

Pensioners' spending patterns and living standards

Spending by pensioners rose less than their incomes over the twelve years to 1991, and more were in poverty in terms of their spending than on the basis of their incomes. New analysis of the Family Expenditure Survey by Deborah Smeaton and Ruth Hancock of the Age Concern Institute of Gerontology, King's College London, found that:

- f** Average expenditure by pensioners in 1991 was two-thirds that of non-pensioners. Food accounted for about a quarter of their spending, compared to a fifth of non-pensioners'.
- f** Pensioners' average housing expenditure was less than half that of non-pensioners. The latter's had grown by two-thirds since 1979, while pensioners' spending on housing remained about the same in real terms between then and 1991. People with mortgages spent most on housing and pensioners living alone with mortgages had the highest housing costs (although they were relatively few in number).
- f** On average, pensioners and non-pensioners spent about the same on fuel, but fuel accounted for 10% of pensioners' weekly expenditure compared with 5% for non-pensioners.
- f** The average proportion of pensioners' weekly spending accounted for by food fell from nearly a third in 1979 to a quarter in 1991. On all essential items it fell from 70% to 61% to bring them on a par with non-pensioners.
- f** In 1991 pensioners living alone spent more (per equivalent adult) on housing costs and fuel bills than others as they could not reap economies of scale. 'Necessities' accounted for getting on for three-quarters of the budgets of pensioners living alone, even in 1991.
- f** Pensioners' expenditure increased by less than their incomes over the period 1979 to 1991. While about a third of pensioners had incomes below the poverty yardstick of half the average income level for the total population, the corresponding proportion for expenditure was 41% (1991).

Where the money goes

Pensioner households spent on average £109 per week with the largest component being food at £23 per week. The next largest categories of expenditure were housing at £12 and fuel at £8. The median expenditure on housing was only half the average level, reflecting in part the help that low-income pensioners received with their housing costs through Housing Benefit.

Pensioners' average total expenditure of £109 compares to £164 for non-pensioners and, as would be expected, a higher proportion goes on items such as food (26% compared to 20%) and fuel (10% compared to 5%). Most of the difference in total expenditure was accounted for by higher expenditure by non-pensioners on leisure services, motoring, household goods and housing.

Overall spending on 'necessities' (housing, fuel,

food, clothing, household goods and services and travel) accounts for nearly three-quarters of the expenditure of pensioners living alone and over two-thirds of other pensioners in pensioner-headed households. These pensioners have a lower standard of living in these terms than non-pensioners who spent 62% of their income on necessities (and 38% on luxuries).

Housing

Housing expenditure was a lower share of pensioners' average total expenditure (12% compared to 17%) because there are relatively fewer owner-occupiers with mortgages among pensioners. Differences between the housing costs of pensioners and non-pensioners who rent their housing were not great and the average cost of renting was considerably less than the average mortgage costs being paid. However,

Table 1: Average and median equivalent household expenditure, 1991 levels

	(£s per week, 1993-4 prices)				shares			
	Pensioners average	median	Non-pensioners average	median	Pensioners average	median	Non-pensioners average	median
Housing	£12	£6	£29	£19	12%	8%	17%	14%
Fuel	£8	£7	£7	£6	10%	8%	5%	4%
Food	£23	£21	£27	£26	26%	25%	20%	19%
Alcohol	£4	£1	£7	£4	3%	1%	5%	3%
Tobacco	£2	£0	£3	£0.5	2%	0%	3%	<0.5%
Clothing	£6	£1	£10	£5	5%	1%	6%	4%
Miscellaneous	£0.5	£0	£1	£0	<0.5%	0%	1%	0%
Household goods	£9	£3	£12	£6	7%	4%	7%	4%
Household services	£7	£4	£8	£4	6%	4%	4%	3%
Personal goods & services	£5	£3	£6	£3	5%	3%	4%	3%
Motoring	£12	£3	£23	£11	7%	3%	12%	8%
Fares	£2	£0	£4	£1	2%	0%	2%	1%
Leisure goods	£5	£3	£8	£4	4%	3%	4%	3%
Leisure services	£10	£3	£14	£5	8%	4%	7%	4%
Insurance	£4	£2	£5	£3	4%	3%	3%	2%
Total expenditure	£109	£85	£164	£138	100%		100%	
Sample size	3,141		10,188		3,141		10,188	

Source: analysis of 1991 Family Expenditure Survey.
median shares do not necessarily sum to 100%

Definitions

Pensioners are individuals over state pension age; non-pensioners exclude under-16s. The individual pensioner is the unit of analysis and is ascribed the total expenditure and income of the household in which he/she lives.

Expenditure figures are adjusted for household size and are equivalent to amounts for a person living alone. Figures are for 1991 unless otherwise stated, expressed in 1993-4 prices.

Average refers to the amount per pensioner if the total expenditure of all pensioners is divided by the number of pensioners.

If people were lined up in order of how much they spend, the **median** refers to the amount that the middle person would spend.

people who owned their homes outright spent the least on housing - both in absolute terms and in terms of budget shares.

Pensioners living alone who own their homes outright spent nearly as much as those in rented housing (£11 per week compared with £13), partly because many pensioners living on their own qualify for rent rebates. Pensioners living alone who had a mortgage spent the most on housing - about 30% of their budgets compared with a fifth for non-pensioners with a mortgage and less than this for pensioners who lived with others.

