UK pensioners suffer massive increase in poverty

By Thomas Scripps
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The proportion of pensioners living in severe poverty, receiving less than 40 percent of median household income, has climbed to five times the level of 1986. This is an increase from 0.9 percent to 5 percent. It is the largest increase among western European countries, taking the UK from one of the lowest rates to the fourth highest.

The figures are from a new study titled "Pension Reforms and Old Age Inequalities in Europe." The report's author, Professor Bernhard Ebbinghaus, explained in highly muted language, "The United Kingdom is a good example of the Beveridge-lite systems that have historically failed to combat old-age poverty. ... These have rather ungenerous basic pensions with means-tested supplements, and this reproduces relatively high severe poverty rates among the elderly."

The state pension in the UK is a pitiful £8,767 per year. Average spending for a one-person retired household is an already incredibly low £13,265, with many forced to cut costs in all directions, but this still leaves a roughly £4,500 shortfall.

The report also found that those European countries that had made private pensions an important source of income for the elderly had seen a rise in financial inequality. "The comparison shows that the shift toward increasing privatisation amplifies the already existing level of social inequality," Ebbinghaus said.

The figures underscore the persistent social evil of old-age poverty in the UK, which in the last seven years has begun to grow once again. Almost 18 percent of pensioners—nearly 2 million people—are in relative poverty, receiving less than 60 percent of median household income, up from 13 percent in 2011/2012. This means that the reduction in the catastrophic pensioner poverty rates of the late 1980s and the 1990s (of up to 40 percent) has been halted and, since 2012, been going into reverse.

The first sharp rise in pensioner poverty in the post-war period took place from the mid-1980s after a two-decade fall, as the British ruling elite launched an all-out assault on the social gains of the working class and inequality began to skyrocket. General poverty rates among old people then declined by two thirds from a late 1980s peak to the early 2010s.

However, this highly uneven process, which still left hundreds of thousands in dire financial straits, was shattered by the 2008 financial crash and government austerity. The crisis of world capitalism, in which the British banks were bailed out to the tune of £1 trillion from the public purse, set the stage for a new collapse in the living standards of many pensioners.

Recent rises in pensioner poverty have been caused by the housing crisis and welfare benefits cuts in particular. Around 20 percent of pensioners are now forced to privately rent their homes, and this proportion is increasing thanks to the lack of affordable housing. Sky-high rents mean that the poverty rate for these households is more than 35 percent, nearly double the level for pensioners in general. The freeze on housing benefit has exacerbated the problem.

In February, the government announced another benefit cut, specifically hitting retirees' incomes. Under Department of Work and Pensions (DWP) plans, pension credit is being withdrawn from all pensioners with working-age partners. This will affect 15,000 couples this year and 60,000 by 2023-2024. These households will be left up to £7,000 a year worse-off, and those in social homes will be liable to pay the bedroom tax—an average £15 a week loss in income

Even such derisory state assistance as is available often fails to reach people entirely. According to research carried out by Independent Age, 1.3 million poverty-stricken pensioner households are entitled to pension benefit but have not claimed it—thanks to a deliberately complex, intrusive and stigmatised application process. Since 2017, the government has saved £7 billion in these unpaid benefits, which rises to £17 billion by 2022 if the situation continues.

Given the collapse in living standards for working-age adults and young people, far worse old-age poverty rates are still to come. Stagnant wages, part-time and zero-hours employment, rising costs of living, benefits cuts and the consequent rise in rates of in-work poverty mean households have next to nothing to put away for the future in "life savings." The rise of the "gig economy" is especially harmful in this regard, with 67 percent of workers officially categorised as self-employed, seriously worried about later-life savings.

The Royal London insurers' recommended pension pot for a comfortable retirement is £260,000. This amounts to a very low yearly income (including the state pension) of just under £18,000—yet huge numbers of people are nowhere close to saving such a sum.

According to life insurance and pensions company Scottish Widows, just 40 percent of 22- to 29-year-olds are saving enough, and 20 percent are not saving at all. Meanwhile, over half of those aged 40-60 say they want to save but struggle to afford to do so. A survey carried out by the LV=Friendly Society in 2017 suggests those aged 45-54 have an average pension pot of just £71,342, with 39 percent having less than £50,000 and 13 percent having nothing at all.

Highlighting the pernicious effects of the dire shortage of affordable housing in the UK, the amount now required for a comfortable retirement climbs to £445,000 if the person is forced to live in privately rented accommodation. This fact led the All-Party Parliamentary Group on Housing and Care for Older People to conclude earlier this month that 630,000 millennials will be unable to find rented accommodation when they stop working, risking homelessness.

The conditions of social crisis facing young people create yet another pressure on adults currently approaching retirement. One in 10 over-55s are cashing in a lump sum of their pensions to help their children get a mortgage, and 13 percent are using their pension drawdown or annuity income. A survey by Legal & General found that more than a quarter of parents in this position were not confident they had enough money to last through their retirement, while 15 percent said they had had to accept a lower standard of living and 6 percent had been forced to postpone leaving work.

Nothing is being done about the looming pensioner poverty crisis because a retirement is increasingly viewed by the ruling elite as an unwarranted expense for British capitalism. Workers are being left to die younger, to live pauperised after stopping work, or to work until they drop. The retirement age will climb to 66 next year with former DWP Minister Ian Duncan Smith—a hard Brexiteer who wants only to complete the "Thatcher Revolution" and the destruction of the remaining social gains of the working class—suggesting it be lifted to 70 by 2028 and 75 by 2035 — years beyond the life expectancy of many working-class men and women.

In May, the terrible human cost of the situation facing many impoverished pensioners was demonstrated by the suicide of an 82-year-old woman, Joy Worrall. Joy threw herself to her death in a quarry after the DWP wrongfully cancelled her state pension in 2017, due to an "administrative error."

Such tragic events expose the reactionary and shameful arguments put forward by those seeking to set different generations of the working class against one another. The parliamentary Committee on Intergenerational Fairness, for example, suggested this April that "outdated" age-specific benefits for older people should be replaced with support for the young. The plans involved funding minor improvement schemes for young people, financed by removing the "triple-lock" for pensions, phasing out aged-based free TV licences, and limiting free bus passes for the over-65s and winter fuel payments until five years after retirement age.

The truth that such proposals seek to conceal—on the basis that social services are not "affordable"—is that all such basic provisions and vastly more could be guaranteed to young *and* old in a rationally organised and democratically controlled society. The problem is not that the wrong generation is hoarding social wealth, but the wrong class—a ruling elite whose drive for profit is throwing pensioners, working-age adults and children alike into poverty in ever-increasing numbers. The only way forward, which can ensure a dignified standard of living for all, is the fight of the entire working class against the capitalist class and for a socialist reorganisation of society.