

SPICe

The Information Centre
An t-Ionad Fiosrachaidh

Pensioner poverty roundtable

Introduction

The Committee agreed to hold a roundtable on pensioner poverty.

Participants are:

- Adam Stachura, Associate Director of Policy, Communications and External Affairs, Age Scotland
- Mark McLeod, Fuel Poverty Partnerships Manager, Home Energy Scotland, Energy Saving Trust
- Richard Gass, Welfare Rights & Money Advice Manager, Glasgow City Council
- Debbie Horne, Scotland Policy and Public Affairs Manager, Independent Age
- Heidi Karjalainen, Senior Research Economist, Institute for Fiscal Studies
- Claire Cairns, Director, The Coalition of Carers in Scotland

Submissions from witnesses

A submission was received from Independent Age which calls for a Pensioner Poverty Strategy. Other recommendations include action on Social Security, energy and housing:

- **Social Security** - Focus on benefit take-up and income maximisation, include older people in the Minimum Income Guarantee and review Pension Age Disability Payment within two years, focusing on introducing a mobility component.
- **Energy and heating** - Further funding for energy efficiency and heating costs
- **Housing** - Better data collection for Discretionary Housing Payments (DHPs), adequate funding for social homes, increase funding for Care and Repair, establish a housing ombudsman for the private rented sector, ensure tenants know their rights and increase the Local Housing Allowance.

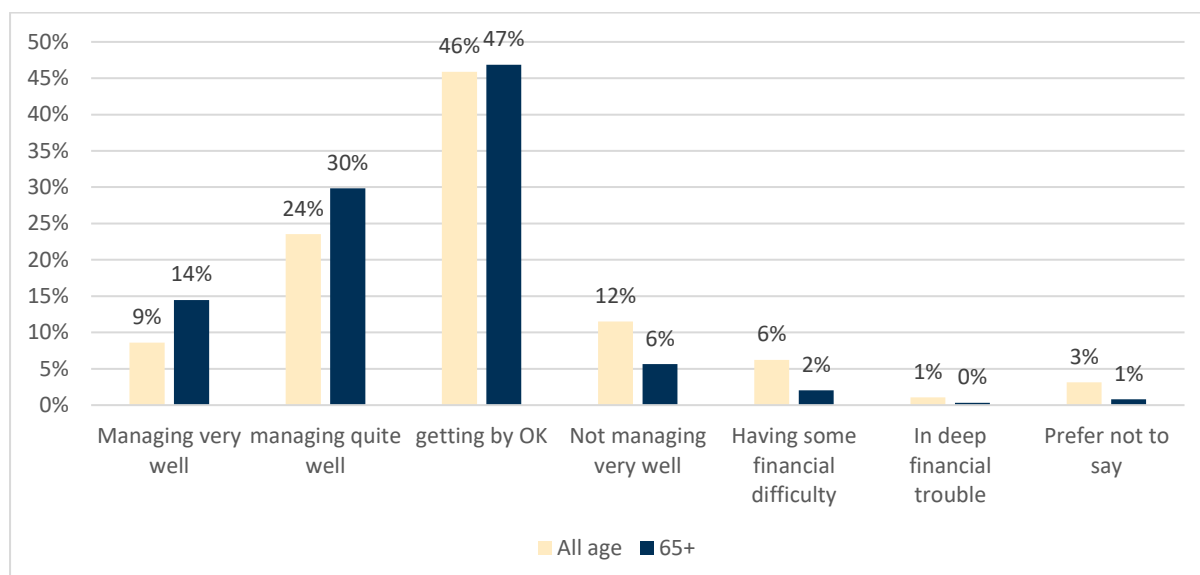
This paper provides a statistical overview before suggesting four general themes for discussion from p.7 onwards:

1. Pension age income trends
2. Cost of living: food and energy costs
3. Pension age poverty for different groups
4. Demographic trends

Background

Regular Scottish Government polling asks how households are managing financially. The latest sweep, in December 2024, reported that 8% of those aged 65+ are not managing well or are in financial difficulty compared to 19% for all age groups (Chart 1).

