

Older people's attitudes to incomes, taxes and benefits

Older people's perceptions about their own incomes and their opinion of alternative policy options are not often referred to when considering pension policies. New analysis of the British Social Attitudes Surveys, by researchers at the Age Concern Institute of Gerontology, King's College London, found that:

- f** Between 1983 and 1991, the proportion of pensioners thinking the level of the state pension is 'very low' rose from 25% to 40%.
- f** In 1991 nearly a half of pensioners aged 65-74 years thought this but over a third of older pensioners thought the level of the state pension 'reasonable'.
- f** A third of all retired people thought that couples living on only a state pension were 'really poor', but a fifth felt such couples had 'enough to live on'.
- f** Retired people seem increasingly pessimistic about the future purchasing power of their state pension. In 1983 just over a half thought their state pension would buy less in a year's time; by 1991 this proportion had reached 70%.
- f** The proportions of both retired and non-retired people who supported higher taxes and more spending on health, education and social benefits doubled between 1983 and 1991 to 62% (retired) and 68% (non-retired).
- f** Three-fifths of retired people and over a half of non-retired people think that government should have the main responsibility for ensuring that people have an adequate pension. About 30% of people thought that responsibility should be shared equally between employers and government.

Much relevant material on older and younger people's attitudes has been collected since 1983 in the British Social Attitudes Surveys. New analysis of these surveys provides insights into what it is like to live on a pension; and what older and younger people think government policy should be in these areas.

The level of the state pension

In each year's survey, the majority of retired people felt that the level of the state pension was low rather than 'reasonable' (Table 1). Between 1983 and 1989, increasing numbers of people felt that the pension left them poorly off:

- The proportion saying that the pension was 'very low' doubled from a quarter to a half.
- The proportion who thought it 'reasonable' nearly halved, from 28% to 15%.
- There was an increase between 1986 and 1989 from a quarter to 28% in the proportion of retired people who thought that couples living on only a state pension were 'really poor'.
- The percentage who felt that such couples had enough to live on fell from 29% in 1986 to 17% in 1989.

At the beginning of the 1990s, there was a slight reversal in these trends, although many more people still felt badly off than in 1983:

- Between 1989 and 1991 there was a noticeable decrease (from 51% to 40%) in the proportion believing the pension to be 'very low' and an increase (from 15% to a quarter) in the proportion who felt that the level of the state pension was 'reasonable'.

- The proportion of retired people feeling that couples on a state pension are 'really poor' or 'hard up' fell from 84% to 78% with a corresponding rise from 17% to 22% in those who felt these couples 'have enough to live on'.

Retired people aged 65-74 years were more likely than older retired people to consider that the level of the state pension was very low and less likely to think it was reasonable. This was true in all years. In 1991, getting on for a half of those aged 65-74 thought that the state pension was very low compared with just over 30% of older people. A third of those aged 75 years and over thought the state pension reasonable, compared with less than a fifth of younger retired people.

Between 1986 and 1991 the proportion of non-retired people thinking that a couple on a state pension had enough to live on decreased from 25% to 17%. In 1991, non-retired people were less likely than retired people to say this, but the retired were more likely to think them 'really poor'.

Pensioners have become more pessimistic about the future value of their state pension. In all years the majority of retired people thought that their pensions would buy less in a year's time (Table 2). The size of this majority increased from a little over a half (53%) in 1983 to just over 70% in 1989 and has stayed at about that level since then. Once in payment, people's state pensions are increased each year in line with the increase in the Retail Prices Index. Yet most pensioners appear to expect their state pension will not hold its value into the future.

Table 1: Views on the level of the present state pension, retired people of state pension age and over, 1983 to 1991 GB

| <i>Present state pension is:</i> | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1990 | 1991 |
|----------------------------------|------|------|------|------|------|------|------|------|
| very low (%) | 25 | 35 | 39 | 40 | 50 | 51 | 50 | 40 |
| a bit low (%) | 46 | 40 | 40 | 35 | 34 | 34 | 33 | 35 |
| reasonable (%) | 28 | 25 | 20 | 26 | 16 | 15 | 17 | 25 |
| on the high side (%) | <0.5 | 0 | 0.5 | 1 | 0 | 0 | <0.5 | 0.5 |
| N | 235 | 258 | 212 | 401 | 373 | 465 | 450 | 425 |

Source: analysis of British Social Attitudes Surveys

Table 2: Expectations about the future purchasing power of their state pension, retired people over state pension age, by gender, 1983 to 1991, GB.

| <i>Do you expect your state pension in a year's time to purchase.....</i> | | | | | | | | |
|---|------|------|------|------|------|------|------|------|
| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1990 | 1991 |
| more | 6 | 5 | 4 | 4 | 4 | 3 | 2 | 6 |
| less | 53 | 60 | 64 | 60 | 61 | 71 | 72 | 70 |
| about the same | 41 | 36 | 32 | 36 | 35 | 26 | 27 | 24 |
| N | 224 | 247 | 211 | 393 | 360 | 451 | 431 | 413 |

Source: analysis of British Social Attitudes Surveys

Self-assessed living standards

In 1990, over two-thirds (69%) of all retired people classed their household's income level as 'low', nearly double the proportion of non-retired people saying this (37%). Only 1% of retired people thought their income level was high (compared to 3% of the non-retired). The remainder of both groups classed their income as 'middle'.

