

PUBLIC POLICY AND POPULATION AGEING IN THE UK : THE SOCIAL CONSTRUCTION OF ECONOMIC INEQUALITY*

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Introduction

The general purposes of this paper are to introduce a Japanese audience to the main determinants of social and economic status among older people in the UK and also to some of the key current debates concerning the future of social policy for this age group. Because the population of the UK aged earlier than those of many other western countries it may be regarded as a particularly interesting case of societal adaptation to its own ageing and some of the unique features of the British case will be illustrated with reference to the other eleven member states of the European Union (EU)¹.

The specific aims of this paper are three-fold. First, to outline the extent of population ageing in the UK and the main factors behind it. Second, to describe the socio-economic status of older people in the UK, with particular reference to poverty and inequality. Third, to discuss the main features of public policy that have pre-determined, to a considerable extent, the social structure of the UK's older population.

Population Ageing in the UK

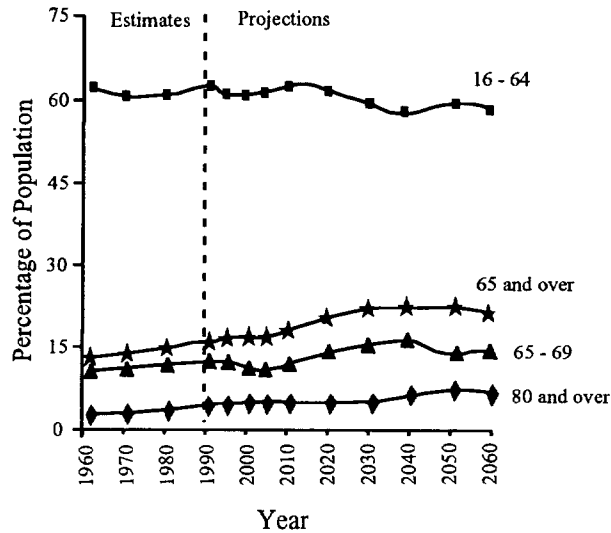
In common with other EU countries the UK has an ageing population but the projected increase in those aged 65 and over is a modest 1 per cent between 1991 and 2021, compared, for example with 6.2 per cent in Germany. (It is also interesting to note that this projected increase is greater for the female than the male population). Furthermore, the projected annual increase for this age group between 1991 and 2051 reduces to 0.58 per cent, showing that the growth in numbers is very gradual and diminishes over time. Though it must be said that such long term population projections should be treated with utmost caution.

Figures 1 and 2 and Table 1 show previous estimates and projected increases in older people and those of working age. There has been an increase in those aged 65 and over from 12 per cent of the population in 1961 to 16 per cent in 1989.

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¹ At the time of writing this paper there were twelve member states but on 1 January 1995 Austria, Finland and Sweden also joined the EU.

FIGURE 1. OLDER PEOPLE AND PEOPLE OF WORKING AGE AS A PERCENTAGE OF THE POPULATION (UNITED KINGDOM)

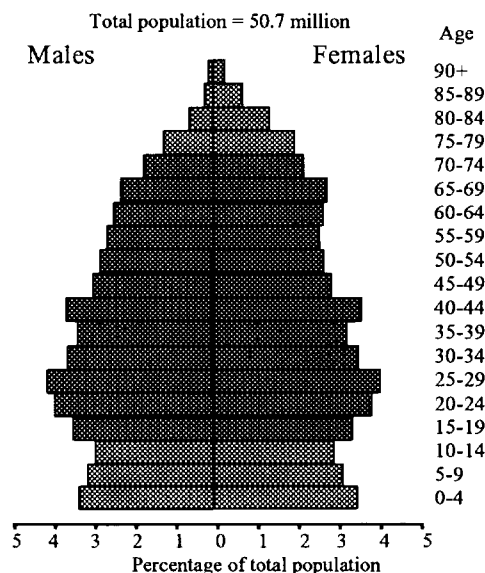


Sources : CSO, *Social Trends* 22, London, HMSO, 1992, and 1989 based *Population Projections* (Series PP2 No. 17) London, HMSO.

This proportion holds constant until 2021 when it is expected to rise to 19 per cent. It rises slightly to 22 per cent by 2031 and then holds constant until 2059. The proportion of people aged 80 and over has doubled, from 2 per cent to 4 per cent between 1961 and 1989 and will rise to 5 per cent in 2025. This is of particular importance in view of the fact that very elderly people are disproportionate users of health and social services. The Table also shows that women outnumber men in the older age groups (a phenomenon common to other European countries). Ethnic minority groups comprise a very small percentage of the older population: less than 2 per cent of those aged 60 and over.

The main factors underlying the ageing of the UK population are declining fertility and increasing longevity. After the baby boom of the 1960s the birth rate fell steeply. In 1964 the total fertility rate was 2.9 but by 1989 it had fallen to 1.8 (below the replacement rate of 2.1 children per woman). It is expected that fertility will continue to be low in the foreseeable future (Ermisch, 1990). Death rates have been falling consistently over the last 20 years among those aged 55 and over. This means that the length of life has increased and, although it has done so for both sexes, women still have the advantage with a life expectancy of 78.8 years compared with 73.2 for men (mid-1989 based projections). Thus behind our discussion of the socio-economic status of older people there is a biological extension of the life-course.