Chart 1: How households are managing financially, by age. December 2024

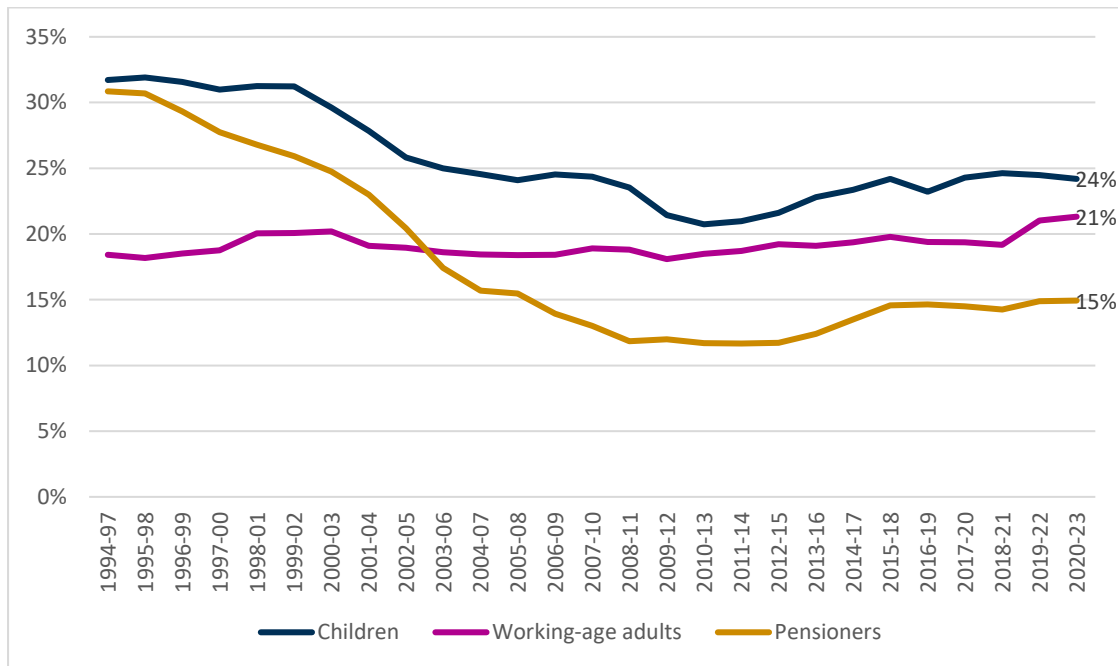


Source: YouGov for Scottish Government. [Public attitudes to cost of living and other topics](#). Survey of c.1000 panel members, of whom, 291 aged 65+.

Poverty statistics

The proportion of pension age people in relative poverty fell from 31% to 12% between 1995 and 2008. It then rose slightly to 15% by 2015 and has remained largely stable since. Chart 2 shows that, in 2020-23, 15% of people of pension age are in poverty, compared to 24% of children and 21% of working age people.

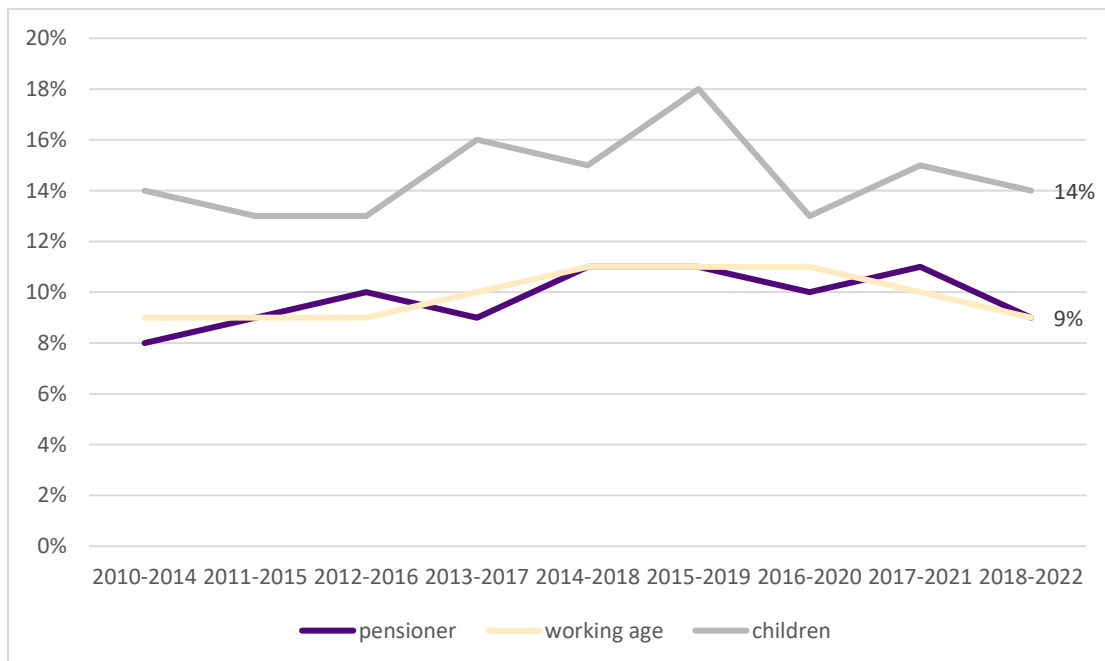
Chart 2: Relative poverty by age group



Source; [Scottish Government Poverty and income inequality in Scotland 2020-23](#)

Between 2018 and 2022, 9% of pension age people were in persistent poverty after housing costs, compared to 11% in the previous period.

