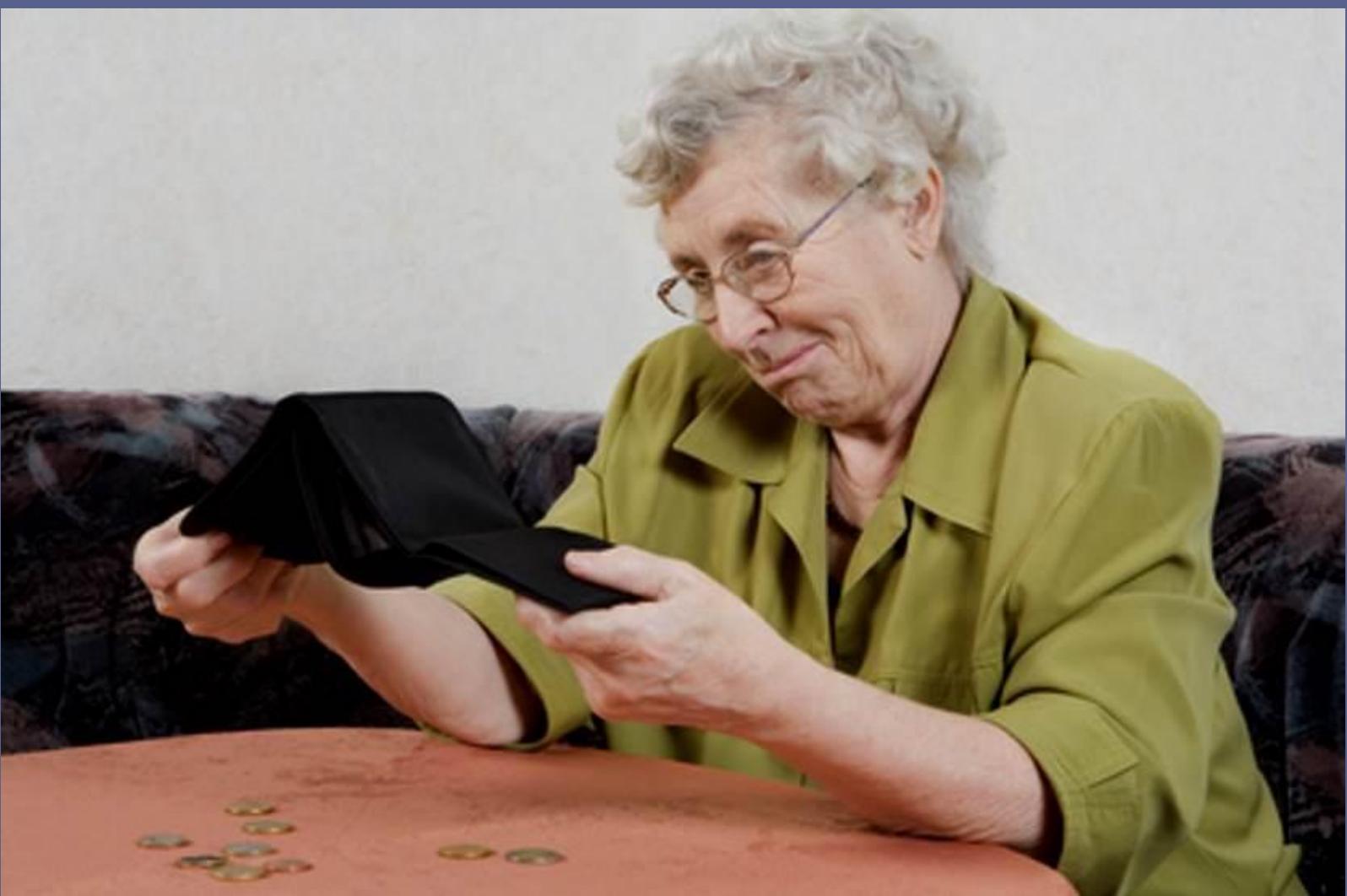


Older people in rural areas: Income and poverty paper



Rural England Community Interest Company, established in 2014, brings together organisations with a strong rural focus. One of its core aims is to support research that improves access to information about issues affecting rural England.

This paper forms part of wider suite of research exploring different aspects of vulnerability as affecting older rural residents. We hope the findings will be of interest to you.

Main findings

The following are features which describe older people who live in rural areas:

- **Economic activity:** 11% to 12% remain economically active, which is more than in urban areas. Rural older people are more often self-employed or in part-time employment than their urban counterparts. Most work less than 15 hours a week;
- **Occupations:** those still working are, relative to urban older people, more likely to be in trades, services, manufacturing and elementary occupations, but less likely to be in managerial, professional, technical and administrative occupations;
- **Poverty levels:** depending whether or not housing costs are taken into account, 13% or 15% of rural pensioners live in *relative* poverty, which is the same as urban areas. Rural areas score slightly better than urban areas if *absolute* poverty is used¹. In rural areas pensioners form a larger share of the population in poverty;
- **Trends in poverty:** in line with national trends, the proportion of rural pensioners in poverty has fallen, at least in part due to the earlier introduction of the Pension Credit and the more recent up-rating of the Basic State Pension. In the short term this trend can be expected to continue;
- **Cost of living:** certain items of expenditure, such as heating bills and transport costs, tend to be high in a rural setting. The very old may face extra running and one-off costs for things such as heating, personal care and home adaptation;
- **State pensions:** there are 4.2 million living in rural classified local authority areas who claim the Basic State Pension. One in six of them also claim the Pension Credit, which is significantly (if not surprisingly) less than in urban areas;
- **Income sources:** for more than half, the Basic State Pension is their main income source. For roughly a third, their main income source is a private pension or asset. Having a private pension as your main source is more likely in rural areas;
- **Housing tenure:** 80% live in owner occupied housing. Compared with urban older people they are more likely to be owner occupiers, more likely to be private renters and less likely to be social renters. This pattern is marked in the smaller settlements;
- **Fuel poverty:** a high proportion of rural pensioners live off the mains gas network and depend on more expensive home heating fuels. The level of fuel poverty is related both to (small) settlement size and to population sparsity;
- **Rural variation:** it is important not to over-generalise, given the degree of variation across rural areas on many of the measures quoted in this paper. Examples of this include levels of Pension Credit claiming and home ownership.

¹ Definitions of relative and absolute poverty are provided at the end of this paper.

1. Introduction

This paper is an interim output from the project being undertaken by Rural England on older people in rural areas. The context is a demography in which older people already form a disproportionate share of the overall rural population. Projections expect this gap to widen as the population in rural areas ages at a faster rate than that in urban areas. This may raise opportunities and concerns, both of which will have policy implications. It is important for the future of rural communities, economies and areas that the trends are properly understood and considered (and preferably acted upon).

Clearly the income of older residents and older person households is a key factor which underpins their quality of life and wellbeing, as is the cost of living. Various national trends may be of rural relevance. They include: the growing number who remain working beyond traditional retirement ages; the demise of final salary pension schemes; and the protection of state pension levels despite public spending cuts. There is, of course, a particular public policy interest in those who are on low incomes. Other issues include pensioners that own appreciating housing assets and the impacts of fuel price fluctuations for home heating.

In this paper evidence from existing reports is summarised alongside new rural analysis of available data sets. The project defines 'older people' as the 65 plus age group, although evidence sources sometimes use slightly different definitions. It had been hoped to make more of a distinction between younger old people and the very old e.g. 85 plus age group, as there may be differing policy implications, but data sources did not generally allow this.

Two definitions of 'rural' are used. One is the ONS and Defra rural-urban classification, which identifies settlements with fewer than 10,000 residents as rural (and splits these down further into rural towns, villages and hamlets/isolated dwellings). This fine-grained definition has certain advantages, but there are limited amounts of data available to match it. The other is the ONS and Defra rural-urban classification of local authority areas, which includes three rural categories (Mainly Rural, Largely Rural and Urban with Significant Rural). Details of these definitions can be found on the Defra website².