FIGURE 2. AGE DISTRIBUTION OF THE POPULATION, ENGLAND AND WALES, 1990



Source : OPCS Monitor PP191/1.

Socio-Economic Status of Older People

Older people are sometimes regarded by younger ones as a homogeneous group but this is not the case: they portray the same diversities as younger people. Therefore, in analytical terms, *inequality* is a key concept for understanding the social structure of the older population. The observation that poverty and deprivation are concentrated on a significant proportion of older people has been a recurring theme of research on ageing in all industrial societies (Hendricks and Hendricks, 1977; Maeda, 1978; Neysmith and Edwardh, 1984). In the UK, pensioners were the largest group in the population living in poverty from the late nineteenth century when such statistics were first collected systematically (Booth, 1892, 1894) until the early 1980s when unemployed people and their families took over this unfortunate position. Research has confirmed, over and over again, the deep-seated nature of poverty in old age (see, for example, Cole and Utting, 1962; Townsend and Wedderburn, 1965; Townsend, 1979).

Despite the significant political commitment given to pensions in the 1970s—culminating in the introduction of the State Earnings-Related Pension Scheme (SERPS) in 1975 and the series of pledges to up-rate pensions in line with earnings or prices, whichever was the greater, which resulted in some improvements in the relative position of older people in the income distribution (see below), and the gradual decline in the proportion of pensioners with relatively low incomes during the 1980s, poverty and low incomes are still the principal financial problems faced by this group. This is one extreme aspect of the inequalities in

income and other resources between the majority of those under and those over retirement age. In other words financial status is a distinguishing feature of the difference between employment and retirement.

While just over one in five (21 per cent) of all persons in the UK are over pension age they comprise nearly three out of ten of those living on incomes on or below the income support level, the official, or socially agreed, standard of poverty. As Table 2 shows, the risk of experiencing poverty is nearly three times greater for adults over retirement age than it is for adults below retirement age. The most recent information on poverty made available by the government is for 1985 (DHSS, 1988). However the House of Commons Social Security Committee has commissioned and published analyses covering later years. The latest data show that, in 1989, just under one-third of pensioners were living on incomes at or below the poverty line compared with less than one-fifth (17 per cent) of those under pension age. In all nearly three out of five older people, 5.5 million people, live in or on the margins of poverty (i.e. within incomes of up to 140 per cent of the appropriate social assistance rates) compared with less than one-quarter of those under pension age (House of Commons Social Security Committee, 1993).

Not only does poverty affect a substantial proportion of older people but, when it does, it is likely to be an enduring experience. Thus, older people predominate among both claimants of income support and long-term claimants. The national survey of supplementary

TABLE 1. OLDER PEOPLE¹ AND PEOPLE OF WORKING AGE AS A PERCENTAGE OF THE POPULATION (UNITED KINGDOM)

	16-64	65-79	80 and over	All 65 +
Mid-year estimate				
1961	63	10	2	12
1971	61	11	2	13
1981	63	12	3	15
1990	64	12	4	16
Males	32	5	1	6
Females	32	7	3	9
Mid-year projections ²				
1996	64	12	4	17
2001	63	11	4	17
2011	64	12	4	18
2021	62	14	4	19
2031	60	15	4	22
2041	59	15	6	22
2051	61	13	7	22
2059	60	14	6	21
Males	30	7	2	10
Females	30	7	4	11

Notes: 1. Aged 65 and over.

2. 1988-based projections.

Sources: *Principal Population Projections*, 1989 based (Series PP2 No. 17)
London, HMSO, and *CSO Social Trends 22*, London, HMSO, 1992.

benefit claimants, carried out by the Policy Studies Institute in 1982, found a large proportion of long-term claimants among pensioners. Also, pensioners were much more likely than other claimants to have been living on unsupplemented social security pensions *before* claiming supplementary benefit, that is, below the poverty line (Berthoud, 1984, p. A5). Thus, as Table 2 shows, there are one million people living on incomes *below* the income support poverty line. For several reasons, but primarily because of the stigma associated with claiming means-tested benefits (Townsend, 1979; Walker, 1986a). Over one million pensioners who are eligible for income support or housing benefit do not claim it. So the take-up rate of income support among pensioners is 67 per cent compared with 83 per cent for those under pension age (Central Statistical Office, 1988).