Chart 3: Persistent poverty, by age group



Persistent poverty is living in poverty for three or more of the last four years. [Source: Scottish Government. Persistent Poverty in Scotland, 2010-22](#)

Material deprivation

The latest statistics show an increase in material deprivation amongst pensioners to 6% in 2020-23 but it is not yet clear whether this is a trend. Updated statistics will be published in March.

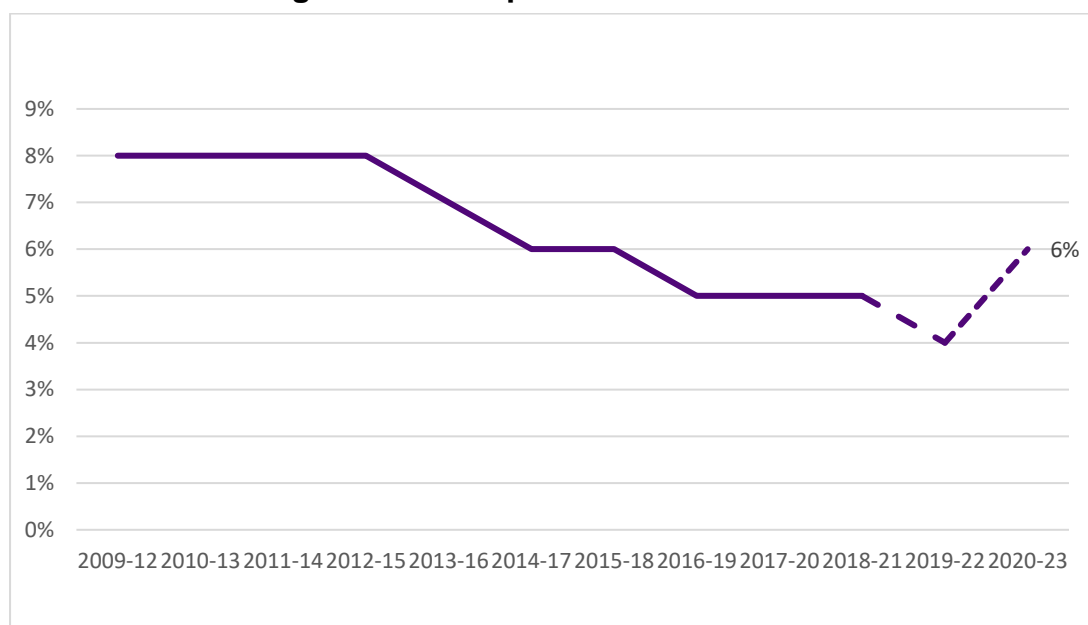
Measures of income poverty do not take account of costs, other than housing costs. The [pensioner material deprivation measure](#) is based on whether an individual has access to 15 goods and services such as: being able to replace a cooker if it broke down, whether the home is adequately warm or whether they go out socially at least once a month. Due to sample sizes in Scotland, it is necessary to combine three years of data. This means that statistics are better at showing long term trends than recent changes.

Looking at the period since 2009, the Scottish Government reports an overall trend of reducing material deprivation.

“In 2020-23, 6% of pensioners were in material deprivation. It is thought around 60,000 are in material deprivation each year.

Whilst the latest estimate is an increase on the previous period, there has been a long-term decline in pensioner material deprivation since 2009-12. Similar to child material deprivation, recent trends should be treated with caution due to the impact of the pandemic and the sorts of activities people could do and how respondents answered the material deprivation questions.”
[\(Scottish Government, Poverty In Scotland March 2024\)](#)

Chart 4: Pension age material deprivation



n.b results in 2019-22 and 2020-23 affected by COVID. Shows proportion of pensioners aged 65 and over. Source: [Scottish Government Poverty in Scotland](#), March 2024

The [IFS](#) have considered the single year figures on Pensioner material deprivation for the UK as a whole and report:

“poorer households are more exposed to sharp rises in gas, electricity and food prices. Pensioner material deprivation – a measure of the household’s inability to afford key essentials – rose from 6% (700,000 pensioners) in 2019–20 to 8% (1 million pensioners) in 2022–23. For example, the fraction of pensioners who could not afford to keep their home warm rose from 2% to 5% (230,000 to 570,000 pensioners).”

As noted above, the Scottish Government’s analysis emphasises caution in interpreting recent increases as a trend.

Food Security

People of pension age usually live in households with high food security, although it is slightly lower for single pensioners, particularly single female pensioners.