2. Employment

As life expectancy has increased so many choose (or feel compelled by financial circumstances) to continue working beyond traditional retirement age and the law now ensures that they must be allowed to do so. This trend is encouraged by changes to the age at which the State Pension can be claimed. Nor is it uncommon for people to reduce their working hours gradually, rather than ceasing work altogether. In short, the distinction between work and retirement is less clear cut than it once was.

However, a recent report by CIPD³ noted there was still a 64% drop in the employment rate between those aged 53 and those aged 67. There is, thus, considerable scope to retain people within the labour force who have accumulated skills and experience. This could

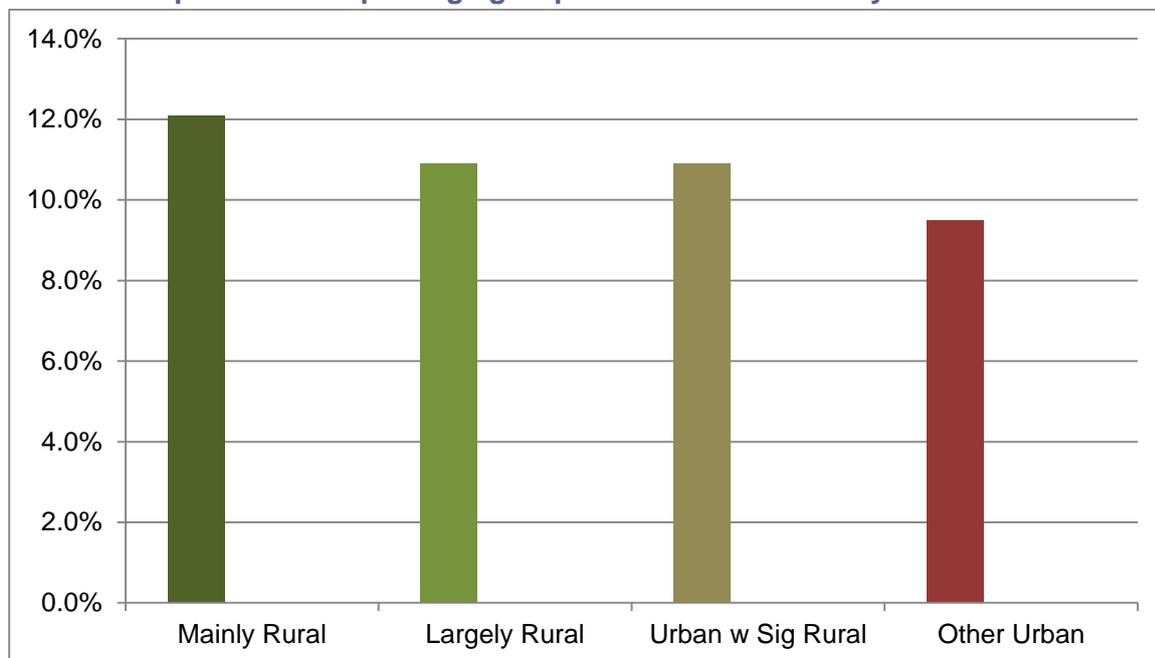
² <https://www.gov.uk/government/collections/rural-urban-definition>

³ *Avoiding the demographic crunch: labour supply and the ageing workforce*, CIPD (2015)

deliver benefits for older people, for employers and for the state. It may be particularly important given fewer young people entering the workforce – a trend which may especially affect rural areas – though during the last decade migrant labour has boosted supply. According to CIPD delaying retirement seems most desirable in sectors that face skills shortages or where a large part of the existing workforce is approaching retirement age. Sectors with skills shortages include health, social care and education. Those with at least a third of their workforce aged over 50 include agriculture, manufacturing, construction, transport and storage.

Data has been analysed for this project from the 2011 Census on the (paid) employment activity of those aged 65 plus. As chart 1 shows, older people living in rural areas are more likely to remain economically active than their counterparts in urban areas. In rural classified local authority areas around 11% or 12% of this age group remain in work. What we don't know is whether this propensity is among those who are long-term residents of their rural area or those who moved there more recently (or both).

Chart 1: Proportion of 65 plus age group who are economically active



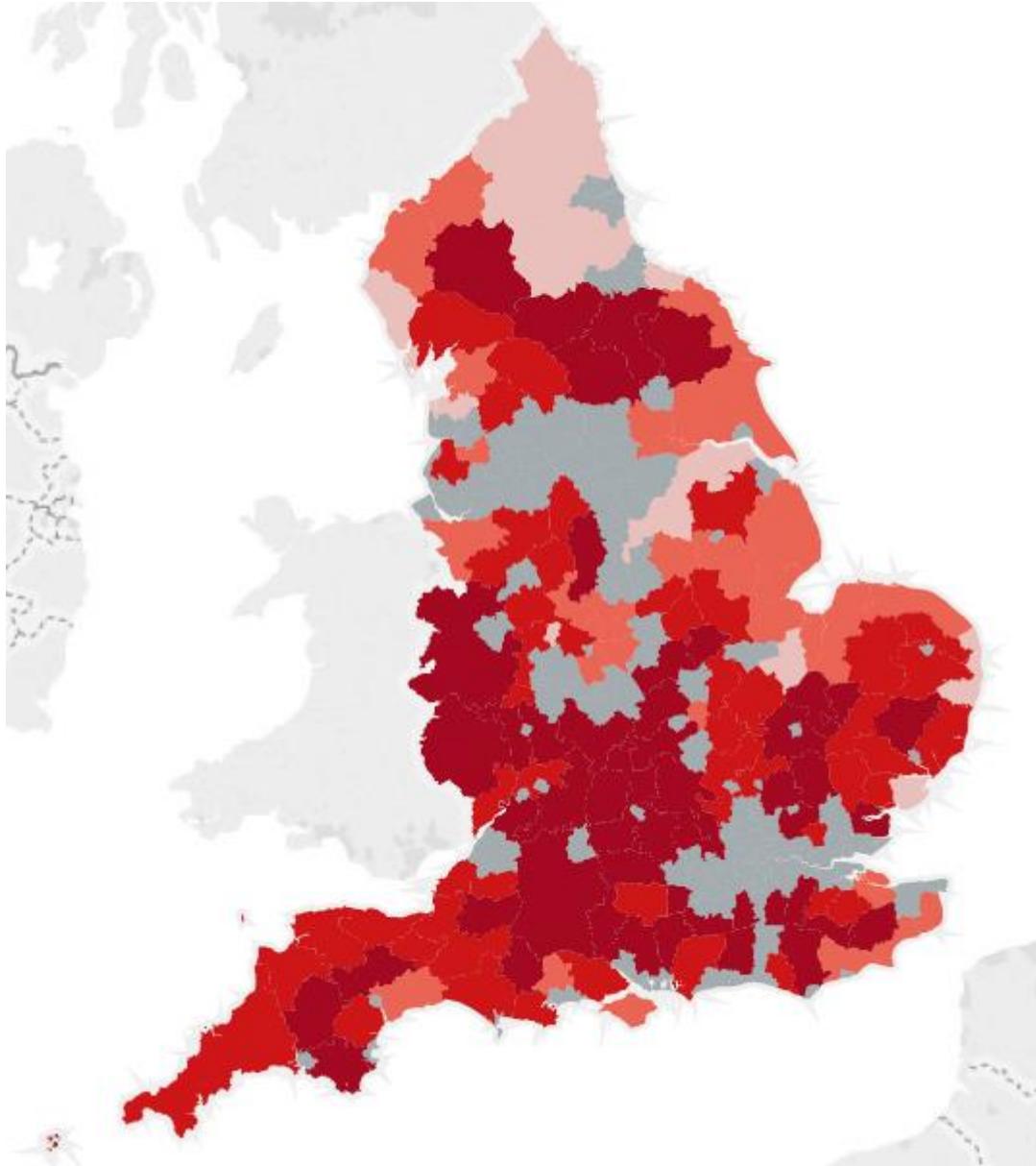
Source: 2011 Census (ONS)

As might be expected, national analysis shows that those just over the age of 65 are much more likely to remain economically active than those in older age groups.