In addition to the problem of poverty, older people are likely to experience low incomes compared with younger adults, particularly those in paid employment. The independent national survey of household resources and standards of living, conducted by Townsend (1979), found a striking difference in the proportion of older people and younger adults living in poverty and on low incomes:

Twenty per cent, compared with seven per cent, were living in poverty; another 44 per cent, compared with 19 per cent, were living on the margins of poverty. At the other end of the income scale, more than twice as many of the non-elderly than of the elderly were living comfortably above the (supplementary benefit) standard... Although the elderly comprised one sixth of the total population they comprised one third of those in poverty, and nearly one third of the margins of poverty. (Townsend, 1979, p.788)

The high incidence of poverty and low incomes among older people is reflected in other measures of deprivation. For example, they (especially those living alone) are less likely than non-pensioners to own certain consumer durables, such as television sets and refrigerators; they are less likely to eat fresh meat most days a week; they are less likely to have a summer holiday and to take part in social activities requiring money (Townsend, 1979). Pensioners are disproportionately more likely to experience poor housing conditions: although they comprise only 10 per cent out of all households, those with a head aged 75 or more occupied nearly one in three dwellings lacking amenities and 16 per cent of those classified in the 1986 English House Condition Survey as being unfit (Kirk and Leather, 1991). Some 19 per cent of lone older people were in houses in poor condition compared with 14 per cent of households consisting of more than one older person. In 1986 some 800,000 households headed by someone aged 60 or more were living in housing costing £1,000 or more per annum in repairs.

Poor housing conditions tend to be concentrated in the private rented sector (42 per cent were in poor condition in 1986 compared with 13 per cent of owner-occupied dwellings and 11 per cent of those owned by local authorities). However, some 43 per cent of owner-occupied households headed by a retired person had repair costs of £1,000 or more with 10 per cent having costs greater than £5,000. These owner-occupiers are likely to be living on low incomes: two-thirds of older households in the owner-occupied sector with repair costs of £1,000 or more in 1986 had an annual income below £3,000.

Official Underestimation of Poverty in Old Age

A considerable body of data could be adduced to show further than there is a significant difference between the incomes and other resources and expenditure of pensioners and non-pensioners and that a very large group of older people live in poverty or on its margins (Walker, 1980). Yet in recent years the argument has been gaining ground in official circles in the UK, and some academic ones, that poverty in old age is no longer a serious problem. The ministerial foreword to the Green Paper on elderly people issued by the last Labour government implied that the problem had been solved (DHSS, 1978). It was not mentioned at all in the White Paper issued by the Conservative government (DHSS, 1981). This official forbearance turned to antagonism in the mid-1980s when the government and some independent commentators began to question openly the extent of the financial needs among older people and, either directly or by implication, the level of social security expenditure on them. The four reviews of social security initiated in 1983 by the Secretary of State for Social Services-particularly the Inquiry into the Provision for Retirement-were the forums in which the arguments against further increases in pensions were most trenchantly expressed (DHSS, 1985a-see below). There is not space here to examine the reasons for this sea-change in official attitudes (see Walker, 1986b) which has resulted in severe reductions in state pensions. However, these cuts have been legitimated by the argument that pensioners are relatively well off-which has led to the proposition that Britain may actually be overproviding for old age-and, therefore, it is important to assess the factors underlying this apparent paradox.

Official reports and some independent social scientists in the mid-1980s started to point to relative improvements in the position of older people in the income distribution. The most influential of these commentaries was prepared by the DHSS Economic Adviser's Office as a background paper to the Inquiry into Provision for Retirement (DHSS, 1984). This showed that between 1951 and 1984/5 pensioners' share of total disposable income (total income from earnings, savings, investment, pensions and other social security benefits) increased from 7 per cent to 15 per cent (DHSS, 1984). The reasons given for this improvement include both the growth in numbers of pensioners and their rising incomes. While the former is relatively straightforward the improvement in the disposable income of pensioners relative to non-pensioners rests on two factors. On the one hand, there has been a slowing down in the growth of real disposable income among those below pension age, caused mainly by the reduction of the numbers in full-time employment and, on the other, the value of the basic pensions has risen in relation to average earnings (see below).

This official analysis of rising incomes among pensioners was supported by other independent assessments. For example, one examination of changes in the distribution of income over the life cycle showed that whereas 45 per cent of married pensioners were in the bottom quintile of net income in 1971, this had fallen to 28 per cent in 1982. For single pensioners the proportions were 43 per cent in 1971 and 22 per cent in 1982 (Bradshaw and O'Higgins, 1984). However, while analyses such as this correctly highlight some past improvements in the relative incomes of pensioners, they have mistakenly been translated into the myth that all older people are now affluent, a myth that has legitimated policy proposals which redistribute income from older people to other groups in poverty. Three factors should be considered.

First, the relative 'improvement' in the value of the basic National Insurance (NI) pension was modest and only short-lived: from 17.5 per cent of gross average weekly earnings of male employees for a single pensioner in 1973 to 19.8 per cent in 1983 (back in 1948 it had been 19 per cent of gross male earnings and had peaked at 21 per cent in 1977). However, by 1992 the value of the NI pension had fallen to 15.9 per cent of gross male earnings. For a married couple the proportions are 31 per cent in 1948, 28 per cent in 1973, 31.6 per cent in 1983 and 25.4 per cent in 1992 (DHSS, 1986; Twigger, 1992). The rapid decline in the relative value of the NI pension from the mid-1980s was due to the decoupling of increases in pensions from average earnings, in 1980, and the rapid rise in earnings in the late 1980s. (The value of occupational pensions, which rose rapidly along with earnings in the late 1980s, should also be taken into account but nearly half of pensioners do not receive such income-see below.)