Table 1: % adults in each household food security category, 2019-22

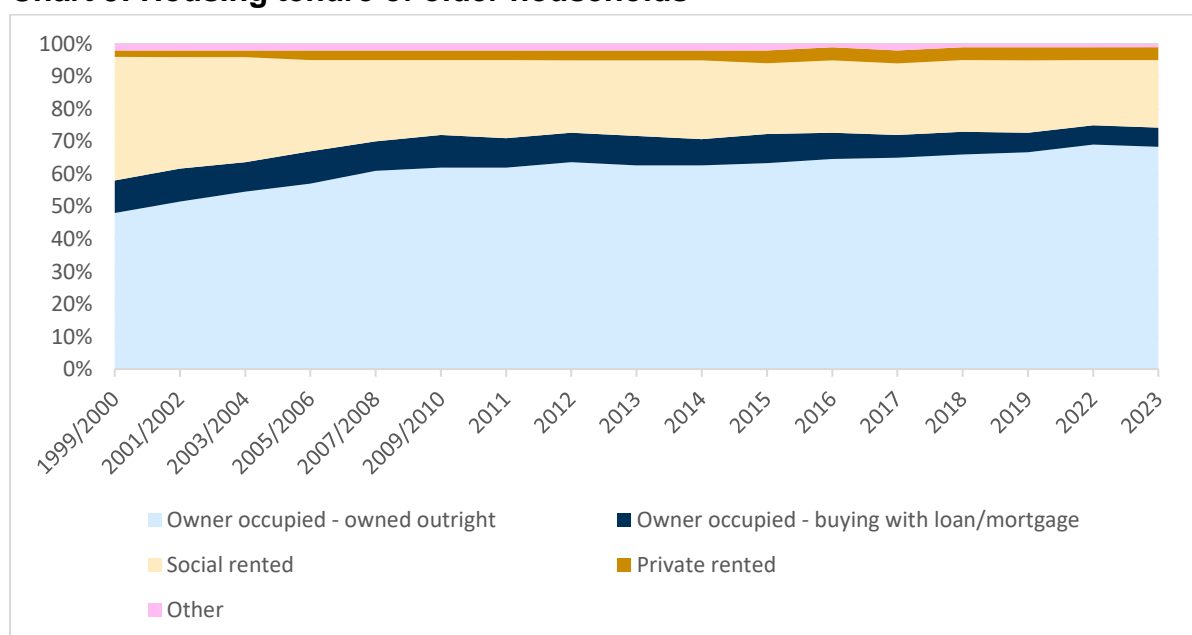
Group	High	Marginal	Low	Very low
All ages	84%	6%	4%	5%
Pension age couple	97%	3%	[c]	[c]
Single pensioner - male	92%	3%	3%	1%
Single pensioner - female	92%	4%	3%	2%

Source: Scottish Government [Poverty and Child Poverty Data](#) table 48a. [c] low numbers

Housing tenure and energy efficiency

Older households tend to live in older, less energy efficient properties and own them outright. Chart 5 shows patterns of housing tenure.

Chart 5: Housing tenure of older households



Source: [Scottish Household Survey, 2023](#). Households where the person with highest income is aged 60+.

The [Scottish House Condition Survey 2023](#) reported that 37% of older households are in fuel poverty, compared to 34% of families with children. Fuel poverty is more closely linked to income than age. Almost all (96%) households with income under £15,000 were in fuel poverty in 2023. ([See fig 3.5, SHCS 2023](#)).

Families and other households were more likely than older households to report that their heating doesn't always keep them warm in the winter; 27% for families, and other households compared to 18% for older households ([SHCS 2023 table EP3](#)).

Demographic change and State Pension Age

The proportion of Scotland's population aged over 64 is forecast to increase from 20% in 2022 to 33% by 2082. ([ONS population forecasts](#)).

The proportion of the population that are of State Pension Age will depend on decisions about future increases in the State Pension Age. It will increase from 66 years to 67 years between 2026-2028 and 68 between 2044 and 2046 (Table 3). The [Pension Act 2014](#) requires the UK Government to review State Pension Age every six years. The [last review was published in 2023](#).

Table 3: Changes to State Pension Age

Date	Men	Women
1948	65	60
2018	65	65
2018-20	66	66
2026-28	67	67
2044-46	68	68

Source: [UKG State Pension Age Review 2023](#)

Reserved/Devolved Split

The themes today include discussion of policy reserved to the UK Government and policy devolved to the Scottish Government.

Reserved policy includes:

- State Pension Age
- Regulation of occupational pensions
- State Pension
- Pension Credit
- Energy market regulation and UK-wide energy efficiency schemes e.g. the Energy Company Obligation.