Among local authority areas classified as rural there is considerable variation. Those with the largest share of their age 65 plus population economically active are the Isles of Scilly (26.9%), Uttlesford in Essex (16.2%), Cotswold in Gloucestershire (15.5%), South Oxfordshire (15.3%), West Oxfordshire (15.3%) and Eden in Cumbria (15.1%) – all Mainly Rural areas. Those with the smallest share of their older population economically active are the more industrial rural areas of Redcar & Cleveland (5.9%), Barrow in Furness (6.0%), County Durham (6.4%) and Copeland in Cumbria (7.7%).

This data has been mapped, highlighting only the rural classified local authorities. Very broadly there would appear to be a high proportion of older people still economically active in a band from the western side of London through to the Marches. Conversely, many rural areas with a low proportion of older people economically active are found to be coastal.

Map 1: Proportion of 65 plus age group who are economically active



Quartiles, by per cent who are economically active:

- 1st quartile (5.2% to 8.8%)
- 2nd quartile (8.8% to 10.4%)
- 3rd quartile (10.4% to 12.6%)
- 4th quartile (12.6% to 26.9%)
- urban

If we consider different types of economic activity the picture becomes quite complex. Table 1 shows that, compared with those living in urban areas:

- Older people living in rural areas are a little more likely to be employees;
- This rural difference being entirely due to those who are part-time employees;
- Since rural older people are slightly less likely to be full-time employees.

The table also shows that, compared with those living in urban areas:

- Older people living in rural areas are much more likely to be self-employed;
- This rural difference holding true for both part and full-time self-employment;
- With self-employment particularly common in the most rural category.

Indeed, it is striking that in Mainly Rural areas the self-employed cohort of older people is not that much smaller than the employed cohort of older people. This implies that: the self-employed are more likely to stay working beyond age 65; and/or employed people are becoming self-employed instead of retiring.

Table 1: Proportion of 65 plus age group who are employees or self-employed

	Mainly Rural	Largely Rural	Urban w Sig Rural	Other Urban
Employees (all)	6.9%	6.7%	7.1%	6.6%
P-T employees	4.4%	4.2%	4.5%	3.9%
F-T employees	2.5%	2.5%	2.6%	2.7%
Self employed (all)	5.2%	4.2%	3.8%	2.8%
P-T self employed	2.6%	2.1%	2.0%	1.5%
F-T self-employed	2.6%	2.1%	1.8%	1.4%
Total economically active	12.1%	10.9%	10.9%	9.5%

Source: 2011 Census (ONS) Note: Numbers may not add up exactly due to rounding.

Of course, many other older people may be active as volunteers: the figures from the 2011 Census refer only to those in paid employment. Evidence⁴ is that some older people both volunteer and remain in paid work, though there is a tendency to reduce their paid working hours as they build up their volunteering hours. This paper does not address the topic of volunteering further, since it does not add to a person's income.

The 2011 Census also provides information about hours worked by older people who remain economically active (whether as an employee or in self-employment). Table 2 shows that:

- More than half of the economically active among this age group are working part-time;
- Among the part-timers resident in rural areas there is small majority doing no more than 15 hours per week;

⁴ Nazroo J, *Volunteering, Providing Informal Care and Paid Employment in Later Life*, Government Office for Science (2015) as an output from the Foresight Future of Ageing project

- This contrasts with a small majority of part-timers from urban areas who work 16 to 30 hours per week.

Table 2: Proportion of economically active 65 plus age group in part-time employment

	Mainly Rural	Largely Rural	Urban w Sig Rural	Other Urban
15 hours per week or less	29.6%	29.5%	30.4%	27.5%
16 to 30 hours per week	28.1%	28.7%	29.0%	29.4%
All part-time (up to 30 hours)	57.8%	58.2%	59.3%	56.9%

Source: 2011 Census (ONS) Note: Numbers may not add up exactly due to rounding.

Information is also available from the 2011 Census about the occupation of older people who remain economically active. As table 3 shows, those still working in rural areas are less likely to be in managerial, professional, technical and administrative occupations than their urban counterparts. Conversely, they are more likely to be in skilled trades, services, manufacturing and elementary occupations than their urban counterparts. This appears to mirror the occupational structure of the pre-retirement age workforce in rural areas. Some commentators caricature rural communities as full of ‘middle class retirees’. Whilst there may be a grain of truth in this, it remains a fact they retain a population who are in lower skill occupations and, perhaps, find it financially harder to cease working. From an ageing perspective, it can also be noted that some of these over-represented occupations will include jobs that are physically demanding⁵.

Table 3: Occupational structure of 65 plus age group who are economically active

Occupational categories		Rural areas compared with urban areas
Managers, directors and senior officials		Under-represented
Professional occupations		Under-represented
Associate professional and technical		Under-represented
Administrative and secretarial		Under-represented
Skilled trades		Over-represented
Caring, leisure and other services		Over-represented
Sales and customer services		Over-represented
Process, plant and machine operatives		Over-represented
Elementary occupations		Over-represented

Source: 2011 Census (ONS)

⁵ Buckle P, *Workplace Infrastructure*, Government Office for Science (2015) as an output from the Foresight Future of Ageing project

Irrespective of this urban comparison, numerically the most common occupations of older rural people who are economically active are (in order): skilled trades; elementary occupations; managerial; and professional.

3. Low incomes and poverty

The prevalence of low incomes and poverty amongst older people is an issue of particular interest for public policy and retiring from paid employment can have a significant impact on income. One piece of research found⁶ that the proportion of households with a low income went up by 5% upon reaching the state retirement age. However, it also noted that the changes occurring to individual household incomes were surprisingly complex, with some moving into and some moving out of low income, depending on factors such as whether they have a private pension, whether they continue working and who lives in the household.

Qualitative research⁷ amongst those aged 65 plus on a low income concluded that many found it tough, but believed they were getting by. Those who had previously been on a better income typically found the adjustment harder than those who were used to living on a constrained income. Most made strenuous efforts to live within their means and avoid debt. This research noted that the combination of living in a rural area, having poor health and having few social networks made it especially hard to manage financially (as well as practically).

All those of a pensionable age are, of course, entitled to the Basic State Pension, which in 2015/16 stands at just under £116 per week⁸. Low income pensioners are also entitled to claim a Pension Credit, which has two parts. The first is the Guarantee Credit, which is a top up to reach the Guaranteed Minimum Pension of around £151 per week for single pensioners and £231 for pensioner couples. The second is a Savings Credit for those with limited savings, worth roughly £15 or £17 per week for single and couple pensioners respectively.

The Statistical Digest of Rural England⁹ published by Defra contains an analysis of relative and absolute poverty levels for pensioners, based upon Households Below Average Income (HBAI) statistics from the Department of Work & Pensions. This is a fairly complex dataset, due to definitional issues. Relative poverty is defined as living in a household where income is less than 60% of the average (median) household income. A criticism of relative poverty is that year-to-year changes are partly the result of changes in median income. Absolute poverty is an alternative measure which, again, uses living in a household where income is less than 60% of the average (median) household income, but it ties this to a specified year and then adjusts for inflation. This Government measure of absolute poverty should not be confused with the Minimum Income Standard (MIS), which measures the minimum income required to achieve a publically acceptable living standard¹⁰.

⁶ *Changes to Work and Income around State Pension Age*, NatCen and Age UK (2013)

⁷ *Living on a Low Income in Later Life*, Hill, Sutton & Hirsch for Age UK (2011)

⁸ Less if insufficient National Insurance contributions were made and 25p more from age 80 plus.