Second, the validity of any assessment of relative poverty depends on the group with which comparisons are made. The previous discussion of poverty and low incomes in old age rested on a comparison between pensioners and non-pensioners, particularly those in employment. This was the relative framework implicitly accepted by Parliament, in 1977, when it linked the up-rating of pensions to earnings (or prices, whichever rose faster) and so gave pensioners a share in rising national prosperity. This link was broken in 1980 and subsequent comparisons have not been between older people and those in employment, but between older people and other groups in poverty. So a major plank in the official case against increasing pensions relative to earnings, as well as against the State Earnings Related Pension, has been the recent relative improvement in the incomes of pensioners in comparison with other groups living in poverty (DHSS, 1985a). Incidentally, this argument also entails the denial of the relative nature of poverty, in that policy makers have chosen to concentrate their attention only on the relative position of various poor groups rather than looking at the relationship between poverty and affluence.

While state pensions have not increased significantly in value compared with average earnings, they have increased against other social security benefits, particularly unemployment benefit. In 1972/3 unemployment benefit and retirement pension were paid at the same rates (and had been for most of the period since 1948); by 1984/5 the latter was worth 26 per cent more than the former, as it is in 1994/5. However, this increase had as much to do with cuts in the value of the unemployment benefits during the 1980s as rises in the value of pensions and, therefore, it is partly artificial. Moreover, the decoupling of pensions from earnings had an immediate impact on the relative value of the retirement pension, which fell from a high of 132 per cent of the level of the unemployment benefit in 1981 to 126 per cent in 1984 (DHSS, 1985b).

Thus, the 'advantageous' position of pensioners among the poor has been manufactured, to some extent, by government policies largely outside of the pensions field: the creation of mass unemployment, the abolition of earnings-related supplements to national insurance benefits, cuts in unemployment benefit, failure to maintain the value of child benefit and the encouragement of low wages (Walker and Walker, 1987). The outcome of these policies is that there has been an increase in people, particularly single people below pension age and families with children, falling into the bottom fifth of the income distribution and, because unemployment benefit is set at a lower rate than the pension, the average income of the lowest income group has declined as their numbers have swollen. This change is reflected in the

composition of the lowest quintile group of the income distribution: in 1971 pensioners comprised 52 per cent of the lowest fifth, single people of working age 19 per cent, and working-age couples with children 17 per cent. By 1985 the picture had changed considerably: pensioners made up 27 per cent of the bottom quintile, single adults under pension age 34 per cent and couples with children 22 per cent (Central Statistical Office, 1988). As the Central Statistical Office notes, this shift 'does not necessarily indicate an improvement in the living standards for pensioners', but the increase in unemployment (Central Statistical Office, 1988, p.96).

Figures compiled by the House of Commons Social Security Committee lend support for this explanation and suggest that some of the gains made by older people in comparison with families may be a temporary function of recession. The impact of the changes to the Social Security system in 1988, coupled with a fall in unemployment, was that the proportion of the poorest tenth of the income distribution made up by couples with children fell (from 50 per cent in 1987 to 40 per cent in 1988) while the proportion consisting of pensioners rose (from 17 per cent to 23 per cent). Taking income *after* deducting housing costs there was a rise of more than one million in the numbers of pensioners living on incomes below half of the average between 1987 and 1988 (from 2.4 million or 26 per cent to 3.5 million or 38 per cent). Looking at the bottom quintile of the income distribution in 1988 pensioners comprised 43 per cent compared with 27 per cent in 1985.

Third, as was shown earlier, the majority of older people continue to live in or on the margins of poverty — in terms of both the official poverty line and average living standards — in spite of recent improvements in the value of pensions. In so far as older people have shifted, or, more correctly, have been shunted, out of the bottom fifth of the income distribution by the unemployed they have been moved predominantly into the adjacent quintile. Thus, although there was a decline in the proportion of the bottom quintile made up of older people, between the mid-1970s and the mid-1980s, this was not matched by an increase in the proportion of the top quintile who are older people (only 4.8 per cent in both 1974 and 1985) (Falkingham and Victor, 1991, p.11).

Inequalities Between Older People

Like all good myths, the myth of affluence in old age has some basis in reality. While there has only been a slight relative improvement in the incomes of the majority of pensioners, for some the increase has been substantial — giving rise to the so-called WOOPIE, or well-off older person. The 'two-nations' in old age, forewarned by Titmuss (1963) thirty years ago are now firmly entrenched at the extremes of the income distribution, with a third group making up the bulk of low-income pensioners. Differences based on class, age, gender, race and marital status are reflected in income inequalities and, at the extremes, are younger (60-74) middle-class males and married couples, and older (75+) women and working-class families.