People who class themselves as having low incomes do not necessarily see themselves as poverty-stricken. 9% of retired and non-retired people who saw themselves as being on low incomes, said they were 'living comfortably'. The majority (55%) of retired people believing themselves to be on 'middle incomes' said they were living comfortably compared with only a third of the non-retired.

Levels of taxation and spending on the welfare state

The appropriate balance between taxation and public expenditure is a fundamental question for all modern societies. Both retired and non-retired people are increasingly in favour of higher taxation and more spending on health, education and social benefits. The proportion of retired people who thought that the government should reduce taxes and spend less fell from 12% in 1983 to just 3% in 1991; amongst the non-retired there has been a fall from 8% to 3.5%. In 1991, the majority of both retired (62%) and non-retired (68%) thought that the government should raise taxes and spend more on health, education and social benefits - proportions which were double their 1983 levels. This trend has been accompanied by

Table 3: First priority for extra spending on social benefits, retired and non-retired people, by age group, 1991, GB

| | <i>non-retired people aged:</i> | | | | <i>retired people aged:</i> | | |
|----------------------------------|---------------------------------|-------|-------|-------|-----------------------------|-------|-----|
| | 18-29 | 30-44 | 45-59 | 60-64 | 60-64 | 65-74 | 75+ |
| Retirement pensions (%) | 19 | 36 | 46 | 57 | 59 | 74 | 56 |
| Benefits for disabled people (%) | 20 | 24 | 29 | 26 | 25 | 18 | 29 |
| Child benefits (%) | 32 | 23 | 9 | 5 | 6 | 2 | 4 |
| Benefits for the unemployed (%) | 13 | 10 | 11 | 12 | 5 | 4 | 7 |
| Benefits for single parents (%) | 0 | <0.5 | <0.5 | 1 | 0 | <0.5 | 1 |
| N | 649 | 779 | 620 | 130 | 67 | 237 | 150 |

Source: analysis of British Social Attitudes Surveys

growing proportions who think that taxes for those on high incomes are too low.

Given the growing support for tax increases to finance higher spending on the welfare state, an obvious question arises as to which areas of spending find most favour. Social security has always been the poor relation of health and education which have been consistently nominated first and second priority. When asked specifically about priorities for extra spending on social security, retirement pensions are the first priority for all age groups except for 18-29s and even among these people, nearly a fifth place them as the first priority (Table 3). Benefits for disabled people are also given priority by substantial proportions in all age groups.

The majority of retired and non-retired people said that the government should have the main responsibility for ensuring that people have an adequate retirement pension (Table 4). This majority was larger amongst retired people (62%) than amongst the non-retired (52%). Few of either group thought employers should be mainly responsible for adequate retirement pensions. Most of those who did not think it should be mainly government's duty to ensure people have adequate pensions said that the

responsibility should be shared equally between government and employers. Around a third of people held this view.

About the study

The study was an exploratory examination of the attitudes of older people to incomes, taxes, social security benefits and the economy, using the British Social Attitudes Surveys carried out by Social and Community Planning Research and made available through the ESRC Data Archive. The study complements previous studies of pensioners' incomes and expenditures carried out by researchers at the Age Concern Institute of Gerontology, King's College London.

Further information

A report **Opinions on pensions: older people's attitudes towards incomes, taxes and benefits** by Janet Askham, Ruth Hancock and Julie Hills is available priced £7.00 from the Age Concern Institute of Gerontology, King's College London, Cornwall House, Waterloo Road, London SE1 8WA. Please make cheques payable to King's College London.

Table 4: Attitudes towards responsibility for provision for retirement, retired and non-retired people, 1991, GB

Who do you think should be mainly responsible for ensuring that people have an adequate retirement pension?

| | retired | non-retired |
|----------------------------|---------|-------------|
| mainly the government | 62 | 52 |
| mainly employers (%) | 6 | 9 |
| shared equally (%) | 29 | 33 |
| some other arrangement (%) | 4 | 6 |
| N | 274 | 1,129 |

Source: analysis of British Social Attitudes Surveys

Related Findings

The following *Findings* look at related issues:

- 57 The financial well-being of elderly people (Sept 94)
- 77 Pensioners' spending patterns and living standards (Apr 95)

The following *Summaries* are also relevant:

- 2 The future of welfare: a guide to the debate (Nov 93)
- 3 Income and wealth: report of the JRF Inquiry Group (Feb 95)

For further information on these and other *Findings*, contact Sally Corrie on 01904 654328 (direct line for publications queries only; an answerphone may be operating).



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