⁹ *Statistical Digest of Rural England*, Defra (2015)

¹⁰ See *Minimum Income Standards 2015*, Joseph Rowntree Foundation (2015)

As table 4 shows, 15% or 13% of rural pensioners were in *relative* poverty in 2012/13 depending whether housing costs are excluded or included. It is notable that comparative figures for urban areas are identical. There is no rural-urban difference in levels of relative poverty among pensioners.

Table 4: Proportion of pensioners living in relative or absolute poverty in 2012/13

		Relative poverty	Absolute poverty
Rural areas	Before housing costs	15%	16%
	After housing costs	13%	14%
Urban areas	Before housing costs	15%	17%
	After housing costs	13%	16%

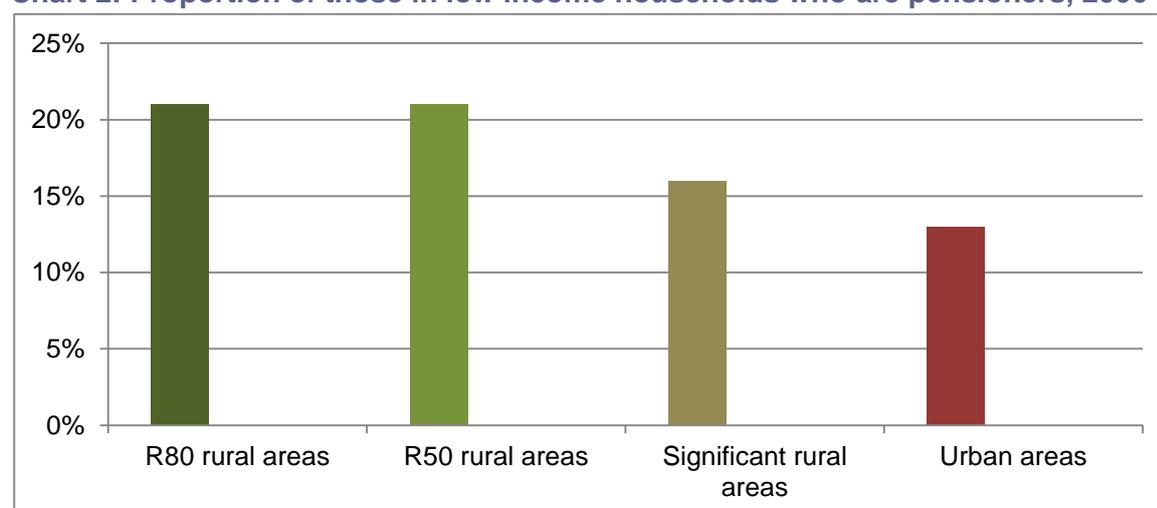
Source: Defra analysis of HBAI statistics

If *absolute* poverty is instead used, then 16% or 14% of rural pensioners were in poverty in 2012/13 depending whether housing costs are excluded or included. On this measure rural areas have slightly fewer pensioners living in poverty than urban areas. This holds true whether or not housing costs are included in the calculation.

This comparison is of interest since poverty levels are clearly lower in rural than in urban areas for other age groups i.e. for children or working age people. When the focus is put on pensioners that positive rural picture all but disappears. We can therefore say that older people form a disproportionate share of the rural poor.

This finding is corroborated in earlier analysis by Guy Palmer¹¹. He confirms that levels of pensioner poverty are much the same in rural and urban areas. As illustrated by Chart 2, he

Chart 2: Proportion of those in low income households who are pensioners, 2006-09



Source: Analysis of DWP HBAI statistics

Note: Uses a LA classification based on the 2001 Census, though this is almost the same as the 2011 classification used elsewhere in this paper.

¹¹ *The Poverty Site*, Guy Palmer (website accessed July 2015)

finds that in rural areas pensioners comprise a larger share of those living in low income (or relative poverty) households.

Over the three years 2009/10 to 2012/13 the HBAI analysis shows that levels of relative poverty among rural pensioners fell, whilst levels of absolute poverty remained fairly constant. This probably reflects the up-rating of the State Pension¹² at a time when other welfare payments were more constrained. Taking an eight year timescale from 2004/05 to 2012/13 the pattern is not dissimilar, with relative poverty falling a bit further still among rural pensioners, whilst levels of absolute poverty show a fall only if housing costs are excluded from the measure. According to other Government figures¹³ (which are national rather than rural) a faster decrease in pensioner poverty took place in the years prior to 2004/05 when the Pension Credit was introduced.

This trend could be seen as broadly consistent with recent analysis¹⁴ showing that, if housing costs and household size are both taken into account, the median income of pensioners overtook the median income of working age people in 2011. Whilst the IFS expect average pensioner incomes to continue rising, another recent report¹⁵ warns that the progress made in reducing pensioner poverty could be put at risk if action is not taken, given factors such as the lack of private pension provision and reducing social care budgets.

4. Cost of living

National measures of low income or poverty inherently make an assumption that the cost of living is the same in all locations. This is clearly not the case, especially where housing costs are concerned. The poor – be they older people or not – must find it harder to make ends meet if residing in a high cost area.

Research by the New Policy Institute¹⁶ concluded that some low income households face 'enhanced costs', a prime example being those living in rural areas and who face additional transport costs and higher heating bills. We know that residents living in small rural settlements drive approximately 45% more miles per year than the national average¹⁷.

Defra argue that it is difficult to make a meaningful comparison of household expenditure in different areas, because there are significant spatial variations in disposable household income. However, their analysis¹⁸ of the ONS Living Costs and Food Survey 2013 does show markedly higher transport costs for those living in rural areas and especially in the smallest settlements.

¹² State Pension up-rating was by the highest of the change in average earnings, RPI or 2.5%.

¹³ *Households Below Average Income: An analysis of the income distribution 1994/95 – 2012/13*, Department of Work & Pensions (2014)

¹⁴ *Where Next for Pensioner Living Standards?* Institute for Fiscal Studies for JRF (2015)

¹⁵ *At a Cross-Roads: The Future Likelihood of Low Incomes in Old Age*, ILC-UK (2015)

¹⁶ *Poverty and the Cost of Living*, New Policy Institute for the Joseph Rowntree Foundation (2014)

¹⁷ *National Travel Survey 2006-09*, Department for Transport

¹⁸ *Statistical Digest of Rural England*, Defra (2015)

Research by Kotecah¹⁹ et al for DWP noted that deprivation for pensioners is not just a matter of income and that material deprivation can occur for differing reasons, including those often associated with rural areas. Examples cited are high housing rents, high transport costs and poor access to local amenities. Trends such as widespread cuts to (subsidised) rural bus services²⁰ might be expected to add to older people's transport costs.

Another study for the Joseph Rowntree Foundation²¹ found that basic living costs rise for older pensioners when they are compared with younger pensioners. Typically this was due to higher heating bills, personal needs (such as chiropody) and one-off purchases for the home to enable continued independent living. Those in deteriorating health or with a disability also sometimes faced regular taxi fares or home care costs, depending on their circumstances and social networks. This study made comment that both heating bills and transport costs tend to be higher in rural than in urban areas.

5. Pensions and income sources

Department of Work & Pensions caseload data for state pension claimants in November 2014 has been downloaded and analysed for this project. It tells us that 4.2 million people were claiming the Basic State Pension in rural classified local authority areas. They were located: 1.2 million in Mainly Rural areas; 1.5 million in Largely Rural Areas; and 1.2 million in Urban with Significant Rural areas. They comprise nearly 42% of all the Basic State Pension claimants in England.