The dynamics of the rapid changes under way in the relative position of these two groups of pensioners may be illustrated by official data. Between 1978 and 1988 the average total net income of pensioners rose by over 33 per cent but the increase for those in the bottom fifth of the income distribution was 14 per cent compared with 52 per cent for those in the top fifth. Underlying this increasing inequality is the differential rate of increases in the various

components of pensioners' incomes. Between 1979 and 1988 social security rose by only 14 per cent in real terms, compared with 99 per cent for occupational pensions and 110 per cent for savings income. A significant part of the explanation for this varying rate of increase is the policy decision to de-index the basic pension from earnings, while many occupational pension schemes remain tied to previous earnings.

Inequalities in old age are primarily a function of access to resources over the earlier stages of the life cycle. Occupational status in earlier life determines salary or wage levels and, therefore, the opportunities to save and invest in property and other assets. Access to occupational pensions also rests on employment status. In addition to inequalities based on occupational class, certain groups, such as women, ethnic minorities, people with disabilities and older workers, experience discrimination in the labour market and are, therefore, less likely to gain access to secure well-paid employment. These groups are likely to be particularly reliant on public policy to determine their income levels. Finally, retirement itself superimposes reduced social status and lowered incomes on pensioners and resources tend to diminish the longer an individual survives in retirement. Hence the tendency for very elderly people to have the lowest incomes.

The incidence of poverty among older women, particularly lone women, is significantly higher than among men (Walker, 1992; see also Arber and Ginn, 1991; Groves, 1993). If the data in Table 2 are reanalysed according to the gender of the older person we find that more than one in three older women (35 per cent) were living on incomes on or below the poverty line, as defined by SB levels, compared with 23 per cent of older men. Just under half of lone

TABLE 2. NUMBERS AND PERCENTAGES OF PEOPLE ABOVE AND BELOW PENSION AGES LIVING ON LOW INCOMES (BRITAIN) 70~80'S.

Family Income in Relation to Social Assistance Levels	1975	1979	1983	1987	1989
<i>Adults over pension ages</i>					
Below	740	1,110	1,080	930	1,280
Receiving SA	1,930	1,990	1,880	1,870	1,740
Within 140 per cent	2,870	2,790	2,750	2,350	2,470
All on low incomes	5,540	5,890	5,710	5,150	5,490
Per cent of all pensioners	66.3	67.5	63.7	55.4	57.1
<i>Adults under pension age</i>					
Below	690	700	1,310	1,480	2,250
Receiving SA	970	1,110	2,620	3,440	2,890
Within 140 per cent	2,170	1,510	2,860	1,680	1,640
All on low incomes	3,830	3,320	6,790	6,600	6,780
Per cent of all adults under pension ages	12.6	10.8	21.1	20.1	19.8

Note: In 1979 and 1987 social assistance was called supplementary benefit (SB). Its title was changed to income support in 1988.

Source: DHSS, *Low Income Families-1983*, London, DHSS, 1986; Johnson, P. and Webb, S. *Poverty in Official Statistics*, London, Institute for Fiscal Studies, 1990; House of Commons Social Security Committee (1993).

older women compared with just under two-fifths of single older men had incomes on or below the poverty line (Walker, 1992). Since a much higher proportion of women than men survive into advanced old age they increasingly dominate the poverty profile of successively older age groups. The explanation for this is not simply that there are more women in older age groups, older lone women, especially widows, are more likely than lone men and married couples to have to rely on social assistance (DHSS, 1984).

Further evidence of the disadvantaged position of older women in relation to men can be gained from information on the distribution of income. Older women in the bottom fifth of the income distribution have slightly lower incomes than men in the same quintile, and older men in the top fifth have much higher incomes than women. Thus, in 1988 the spread of disposable income for lone women ranged from £ 70 per week to £ 81 per week compared with £ 82 to £ 91 per week for lone men. Average disposable income varied from £ 152 per week for married couples, to £ 86 for lone men and £ 76 for lone women (DSS, 1989).

In comparison with information on social class, gender and disability there is very little concerning the impact of 'race' on income inequalities in old age in the UK. However, what information there is suggests that black older people are more likely than their white counterparts to experience material deprivation and that this is particularly the case for black women (Norman, 1985; Blakemore, 1989).

Wealth and Other Assets

Poverty and inequality are not solely dependent on the incomes available to individuals and families. The socio-economic position of different groups of older people depends on their command over other resources such as savings, interest on capital, housing, employment benefits and social services. There is, usually, a close association between income and assets, particularly readily realisable ones and inequalities in wealth between older people of different classes has the effect of widening inequalities based on incomes.

A recent review of asset ownership among pensioners has shown that asset holdings are linked to income. Those with above average incomes prior to retirement have a higher than average chance of owning outright their own home, having built up significant savings and having accrued rights to occupational and other pensions. Furthermore, the greater the pre-retirement income, the larger is likely to be the value of these assets.