Unit	Household type	Rented	Owned - mortgage	Owned - outright
Level (£/wk)	Pensioners living alone	13	45	11
	Other pensioners*	13	20	7
	Non-pensioners	15	41	8
Share (%)	Pensioners living alone	17	31	10
	Other pensioners*	16	17	6
	Non-pensioners	13	22	5

Unit	Household type	Rented	Owned - mortgage	Owned - outright
Level (£/wk)	Pensioners living alone	8	37	5
	Other pensioners*	12	16	3
	Non-pensioners	11	31	3
Share (%)	Pensioners living alone	13	28	6
	Other pensioners*	14	14	3
	Non-pensioners	11	19	2

Housing expenditure is net of benefits and includes rent, rates/community charge, mortgage payments, water charges, repairs and maintenance
 * Living in households headed by someone aged 65+
 Source: Analysis of 1991 Family Expenditure Survey

Changes since 1979

Pensioners' average total expenditure was just over a fifth (22%) higher in real terms in 1991 than in 1979. This compares with a slightly larger increase for non-pensioners of 24%. Fuel costs remained a broadly constant proportion of pensioners' spending, but as total expenditure increased, the proportion spent on food by pensioners fell from nearly a third to about a quarter and by non-pensioners from a quarter to a fifth. In general, spending on necessities (now defined to exclude household goods and services) declined from 70% in 1979 to 66% in 1986 to 61% in 1991, suggesting a rise in average living standards.

Pensioners' housing expenditure, after allowing for housing benefits changed very little over this period although peaked in the mid-1980s before falling back slightly since then. In stark contrast,

spending on housing by non-pensioners rose steadily, by over two-thirds. In 1979, pensioners and non-pensioners devoted similar proportions of total expenditure to housing. By 1991 the budget share devoted to housing by pensioners had fallen a little, but the average for non-pensioners had risen from 13% to 17% and the median from 11% to 14%.

Pensioners living alone

Housing costs and fuel bills are particularly large components of the weekly budgets of pensioners living alone as they cannot reap the benefits of economies of scale. Pensioners living alone spent an average of £13 a week on housing and £10 on fuel, which together represented over a quarter of their total weekly expenditure. Averaged over all pensioners in pensioner-headed households, spending on housing and fuel were each a little lower (£11 and £8 a week respectively) and made up 22% of total spending. Pensioners living alone spent less on food than others, but food accounted for a similar share of their budget. In most other categories, pensioners living alone spent less than other pensioners in absolute and proportionate terms.

Expenditure versus income as an indicator of poverty

Expenditure is an alternative to income as a measure of living standards, which can give a closer indication of the volume of goods and services actually consumed. Between 1979 and 1991 pensioners' expenditure levels grew less than their incomes. For example the average income of pensioners living alone was a third higher in 1991 than in 1979 whereas their average expenditure was only a fifth higher. This may imply a greater ability or desire to save.

The numbers of pensioners and non-pensioners with incomes or expenditure below the poverty bench-marks of half the average or median level are shown in Table 3. For non-pensioners, the use of expenditure in place of income did not make a great deal of difference in 1979 and in 1991 *smaller* proportions had living standards below the thresholds if expenditure is used rather than income.

For pensioners the proportions with expenditure below each of the thresholds were *greater*, every year, than on the basis of income. In 1991 33% of pensioners had incomes below half the average compared with 41% on the basis of expenditure. In relation to the median, the figures were 21% and 28% respectively.

Table 3a Proportion of pensioners and non-pensioners with incomes and expenditures below half the average level (%)

	Household Type	Income 1979	Spending 1979	Income 1991	Spending 1991
Before housing costs	Pensioners	12	35	33	41
	Non-pensioners	8	9	18	15
After housing costs	Pensioners	11	38	32	38
	Non-pensioners	11	10	21	16

Table 3b Proportion of pensioners and non-pensioners with incomes and expenditures below half the median level (%)

	Household Type	Income 1979	Spending 1979	Income 1991	Spending 1991
Before housing costs	Pensioners	4	21	21	28
	Non-pensioners	6	5	13	10
After housing costs	Pensioners	5	23	15	26
	Non-pensioners	8	5	16	9

Source: Analysis of Family Expenditure Surveys

While there was a substantial increase in the proportion of pensioners with *incomes* below half the average and median, the increases were rather less marked for *expenditure*, especially if measured after housing costs. So if expenditure is used instead of income to measure relative poverty amongst pensioners, poverty seems higher, but has increased less.

About the study

This study complements an earlier study which analysed pensioners' incomes over the period 1979 to 1991 (*Social Research Findings 57*). It analyses Family Expenditure Survey (FES) data spanning the period 1979 to 1991. As well as looking in detail at the aspects of expenditure summarised here, it examines the levels and distributions of spending by pensioners, non-pensioners and different groups of pensioners; and compares pensioners' weekly spending levels with levels recommended for meeting basic and/or modest needs.

Further information

A full report of the study, Pensioners' Expenditure: An assessment of changes in living standards 1979-1991, by Deborah Smeaton and Ruth Hancock is available, priced £7, from the Age Concern Institute of Gerontology, King's College London, Cornwall House, Waterloo Road, London SE1 8WA, Tel 0171 872 3035.

Also available is ACIOG Working Paper no: 9, 'The implications of using expenditure rather than income to analyse trends in pensioners' living standards', by Ruth Hancock, priced £3.50. Please make cheques payable to King's College London.

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