Table 5: Claimants on Basic State Pension and on Pension Credit, 2014

	Basic State Pension claimants	Pension Credit claimants
Mainly Rural areas	1,185,820	195,800
Largely Rural areas	1,500,150	263,260
Urban w Sig Rural areas	1,518,040	257,110
All three Rural categories	4,204,010	716,170
Other Urban	5,874,860	1,538,420
England totals	10,078,870	2,254,590

Source: DWP caseload data

The analysis also looked at those in receipt of Pension Credit which, as previously noted, they are eligible for because they have a low income. As table 5 shows, in November 2014:

¹⁹ Kotecah, Arthur & Coutinho, *Understanding the Relationship between Pensioner Poverty and Material Deprivation*, DWP (2013)

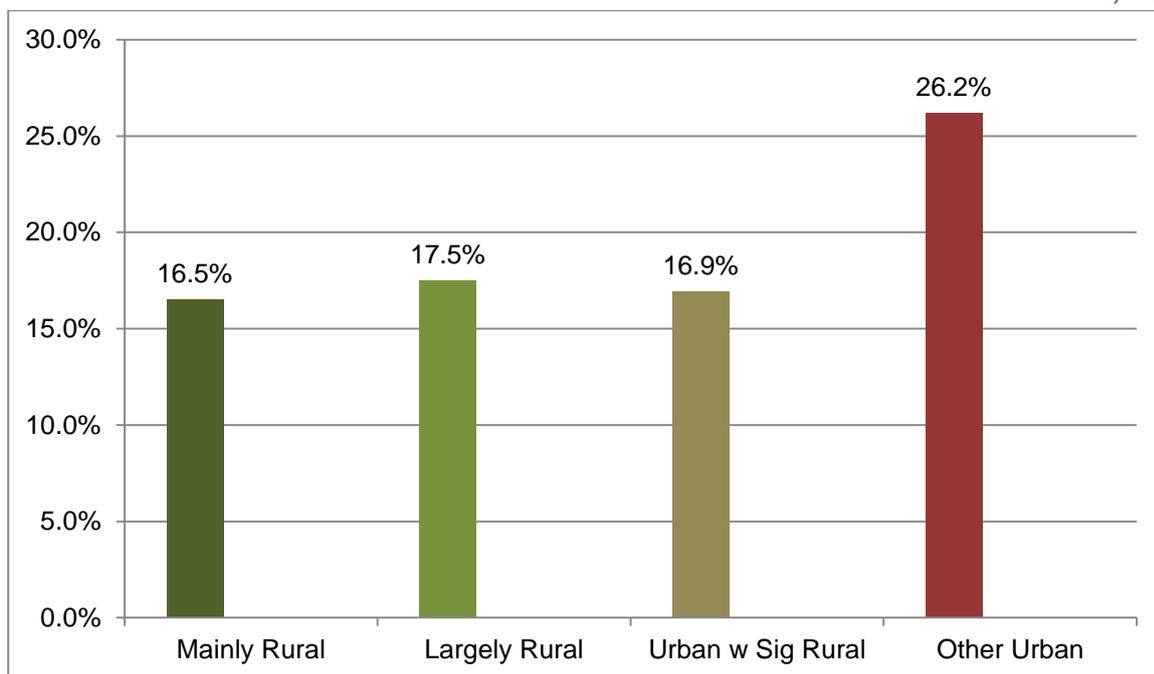
²⁰ *Buses in Crisis: A Report on Bus Funding Across England and Wales 2010 - 2015*, Campaign for Better Transport (2015)

²¹ Hartfree, Hirsch & Sutton, *Minimum Income Standards and Older Pensioners' Needs*, JRF (2013)

- Some 716,000 people living in rural classified local authority areas were claiming Pension Credit;
- They comprised 32% of all those in England claiming Pension Credit, so less than the 42% rural share of those on a Basic State Pension;
- Around 196,000 lived in Mainly Rural areas, 263,000 in Largely Rural areas and 257,000 in Urban with Significant Rural areas.

Chart 3 expresses those on Pension Credit as a proportion of those on the Basic State Pension. Taking the three rural local authority areas categories in combination, 17.0% are also on Pension Credit. There is only modest variation from this figure among the three rural categories. It can be compared with a figure of 26.2% for the urban categories of local authority area or a figure of 22.4% for England as a whole.

Chart 3: Pension Credit Claimants as a Share of Basic State Pension Claimants, 2014



Source: DWP caseload data

This rural-urban difference is substantive and surprising, given that analysis of HBAI data found only a small or no difference in the proportion of older people on low incomes. Two possible explanations are suggested here. One is that a disproportionate number of rural pensioners who live in (defined) low income households nonetheless have an income above the threshold for claiming Pension Credit. This is difficult to assess, though the financial thresholds for these two concepts are not that dissimilar. The other is that a disproportionate number of low income rural pensioners are failing to make a claim for Pension Credit. Department of Work & Pensions estimates are that nationally about 1 in 3 of those eligible to claim do not do so²². Qualitative research based on interviews with rural pensioners, which was conducted some years ago²³, suggested that many of them are reluctant to claim

²² DWP estimates in 2012, quoted on Age UK website (accessed August 2015)

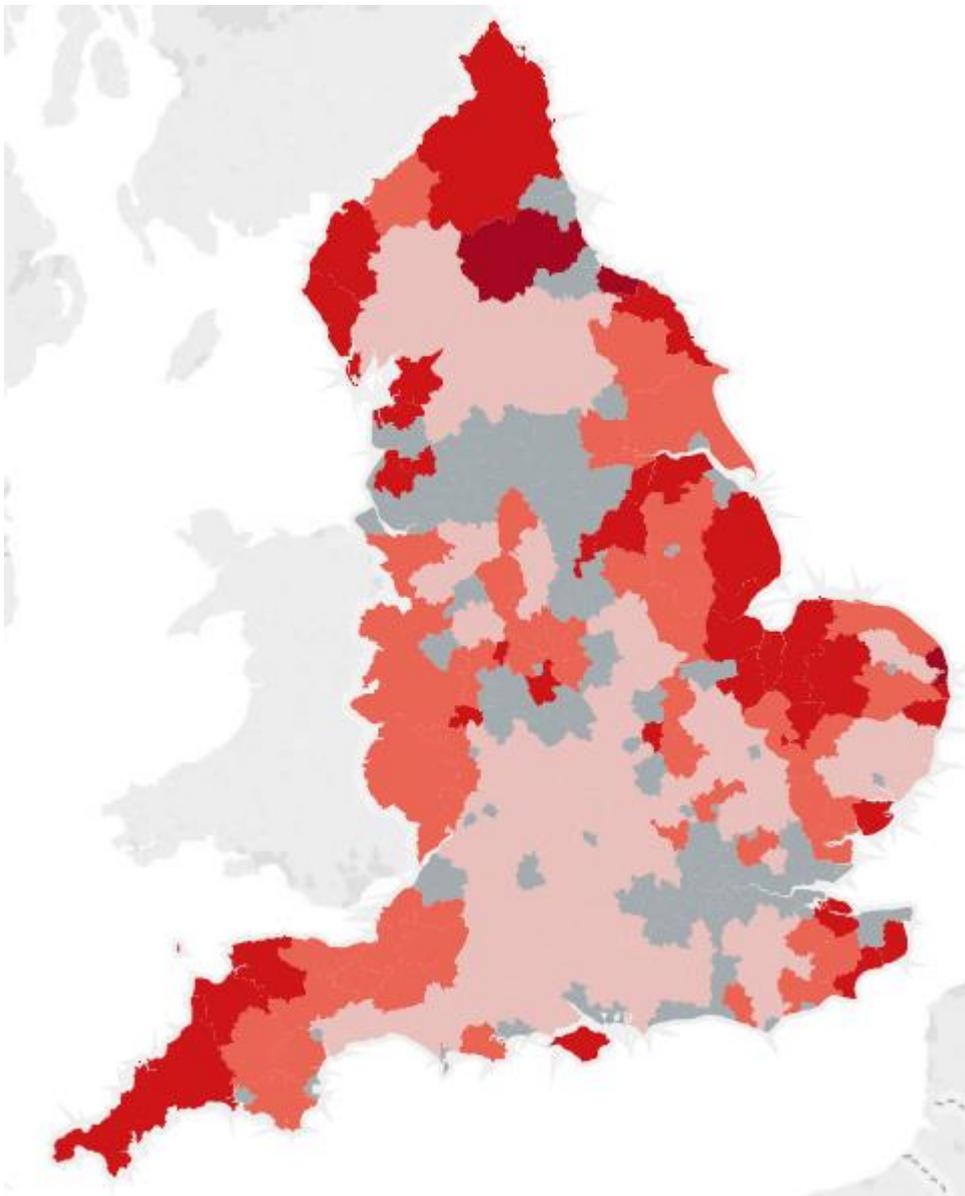
²³ Scharf & Bartlam, *Rural Disadvantage: Quality of Life and Disadvantage amongst Older People – a Pilot Study*, Commission for Rural Communities (2006)

welfare and hold modest financial expectations. Whether this will continue to be so as social attitudes change is a moot point.