So families with above-average incomes after retirement (derived from an occupational pension) have a high probability of owning their own home and also of having a significant block of savings. Again, in general, the greater the income, the larger the assets. Moreover, those with satisfactory incomes tend to retain or increase their savings, while low income pensioners tend to run down the limited stock of savings with which they may have entered retirement. (McKay, 1992, pp. 64-5)

These disparities in the ownership of assets are exaggerated when the lifelong social status of older people is taken into account. Thus, in Townsend's (1979) survey a quarter of older people from non-manual occupations whose fathers had also held non-manual occupations, had net assets of £ 10,000 or more, with one-half holding £ 5,000 or more, compared with zero per cent and 2 per cent of those who, like their fathers had held semi-skilled or unskilled jobs. If the annuity value of assets (i.e. potential income) was added to net disposable incomes two-thirds of the non-manual compared with only 6 per cent of the semi-skilled /

unskilled group had resources of three or more times the then SB poverty line.

The most significant physical asset is owner-occupied housing. Although poor older people are more likely than poor younger adults to own their own homes, the average home ownership for pensioners is well below that for younger age groups: 50 per cent compared with 73 per cent among those aged 30-44 and 65 per cent among those aged 45-59 (Central Statistical Office, 1988). There has been a substantial increase in home ownership among younger age groups over the last ten years whereas the proportion of older owner-occupiers has remained virtually static. The main factor here is that most of the local authority tenants who brought their houses under the 'right to buy' scheme have been under 60. Pensioners are much more likely than younger adults to own older houses which lack one or more basic amenities.

The most important income-generating asset held by many older people is an occupational pension. But, while just over half of all pensioners receive income from occupational pensions, the average amount for those in the bottom fifth of the income distribution, in 1988, was £7.10 per week compared with £96.80 per week for those in the top fifth. Also it may be that the incomes of older owner-occupiers will be increasingly augmented by schemes intended to annuitise some of the capital value of their home. This further emphasises existing inequalities in income and wealth between different groups of older people, but what little evidence there is on this issue, suggests that such schemes are unlikely to have a substantial impact on the transfer of housing equity (Mullings and Hamnett, 1992).

This summary of the UK data on the socio-economic status of older people has emphasised both the generally depressed living standards of older people relative to younger adults and the growing disparities in income and asset holdings between the two polar extremes of the elderly income distribution. The final section of this paper focuses on explanations for the persistence of poverty, low incomes and inequalities among older people in the UK. But it is worth prefacing that discussion by noting that the UK is somewhat out of line with other welfare state societies. A comparison of income inequality and poverty in old age in seven western countries in the late 1980s concluded that the Nordic, collectivist welfare states achieve lower levels of inequality and poverty—both between different groups of older people and between pensioners and the rest of society—than the residual welfare state and dominant private sector in the USA, with the liberal mixed economies such as West Germany and Canada in between. Unfortunately, the UK appeared to be in the worst position: it has a longstanding infrastructure of welfare state provision for older people but it has not managed to protect them from poverty as well as other welfare states. As the authors of this comparative study concluded, with the exception of the UK, the standard of living of elderly families is not far behind the national average' (Hedström and Ringen, 1987, p.238).

THE SOCIAL CONSTRUCTION OF ECONOMIC INEQUALITY

The observation that older people are one of the largest groups among the poor has sometimes resulted in the mistaken conclusion that old age is a cause of poverty. In fact, poverty in old age may be seen as one form — usually the most extreme one — of the multifaceted dependent status that many older people occupy (Walker, 1980, 1981, 1983). The inadequacies of explanations of this economic dependency couched in individual terms such as

TABLE 3. LABOUR FORCE PARTICIPATION OF OLDER
MEN AND WOMEN IN BRITAIN 1951-1993

Age	1951	1961	1971	1975	1981	1985	1990	1992	1993
Men									
55-59	95.0	97.1	95.3	93.0	89.4	82.0	81.0	78.3	75.5
60-64	87.7	91.0	86.6	82.3	69.3	54.4	54.4	52.8	52.4
65+	31.1	25.0	23.5	19.2	10.3	8.2	8.6	8.8	7.2
Women									
55-59	29.1	39.2	50.9	52.4	53.4	52.1	54.9	54.9	53.2
60-64	14.1	19.7	28.8	28.6	23.3	18.9	22.7	23.4	24.3
65+	4.1	4.6	6.3	4.9	3.7	3.0	3.3	3.6	3.5

Sources: 1951-71 Census of Population for England and Wales and for Scotland;
1975-92 Department of Employment, *Gazette* (various);
1993 Department of Employment.

'disengagement', 'frailty' or 'failing abilities' has been exposed previously (see Walker, 1981). Rather than being old age itself, it is various social policies which have combined to create or enhance or maintain economic dependency and poverty in old age. Thus, poverty and economic insecurity in old age are primarily a function of low economic and social status *prior* to retirement and the depressed social status of the retired and secondly, of the relatively low level of state benefits. The main elements of this structurally created economic insecurity and inequality will be outlined and some of the key features also characterise experience in other industrial societies. Policies in the fields of employment and social security have been particularly influential in the production of poverty in old age.