Devolved policy includes:

- Winter heating benefits
- Disability and carer benefits
- Housing
- Health and social care
- Implementation of household energy efficiency schemes.

The [Work and Pensions Committee at Westminster](#) is currently doing an inquiry on pensioner poverty and started taking oral evidence on 18 December 2024. [Their recent session on 22 January focused on gender and on the WASPI women campaign.](#)

Suggested themes for discussion

Theme 1: Pension age income trends

Data for the UK as a whole shows that, in 2023:

- 98% of people of pension age received the State Pension
- 62% received an occupational pension
- 21% received income-related benefits (eg Pension Credit)
- 19% received disability benefits and
- 15% received income from earnings.

[\(DWP Pensioners' incomes: financial years ending 1995 to 2023\)](#)

The Institute for Fiscal Studies has focused recently on [pensioner incomes across the UK](#). They found that the broad trends were:

- Before, and during the Great Recession, average pensioner incomes were catching up with working-age incomes – largely due to rising state and private pension income. Income from employment has also been rising gradually.
- Since 2011, average pensioner incomes have been growing at a similar rate to working-age incomes.
- However, since 2011, income growth for poor pensioners has lagged behind the population as a whole.

Social Security

The main social security benefits for pension age people are both reserved to the UK Government:

- Pension Credit – for those with no or very low other income
- State Pension – for those with sufficient national insurance contributions.

Pension age benefits are increased each year by the 'triple lock' (the higher of earnings, Consumer Price Inflation or 2%) which means they have increased at a faster rate than working age benefits.

Social security for energy costs is discussed in theme 2.

Pension Credit

In May 2024, there were 124,599 households in Scotland in receipt of Pension Credit. [Pension Credit take-up in 2022-23](#) was 65% of those eligible. Within this, there was a higher take-up of the 'guarantee' element (72%) than the savings credit

(42%). ([Savings Credit is a relatively low amount \(£17.01 single/£19.04 couple\) and is being phased out](#). It is only available to those who reached pension age before April 2016).

78% of the total amount of Pension Credit that could be claimed was claimed. This suggests the people less likely to claim Pension Credit are those who would receive lower levels of payment. However, it can still be worth claiming as receipt of Pension Credit qualifies a person to a range of other benefits – such as Council Tax Reduction and winter heating benefits.

Recent changes to the Winter Fuel Allowance/Pension Age Winter Heating Payment resulted in a large increase in Pension Credit applications which may have increased the take-up rate. Both the UK and Scottish Government supported take-up campaigns and between [April and November 2024 there was a 145% increase in applications](#), resulting in 81,000 awards across the UK.

Points for discussion could include:

- **The different elements of pensioner income from social security, state pension, private pensions and earnings and how this is changing.**
- **Pension Credit and benefit take-up campaigns, and the impact these can have on pension age poverty.**

Theme 2: Cost of living: energy and food costs

In recent years two key drivers of inflation were energy and food prices. These have a particular impact on low-income households who spend a higher proportion of their income on these essentials. Although inflation has fallen back, it has left prices at a higher level than they were before inflation took hold in 2022-23.

Food and energy inflation

Food and non-alcoholic beverage prices rose by 2.0% in the year to December, unchanged from November 2024. The annual rate of 2.0% is down from a recent high of 19.2% in March 2023, which was the highest annual rate for over 45 years. ([ONS](#))

Energy prices are well below their winter 2022 peak, but still 41% higher than in winter 2021-22. A recent [House of Commons library paper](#) explained:

“Under the October to December 2024 direct debit price cap the average annual bill for typical gas and electricity consumption is £1,717. This is well below the peak level of £2,380 level under the Energy Price Guarantee from October 2022 to June 2023, but still 41% higher than in Winter 2021/22. The price cap will rise by 1% to £1,738 in the first quarter of 2025, and is expected to fall by 1% in the second quarter of 2025. Under the current direct debit cap the average price of gas is 6.2 pence per kilowatt hour (p/kWh), the average price of electricity 24.5 p/kWh. Average standing charges are 31.7 p/day for gas and 61.0 p/day for electricity.”

Help with heating costs

Current Government payments to help with heating bills all require a household to be in receipt of qualifying benefits on a qualifying date:

- **Pension Age Winter Heating Payment: £200** annually for households of pension age or £300 if household includes someone aged 80+. Eligibility for 2024-25 is receipt of Pension Credit.
- **Winter Heating Payment: £58.75** annually to those on qualifying benefits, including Pension Credit.
- **Warm Homes Discount: £150** one-off discount on electricity bills. Households qualify if they receive the guaranteed credit element of Pension Credit (core group) or they are on low income benefits and meet their energy supplier’s criteria (broader group).