This measure shows considerable variation between rural classified local authority areas. Among them the highest proportions on Pension Credit are to be found in Great Yarmouth in Norfolk (27.8%), Redcar & Cleveland (27.1%), Cannock Chase in Staffordshire (25.4%), East Lindsey (24.9%) and Boston (24.7%) both in Lincolnshire, and Bolsover in Derbyshire (24.5%) – a mix of east coast and industrial rural areas. By contrast, the lowest proportions on Pension Credit are to be found in Hart in Hampshire (8.5%), Chiltern in Buckinghamshire (9.2%), Isles of Scilly (9.3%) and Mole Valley in Surrey (9.9%) – with one exception, all areas in the London commuter belt.

This data has been mapped. This shows that rural locations with a high proportion on Pension Credit include the north east, the east coast and the far south west.

Map 2: Pension Credit Claimants as a Share of Basic State Pension Claimants, 2014



Quartiles, by per cent also on Pension Credit:

- 1st quartile (8.5% to 15.2%)
- 2nd quartile (15.2% to 18.9%)
- 3rd quartile (18.9% to 25.6%)
- 4th quartile (25.6% to 68.5%)
- urban

Turning now to the English Longitudinal Survey of Ageing (ELSA), this has collected data about the main source of income for those aged 65 plus. Its data for 2010 was analysed²⁴ by the International Longevity Centre (ILC). As table 6 shows, this found that:

- For more than half of rural older people their main source of income is the State Pension;
- For roughly a third of rural older people their main source of income is a private pension or asset;
- A private pension or asset is more likely to be the main income source for those living in rural than in urban areas;
- Conversely, benefits (other than the State Pension) are less likely to be the main income source for those living in rural than in urban areas;
- Employment or self-employment is only the main source of income for a minority of older people, though that minority is larger in the most rural areas.

Table 6: The main source of income for those aged 65 plus in 2010

	R80 rural areas	R50 rural areas	Significant rural areas	England average
State pension	57.4%	51.6%	56.4%	58.1%
Other benefits	2.7%	2.7%	4.6%	4.8%
Private pension or asset	32.7%	40.3%	33.7%	31.4%
Employment or self-employment	7.2%	5.5%	5.2%	5.7%
Totals	100%	100%	100%	100%

Source: ELSA dataset Note: Uses a LA classification based on the 2001 Census, though this is almost the same as the 2011 classification used elsewhere in this paper.

6. Housing and assets

The housing tenure of older people is indicative of their asset wealth or, perhaps, their lack of it. Moreover, private housing wealth will often be used to fund a move into sheltered housing or for care home fees in later life.

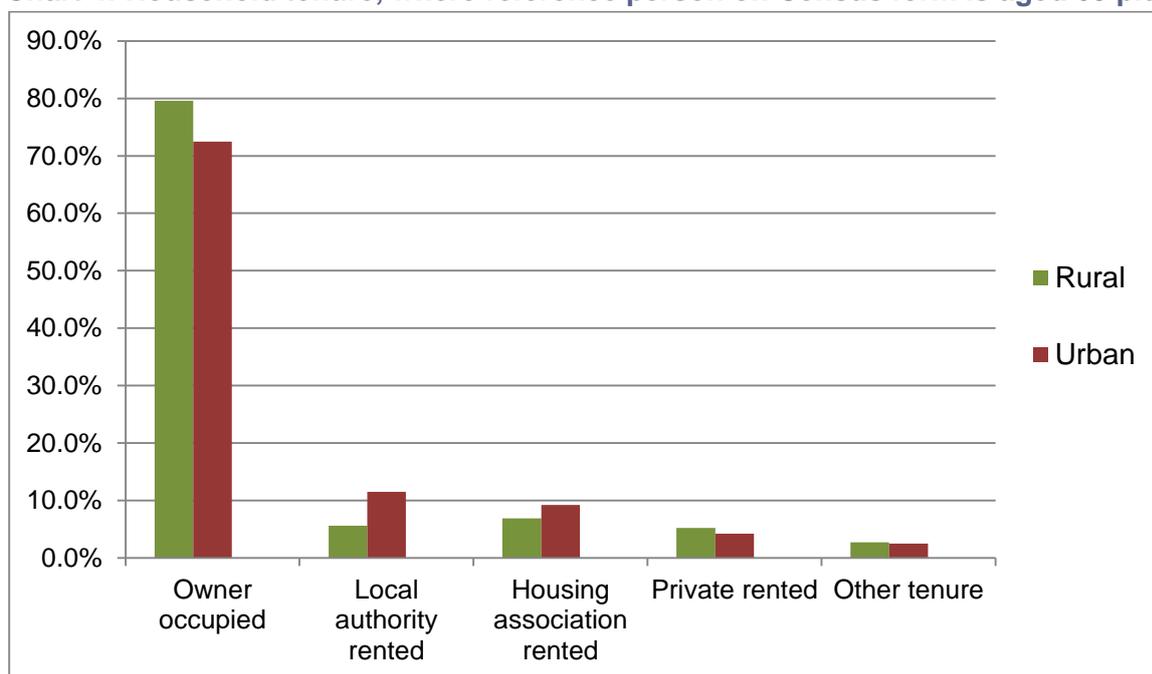
²⁴ *Impact of an Ageing Population on Service Design and Delivery in Rural Areas*, full report by ILC with TNS BMRB (2013)

It is not uncommon for older people to be asset rich whilst equally being income poor. Older people are more likely to own their own home or, at least, to be outright owners without a mortgage. Their asset will most likely have benefited from a buoyant housing market over recent decades. However, this is wealth which cannot readily be accessed or realised and it comes at a price, since housing has running costs and it needs to be maintained. National (rather than rural) analysis²⁵ shows that, whilst pensioner income and pensioner housing wealth are correlated, around half the poorest fifth of pensioners, nonetheless, own housing equity which is worth in excess of £100,000. Given that house prices in rural areas are (on average) 26% or £46,600 above those in urban areas²⁶, some rural pensioners will own a relatively valuable asset. Equally, pensioners with a history of low income may have found it particularly difficult to buy rural housing and so acquire an asset.

Comprehensive tenure data exists from the 2011 Census, which has been analysed for this project. If we adopt the rural settlement classification, as chart 4 illustrates, we can say that:

- Older people (aged 65 plus) are more likely to own their own home in rural than in urban areas. Almost 80% of those in rural areas are home owners (73% in urban areas);
- Older people in rural areas are far less likely to be in social rented housing (12.5%) than older people in urban areas (20.7%). Rural areas have less social housing;
- Older people in rural areas are more likely to be in private rented housing (5.2%), compared with older people in urban areas.