The thesis underpinning this analysis is the 'social construction' of old age and the reduced socio-economic status that old age entails for many people. The social constructionist perspective holds that phenomena such as age are social categories rather than purely biological ones and, as such, are created or manufactured by social policies (Walker 1980, 1981). In the west retirement is a construct of the interaction between the labour management process and pensions policy. Thus older workers are retired regardless of their physical or mental capacity. Social security systems have a key role in 'creating' old age by institutionalising a segmented life course. In other words, pension systems, like education systems, are age-grading institutions. In the west retirement became a normal feature of the life-course in about 1950, today we are on the verge of early retirement becoming the norm. In the following sections we examine the main elements in the social construction of retirement age and its corollary low socio-economic status.

Employment and Retirement Policies

The growth of retirement and, subsequently, early retirement, has ensured that an increasing proportion of older workers have been excluded from the labour force over the course of this century. This social process of exclusion has denied older people access to earnings and other economic, social and psychological benefits of the workplace. This major social change has progressed rapidly and continues to do so (Table 3). Between 1931 and 1971

the proportion of men aged 65 and over who were retired increased from under one-half to more than three-quarters and by 1994 the figure was around 93 per cent. Thus, in a relatively short space of time, 'old age' has come to be socially defined as beginning at retirement age and, whether by institutional rule or customary practice, the age at which older workers have to leave the labour force (Parker, 1980).

The operation of this social process of exclusion has been closely related to the organisation of production and the demand for labour. Accounts of the emergence of retirement and early labour force exit suggest that older people have, in fact, been used as a reserve army of labour, to be tapped when labour is in short supply, and to be shed when demand falls (Phillipson, 1982; Graebner, 1980; Walker, 1985). It is not that retirement has grown alongside industrialisation-large numbers of older people were economically active in all industrial societies during the first half of this century-but that changes in industrial processes and in the organisation of employment, particularly the employment of women, have been developed and managed in ways intended to exclude older workers. Work processes have been reorganised, the division of labour has increased and the labour process has been rationalised (Braverman, 1974). Various factors have combined to mean that older workers were the most likely to be affected by these changes. For example, the influential scientific management school of thought in the USA argued that efficiency in the labour process depended on the removal of those with low levels of marginal productivity, which was crudely related to age; the historical tendency of capital to reduce its necessary labour to the minimum; the process of technological innovation and the high birth rate of the early 1960s all provided some impetus for the displacement of older workers and, where necessary, their replacement with younger ones. Finally, the advent of the large-scale unemployment in the 1930s was crucial in the institutionalisation of retirement in the UK, and its return in the late 1970s and early 1980s resulted in the growth of early retirement.

These main factors in the twentieth-century development of British society have combined to reduce the demand for older workers. At the same time, on the supply side, as retirement and early exit have been encouraged by employers and the state they have been accepted as customary and have become part of trade union bargaining for improved labour conditions. Moreover, many of the changes in production processes, such as the spread of assembly-line production, have reduced the attachment of workers to employment and, together with the failure of employers and the state to improve the working conditions of many, have contributed to a desire to leave paid employment.

This indicates that, like the experience of employment, attitudes towards retirement and the experience of retirement itself are socially divided. There are those, mainly salaried workers, who are able to choose whether to leave work at the retirement age or to leave prematurely or perhaps to work on. The proportion of self-employed people working beyond retirement age is double that of those employed by others. Then there are those, predominantly manual workers, who are effectively coerced into retirement, and sometimes early retirement, by poor working conditions, ill-health, redundancy, unemployment and age discrimination (Palmore, 1978; Olsen and Hansen, 1981; Walker, 1985; Taylor and Walker, 1992). Thus, for large numbers of older workers, poverty is created *prior* to retirement. In fact, sickness and unemployment account for nearly two-thirds of men and one-quarter of women who retire prematurely. So, for a significant proportion of older workers the retirement age is effectively lowered by unemployment, sickness or injury. As with unemployment itself, semi-