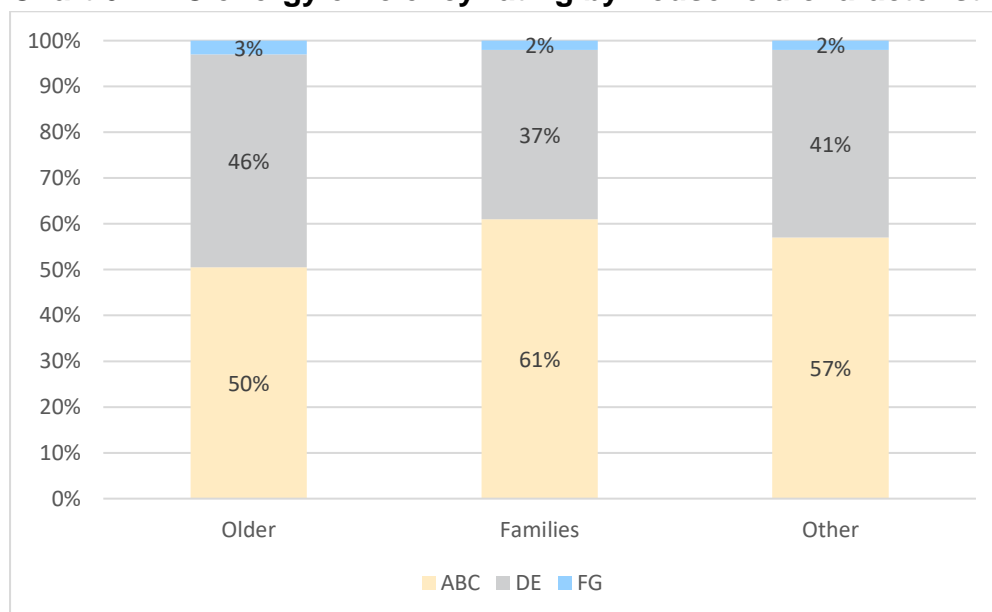
The Scottish Government has announced plans to introduce a £100 payment of Pension Age Winter Heating Payment for those who do not qualify via Pension Credit. This is expected to be available from winter 2025/26. The [Scottish Fiscal Commission](#) has forecast that this addition will cost £69m in 2025-26.

The [Scottish Welfare Fund](#) can also provide assistance with energy costs, although its purpose is much broader. In [2023-24 crisis grants provided £2.4 million for ‘essential heating costs’](#), out of a total spend on crisis grants of £18.5 million. Only 3% of Crisis Grant applications were from people aged 60+. ([SWF equalities analysis](#))

Energy efficiency by household type

Chart 6 below shows that older households are less likely than other household types to be living in energy efficient houses – with 50% having an EPC rating of A, B or C compared to 61% of families with children.

Chart 6: EPC energy efficiency rating by household characteristic



Source: [Scottish house condition survey, 2023](#). Older households are one or two person households, at least one of whom is 65+. Families are households with a child under 16.

Help with insulation and heating upgrades

There are various schemes to help with home improvements.

[Area-based schemes](#) (ABS) aim to reduce fuel poverty by enabling local authorities to design and deliver energy efficiency programmes in fuel poor areas. The primary focus is on insulation measures for 'hard to treat' properties but includes clean heating and microgeneration measures as part of a 'whole house' approach.

The [Warmer Homes Scotland](#) programme is managed by Warmworks and offers up to £10,000 for energy efficiency improvements. The programme will provide insulation and central heating. The scheme mainly supports owner occupiers, but it also covers tenants in private rented homes. It has been operating since September 2015 and has helped more than 39,000 households throughout Scotland. [Eligibility criteria](#) are:

- Those over 75 with no central heating
- Those who are terminally ill
- Receipt of certain benefits including Pension Credit guarantee element and Pension Age Disability Payment, among others.

[Home Energy Scotland](#) provide advice and support on warmer homes. They manage [the Home Energy Scotland Grant and Loan](#). This is available for those who don't meet the eligibility criteria for the Warmer Homes programme. Homeowners can apply for funding for renewable heating systems. The maximum available is a £7,500 grant and £7,500 loan for air/ground/water to water source heat pumps. There is an additional rural uplift of £1,500.

Fuel Poverty

The proportion of households (all ages) in fuel poverty increased from 31% in 2022 to 34% in 2023. Fuel poverty amongst older households has remained stable at 37% in both years. The Scottish House Condition Survey explains the drivers of fuel poverty:

“Fuel poverty is affected by four key drivers: levels of household income, the price of fuel used to meet space and water heating requirements, the energy efficiency of housing, and the use of fuel in households.”

