and more troubling – for women than for men' (The World Bank, 1994: 29, cited in Ginn, 2001).
- 3 The projected increase in the proportion of divorced older people, who currently appear to have fewer material resources than others.
- 4 The consistently low levels of material resources for people living in deprived areas versus those living in other areas.
- 5 The strong association between health and material resources.
- 6 The negative impact of inadequate material resources on the psychological well-being of older people.
- 7 The importance of education for future generations to have an equal chance of material security in later life.

# Notes

## Chapter 2

- 1 There is now a nationally recognised definition of rurality (DEFRA, 2004).
- 2 For example, in Norfolk a population density of 30 people per sq km may be classed as sparse; in Gwynedd, the figure is around 10 people per sq km. In the Highland region however, rather than people per sq km, 'sparseness' is sq km per person (5 sq km per person).
- 3 Throughout the report, 'married' also refers to older people who are living with a partner as if married. 'Never married' only refers to older people who have never legally married and were not living with someone as if married at the time of interview. We did not ascertain whether people had lived together as if married in the past.

## Chapter 7

- 1 With the exception of income terciles in England.

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