Chart 4: Household tenure, where reference person on Census form is aged 65 plus



Source: 2011 Census (ONS)

Figures in table 7 disaggregate the rural totals into three sizes of settlement, being: rural towns or fringe; rural villages; and hamlets or isolated dwellings. Doing so reveals clear patterns. The smaller the rural settlement, the more likely older people are to be owner

²⁵ Aldridge, Kenway & Pannell, *Affordability of Retirement Housing*, JRF and Age UK (2012)

²⁶ Halifax Rural Housing Review, 2014

occupiers, the more likely they are to be private renters and the less likely they are to be social renters.

Table 7: Tenure of households, where reference person on form is aged 65 plus (%)

	Owner occupied	Local authority rented	Housing association rented	Private rented	Other tenures
Urban	72.5%	11.5%	9.2%	4.2%	2.5%
Rural (total)	79.6%	5.6%	6.9%	5.2%	2.7%
Rural towns and fringe	77.7%	7.4%	8.5%	3.9%	2.5%
Villages	80.9%	4.7%	6.3%	5.3%	2.8%
Hamlets and isolated	83.0%	2.0%	3.0%	8.8%	3.2%

Source: 2011 Census (ONS) Note: Other covers mixed tenure and those living rent free.

We can therefore conclude that older people living in rural areas – and especially those in the smallest settlements – are more likely to have assets in the form of housing. We also know, from an analysis of rural classified local authority areas, that over 90% of owner occupying older people have no mortgage remaining, so own their property outright. To some extent this must simply reflect the wider housing supply context in rural areas, where there is less social rented housing available.

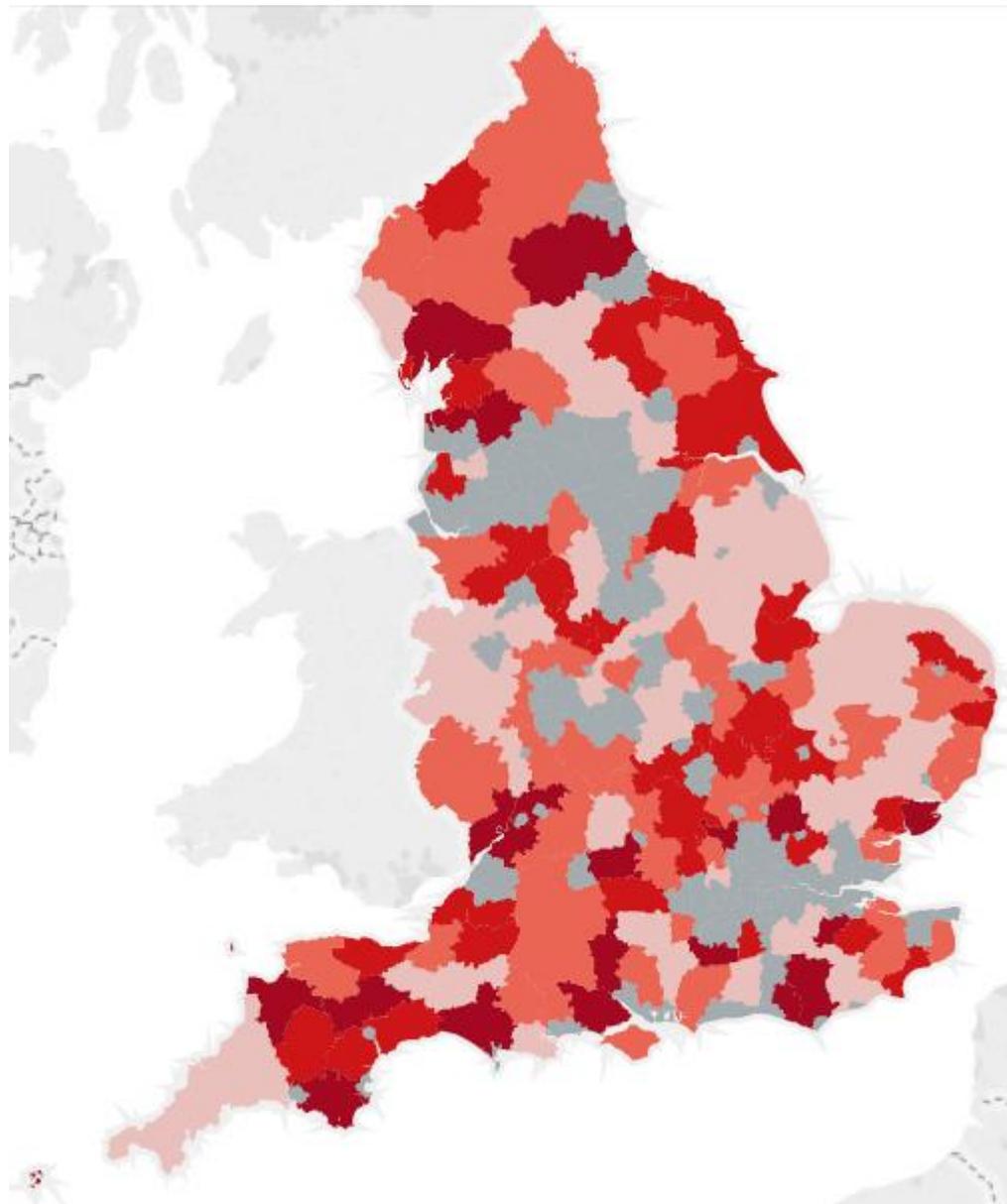
This could benefit some who are able to release equity in order to fund their care or housing needs in later life. It is unlikely, though, to benefit those who move into specialist housing which (again) is in a rural location.

Finally, it is worth noting the extent of the variation to be found across rural England, which is most readily shown by statistics for individual local authority areas classified as rural. They tell us that for the 65 plus age group:

- The level of owner occupation varies from 89% in Wyre (Lancashire) to 56% in North Kesteven (Lincolnshire);
- The level of social renting varies from 37% in North Kesteven (Lincolnshire) to 6% in West Dorset;
- The level of private renting varies from 11% in Forest Heath (Suffolk) to 3% in Stroud (Gloucestershire) and in Swale (Kent).

This 2011 Census data is further explored in a map (overleaf) which shows the pattern of owner occupation among older person households in rural classified authorities. This indicates a complex pattern that is difficult to summarise. Most rural areas with a high level of owner occupation are, though, in the south of the country and there is a cluster of rural areas with a low level of owner occupation on the eastern side of the country.

Map 3: Share of dwellings owner occupied, where reference person is aged 65 plus



Quartiles, by per cent of dwellings owner occupied:

- 1st quartile (29.7% to 75.8%)
- 2nd quartile (75.8% to 80.7%)
- 3rd quartile (80.7% to 83.3%)
- 4th quartile (83.3% to 91.3%)
- urban

7. Fuel Poverty

Fuel poverty is an aspect of poverty which is widely recognised as having a rural dimension. It also has an age dimension, since the elderly are more likely to feel the cold and to spend time at home. The concept is now defined by Government using a Low Income High Cost (LIHC) indicator, which counts households that:

- a) Have energy bills above the national average; and
- b) Where this leaves them with a residual income below the poverty line.

Older statistics mainly use an earlier Government definition, namely those households needing to spend over 10% of their income on heating to maintain an adequate level of warmth.

A key rural issue is that the mains gas network does not reach many smaller settlements. Nationally, some 79% of households rely on a mains gas central heating system. In villages, this is only the case for 44% of households and in hamlets/isolated dwellings for 31% of households²⁷. Other home heating fuels are generally dearer for consumers. Moreover, those without mains gas are unable to benefit from dual fuel discount packages which are offered by gas and electricity providers. Another feature of rural areas is the relatively large number of older properties which are solid wall construction. These transmit more heat directly to the exterior and are harder to insulate than cavity wall buildings. It is notable that two-thirds of households which depend on oil for heating are also in solid wall homes.