Older households now have similar levels of fuel poverty as households with children. The [Scottish House Condition Survey 2023](#) reported that 37% of older households (at least one person aged 65+) are in fuel poverty, compared to 34% of families with children. In 2022, the figures were 37% and 27% respectively.

The [Fuel Poverty \(Scotland\) Act 2019](#) set targets to reduce fuel poverty to 15% by 2030, 10% by 2035 and 5% by 2040. [A Fuel Poverty Strategy](#) (2021) sets out actions to tackle fuel poverty. Progress is monitored by the [Scottish Fuel Poverty Advisory Panel](#).

One area currently being considered is a [social tariff](#), although the power to introduce this is reserved to the UK Government. Findings of the working group will be shared with the UK Government by spring 2025.

Public attitudes on cost of living

The Scottish Government’s public attitudes survey asked about the cost of living including:

- In the year ahead, what are you most concerned about?
- Over the last six months, what actions have you taken, if any, to manage household finances?

Table 4 below shows that older households are more concerned about the NHS than about household finances.

Table 4: In the year ahead, what are you most concerned about? December 2024

	All age	65+
Access to NHS	25%	40%
Energy/fuel prices	31%	36%
Cost of groceries	28%	19%
Household finances	29%	17%

Shows the four greatest concerns for aged 65+. Source: YouGov for Scottish Government. [Public attitudes to cost of living and other topics](#). Survey of c.1000 panel members, of whom, 291 aged 65+.

Table 5 below shows that around half of those aged 65+ have taken action to reduce energy usage in the home. 7% have cut back on essential items such as food, compared to 15% of those of all ages.

Table 5: Actions taken in last six months to manage household finances, December 2024

	All age	65+
Taken steps to reduce energy use in the home	45%	52%
Spent less on non-essential items or activities	53%	46%
Used savings	31%	30%
Not applicable - not taken any actions in particular	20%	25%
Used the car less / changed the way I travel	15%	21%
Got rid of / reduced internet / mobile / TV package(s) / licence	22%	15%
Cut back on essential items such as food	15%	7%
Sought advice on making my home more energy efficient	5%	7%

Shows the eight most common answers for those aged 65+. Does not sum to 100% as respondents could choose as many as applied. Source: YouGov for Scottish Government. [Public attitudes to cost of living and other topics](#). Survey of c.1000 panel members, of whom, 291 aged 65+.

Points for discussion could include:

- The impact of house condition and energy price on fuel poverty
- The social security benefits available to help with winter heating
- The effectiveness of policy aimed at reducing energy costs – e.g. insulation, efficient heating systems, etc.
- The impact of previous food inflation on pensioner poverty

Theme 3: Pensioner poverty for different groups

To a great extent, patterns of low income amongst older households reflect those for the population as a whole. Because of sample sizes, most of the following analysis is for the UK.

Gender

Single person pension age households are more likely to be in poverty than couple households, and within that, women are more likely to be in poverty than men. In 2022-23, 23% of men, and 20% of women of pension age who were single person households, were in poverty in the UK (Households Below Average Income, StatXplore).

Ethnicity

Across the UK pension age people from ethnic minority groups are much more likely to be in poverty. Sample sizes in Scotland don't allow for robust analysis of pensioner households by ethnicity and in the UK as a whole it is advised to use three-year averages. In 2020-23:

- 16% of white people of pension age were in poverty compared with
- 25% Asian/Asian British
- 26% Black/African/Caribbean/Black British.

(Households Below Average Income, StatXplore)

Disability

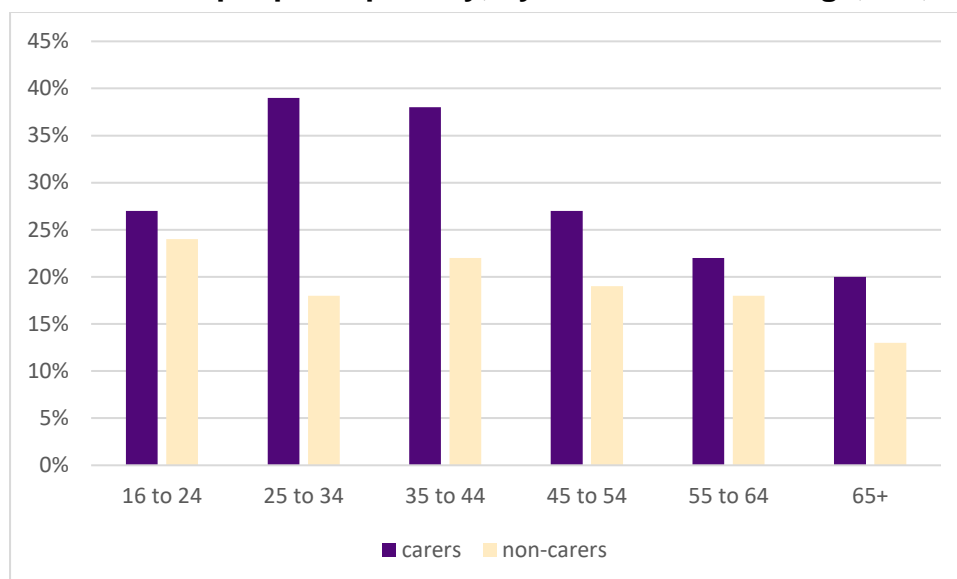
Although disabled people of working age are more likely to be in poverty than those who aren't disabled, the same does not appear to hold for the pension age population.

Across the UK in 2022-23, 16% of all pension age people were in poverty. The proportion of disabled people of pension age in poverty was the same (Households Below Average Income, StatXplore). This may be related to the increased incidence of disability as people get older. Most pensioners in the UK (6.7m out of 11.8m) are either disabled or live with a disabled partner (HBAI).

Carers

A recent report for Carers UK set out how carers were more likely than non-carers to be in poverty across all age groups. For those aged 65+, 20% of unpaid carers were in poverty compared to 13% of non-carers.

Chart 6: % of people in poverty, by carer status and age, UK, 2021/22



Source: [Poverty and financial hardship of unpaid carers in the UK](#). (2024) WPI economics for Carers UK.

In over a quarter of pension age couple households, one of the couple is an unpaid carer (table 3).

Table 3: Percentage of households with unpaid carers

	unpaid carer	no unpaid carer	total households
one person household aged 65+	4%	96%	358,385
couple household, aged 65+	26%	74%	216,916
all households, all ages	20%	80%	2,509, 269

Source: Scottish Census, 2022.

The main social security benefit for unpaid carers is Carer Support Payment/Carer’s Allowance. (Carer Support Payment is replacing Carer’s Allowance in Scotland. The rules are largely the same). Many carers of pension age cannot receive payment because these benefits ‘overlap’ with the State Pension. The [‘overlapping benefit rule’](#) is a long-standing rule that prevents certain benefits being paid in full at the same time.

In Scotland in May 2024, there were 34,012 people of pension age who had applied for Carer’s Allowance and qualified for it. Of these, 33,285 had ‘underlying entitlement’ meaning they qualified but were not paid (StatXplore).

Carer Support Payment was phased in from November 2023. In May 2024, there was a total of 470 cases in payment and 80 with underlying entitlement. The [Social Security Scotland statistics](#) do not cross-reference this by age.

Some benefits, such as Housing Benefit and Pension Credit include a 'carer premium' – an extra amount for those who qualify for Carer's Allowance/Carer Support Payment. It is possible to get the carer premium in these benefits even if you are prevented from getting Carer's Allowance/Carer Support Payment by the overlapping benefit rule. The ['carer addition' in Pension Credit is £46.40](#) per week in 2025-26.

Points for discussion could include:

- **The groups more likely to be in poverty in old age and the reasons for this**
- **Whether an equalities analysis suggests particular policy responses to pension age poverty.**

Theme 4: Demographic change

To a great extent, protection against poverty in old age is built up during working life. Opportunities to earn income, acquire property and save for a pension depend on circumstances during working life. Therefore, trends amongst today's working age population may suggest future issues for pensioner poverty. For example:

- Rising state pension age
- Increasing proportions of people renting rather than buying property
- Changes to workplace pensions.

The Institute for Fiscal Studies has reported that:

“Issues around private renter pensioners are set to be more prominent in the future as current trends indicate that private renting in retirement will increase in prevalence – about 4% of those born in the 1940s were private renters in their mid 50s, compared with 10% of those born in the 1960s.”

(source: [Means-tested support for people approaching and beyond state pension age | Institute for Fiscal Studies](#))

The Institute for Fiscal Studies has also drawn attention to future generations' risk of lower retirement incomes:

“Declines in the prevalence of defined benefit (often referred to as final salary) pensions, low pension participation for the self-employed, falling homeownership, and other issues mean future generations may be at risk of disappointing levels of income in retirement (Cribb et al., 2023b). And the capacity for the state to provide retirement income is put under pressure by the challenges of an ageing population.” (source: [Pensions: five key decision for the next government. Institute of Fiscal Studies](#)).

Points for discussion could include:

- **How housing tenure is changing and the impact this could have on future pensioners**
- **Policies for the working age population that would help prevent them being in poverty in old age**
- **The reserved/devolved split in policy responsibility.**

**Camilla Kidner
SPICe
30 January 2025**