Defra has published a rural analysis²⁸ of fuel poverty, which is for all households and not just pensioners. It shows that 18.4% of rural households were in fuel poverty in 2010 (according to the earlier definition of the term). This can be compared with 15.9% of urban households. It, further, showed that fuel poverty affected roughly 1 in 5 households in villages and roughly 1 in 4 households in hamlets/isolated dwellings, with fuel poverty levels found to be associated both with (small) settlement size and with population sparsity. Mapping indicates it is particularly prevalent in the uplands of northern England, in the Marches, along the east coast, in the northern half of East Anglia and in large parts of the South West peninsular²⁹.

Age UK have published figures³⁰ for older person households living in fuel poverty in 2011 (according to the LIHC definition), though these are national rather than rural figures. This indicates that England then had between 1.0 million and 1.2 million fuel poor individuals who were aged 60 plus. Although it is more common for younger age households to be in fuel poverty, the fuel poverty gap is greatest for those in older age at around £500 per year. That is, the additional income they would (on average) need to move out of fuel poverty.

The ELSA survey asked older people what sources of fuel they used for home heating. As reported by the ILC and TNS BRMB analysis³¹ and shown here in chart 5, older people in rural areas are distinctly less likely than their urban counterparts to be using mains gas. In the most rural local authority areas (Rural 80) almost two-fifths did not have mains gas in

²⁷ 2011 Census Results for Rural England, Defra (2013)

²⁸ Statistical Digest of Rural England, Defra (latest version, 2015)

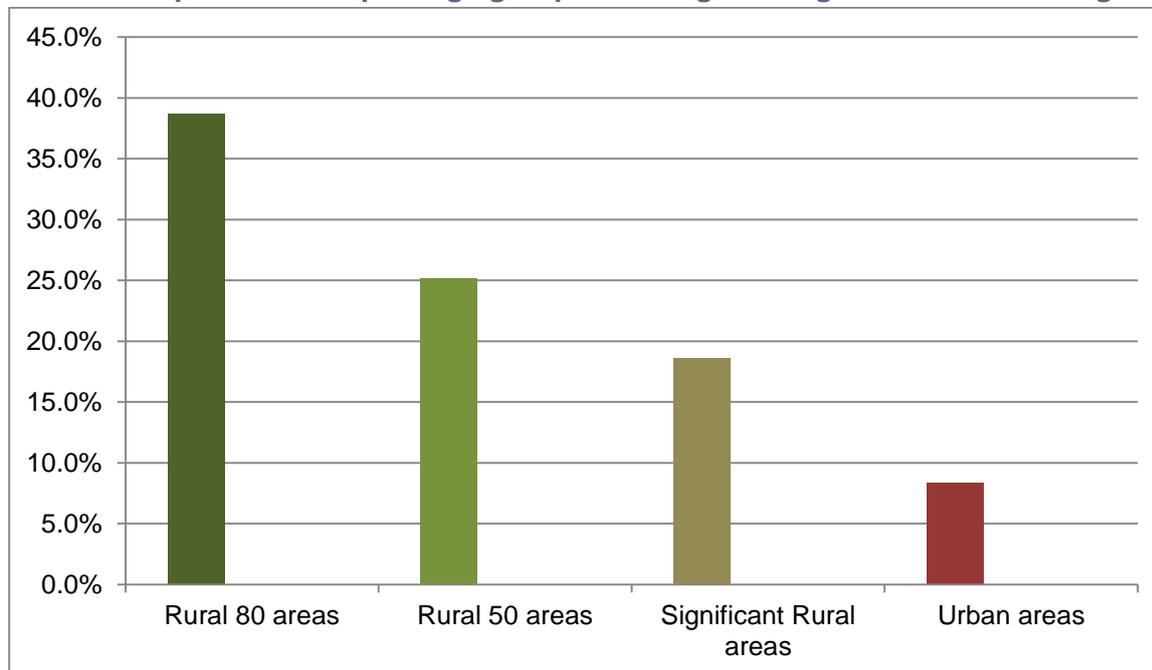
²⁹ The State of Rural Public Services 2012, Rural Services Network (2012)

³⁰ Norton & West, Age UK Evidence Review: Poverty in Later Life, Age UK (2014)

³¹ Same as footnote 23

their home. The ILC report tested whether this result had anything to do with wider socio-economic factors and concluded that it did not: it simply reflected rural location.

Chart 5: Proportion of 65 plus age group *not* using mains gas for home heating



Source: ELSA dataset Note: Uses a LA classification based on the 2001 Census, though this is almost the same as the 2011 classification used elsewhere in this paper.

This ELSA analysis is further set out in table 8, where it shows that all other types of fuel source are more often used by older people living in rural than in urban areas i.e. coal, bottled gas, oil and wood. The relationship between rurality and use of fuels other than mains gas could hardly be clearer.

Table 8: Fuel types used for home heating by the 65 plus age group

	Rural 80 areas	Rural 50 areas	Significant Rural	Urban areas
Mains gas	61.3%	74.8%	81.4%	91.6%
Coal	13.2%	7.4%	6.8%	1.9%
Bottled gas	7.3%	6.5%	4.2%	1.4%
Oil	19.2%	11.5%	6.6%	0.5%
Wood	17.1%	14.8%	10.2%	2.5%

Source: ELSA dataset Note: Columns add to more than 100% since more than one fuel type may be used in a household. Even so, the use of electricity for heating is not covered by this dataset.

Whilst there is considerable policy debate and publicly funded programmes to improve telecommunications infrastructure in rural areas, the reach of the mains gas network does

not seem to attract anything like the same attention. Another question would seem to be whether the Winter Fuel Allowance that is paid to pensioners is sufficient to address the extra costs faced by those who live off the gas network.

8. Looking to the future

The Institute for Fiscal Studies (IFS) has recently concluded a programme of research on the future of pensioner living standards³². Although this is not specifically rural, its main findings are relevant and worth summarising. Economic modelling by the IFS forecasts that the widespread improvement seen to pensioner living standards is expected to continue into the early 2020s. Both richer and poorer pensioners should benefit from this, though it is wealthier pensioners who will fair best of all. The income gains for the top quintile will be, proportionately, almost four times as large as the gains for the bottom quintile.

Looking further ahead, the prospects for later cohorts of pensioners are described as “mixed”. There are risks arising from factors such as weak income growth for (currently) working age households and a sharp decline in the availability of employers’ defined benefit pension schemes. Inheritance will play an important part in the economic wellbeing of future generations of pensioners, but it will be unevenly distributed and will generally reinforce existing patterns of wealth. This futures research also notes that working lives can be expected to continue getting longer, though not everyone will be able to work into older age, especially where poor health precludes them from doing so.

All of these forecast trends can be expected to play out across rural England, with some pensioner groups faring better than others and some rural areas faring better than others.

³² Same as footnote 13

Definitions:

Households below average income (HBAI): households with an income which is less than 60% of the average (median) household income. This was the official (Government) measure of poverty until it was dropped in 2015.

Relative poverty: HBAI can be measured in relative terms, taking the 60% household income threshold in each year under investigation. It can be measured either before or after taking account of housing costs, as can absolute poverty (see below).

Absolute poverty: HBAI can also be measured in absolute terms, which the UK Government defines as meaning the 60% household income threshold in one specific (base) year, up-rated for inflation in subsequent years.

Guaranteed Minimum Pension: the lowest income Government expects any pensioner to receive. Those earning less are entitled to claim Pension Credit. It is set at two levels, one for single pensioners and one for pensioner couples.

Minimum Income Standards: Joseph Rowntree Foundation takes the cost of basic goods and services to calculate the income need for an acceptable living standard. They measure such a Standard for pensioners, based on 72 year olds with no major health problems.

Income Deprivation Affecting Older People Index: the main English Indices of Deprivation 2010 (a DCLG product) combines data sets on income and other issues. A spin-off output is this Older People Index based solely on those aged 60 plus in income deprived households.

Fuel poverty: the Government (DECC) now uses households with above average energy bills, where this leaves them with a residual income below the poverty threshold. It replaced an earlier definition of households needing to spend at least 10% of income to keep their home adequately warm.

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