TABLE 4. EMPLOYMENT RATES FOR MEN OVER 55 BY AGE GROUPS
IN THE 12 COUNTRIES OF THE EUROPEAN COMMUNITY

		G	B	DK	S	F	GR	I	IRL	L	NL	P	UK
55-59	1983	77.6	60.9	77.4	79.1	60.3	76.4	71.1	76.5	52.5	65.3	74.7	75.8
	1984	76.1	59.4	79.0	-	57.9	75.4	68.6	74.3	55.0	-	74.3	73.9
	1985	73.3	59.2	77.7	68.1	57.3	74.2	68.4	72.8	55.3	64.3	72.3	74.8
	1986	73.9	54.2	78.3	67.9	57.3	73.7	67.2	71.6	56.5	-	72.1	73.3
	1987	73.5	50.4	77.4	68.1	55.8	72.3	67.5	70.4	55.1	61.9	69.3	70.9
	1988	72.2	48.1	78.8	66.6	56.3	72.4	66.4	69.9	54.6	63.4	69.9	72.6
	1989	71.8	50.5	73.3	67.3	57.0	72.0	64.4	67.3	53.5	64.0	72.5	73.3
	1990	73.9	48.4	81.6	69.4	56.2	70.7	66.4	69.6	62.8	63.6	73.5	74.9
	1991	-	49.3	74.5	69.3	57.9	-	66.2	68.4	51.4	60.9	74.1	73.9
	1992	67.2*	48.7	75.7	66.7	58.1	70.8	63.9	-	53.3	60.9	68.8	69.5
60-64	1983	38.3	27.4	48.3	60.4	28.2	58.2	35.9	63.3	19.5	34.2	62.8	52.5
	1984	33.9	25.8	48.6	-	25.9	55.7	37.3	62.0	19.0	-	59.8	51.4
	1985	32.1	25.9	45.5	48.2	24.4	53.6	36.8	58.8	18.6	28.8	56.4	49.8
	1986	30.8	22.4	52.6	45.6	22.0	51.7	36.7	57.3	16.1	-	53.5	48.1
	1987	31.3	19.4	48.5	44.5	20.2	49.4	36.2	55.4	21.4	27.6	53.6	49.0
	1988	31.7	19.4	51.7	44.0	19.4	49.2	36.4	55.0	18.0	25.1	53.7	49.1
	1989	32.4	20.7	49.8	44.1	18.8	47.6	33.9	52.9	18.8	21.9	53.8	49.8
	1990	32.9	18.9	48.6	43.2	16.0	45.5	34.5	50.4	22.8	21.7	54.2	49.4
	1991	-	17.8	46.4	43.0	14.4	-	36.4	52.7	16.1	21.6	58.4	48.9
	1992	28.5*	20.2	45.8	43.0	13.5	45.8	33.1	-	15.4	21.4	55.4	47.5
65-69	1983	10.2	5.1	26.4	20.7	7.9	34.1	15.0	31.6	10.2	5.3	-	13.0
	1984	9.5	6.4	24.9	-	8.5	29.7	14.9	28.4	9.5	-	-	12.8
	1985	9.1	5.5	28.2	12.4	7.6	26.4	14.8	25.6	7.7	6.9	-	12.8
	1986	8.5	5.5	26.0	10.9	7.1	26.8	15.5	28.3	4.5	-	30.3	11.7
	1987	8.0	3.7	22.4	8.1	6.7	24.4	14.9	27.5	5.4	8.7	28.5	11.9
	1988	7.4	4.2	25.9	7.5	6.1	24.1	13.8	26.8	4.2	10.0	30.6	11.3
	1989	6.8	3.3	23.1	8.7	6.0	22.0	13.0	25.4	3.3	11.4	32.8	13.1
	1990	8.6	3.3	27.4	7.4	5.1	21.4	12.8	25.7	5.5	9.7	31.5	13.5
	1991	-	3.4	25.1	7.4	5.2	-	13.4	26.6	4.7	9.1	34.3	13.9
	1992	6.9*	3.9	26.0	7.0	5.2	21.2	12.0	-	4.3	11.1	28.6	14.1

Sources: Eurostat *Labour Force Surveys* and Reports of the EU Observatory on Ageing and Older People.

Note: * After unification

skilled and unskilled workers are over-represented among the early retired (Parker, 1980). The policy of disengaging older workers prematurely from the labour force was formalised for a decade in Britain from 1977 by the introduction of the Job Release Scheme (abolished in 1989), which was 'designed to create vacancies for unemployed people by encouraging older workers to leave their Jobs' (Department of Employment, 1980). Similar policies have been introduced in other countries, including France and Sweden (Laczko and Walker, 1985; Kohli et al, 1991). In fact, as Table 4 shows, the UK is not out of line with other leading EU member states in experiencing large scale male early exit from the labour force over the last 15-20 years. Indeed, among OECD countries only Japan and Sweden depart from this trend (Kohli, et al, 1991).

The policy of early labour force exit was a short-term response to high unemployment, but it has had several unforeseen consequences in the UK and other EU countries. In the first

place, it has diminished the role of public pension systems as the key regulators of retirement and, thereby, increased the precariousness of older people in the labour market (Guillemard, 1993).

Thus there is no public pension or benefit specifically designed for third age workers displaced from the labour market and, therefore, most of them have to rely on social assistance. Secondly, early exit has exacerbated the funding problem confronting social security systems by increasing the number of beneficiaries and reducing the stock of contributors. Thirdly, the unchecked growth of early exit from employment has reinforced the devaluation of older workers in the labour market. As age thresholds have been lowered to provide exit routes out of the labour market this has had significant consequences for those ageing workers left in the labour market because it is likely to have affected employers' perceptions of the age at which workers may be considered to be 'too old'. In fact there is a growing body of research evidence in the UK and other EU countries to show that older workers are frequently discriminated against with regard to job recruitment, promotion and training (McEwan, 1990; Drury, 1993).

The consequences of the institutionalisation of retirement may be seen clearly in Table 5, which shows that the main source of income of older people is the social security system—58 per cent derive at least three-quarters of their income from state benefits—and the NI pension alone represents four-fifths of the social security component of their income. Important changes have occurred in the sources of pensioners' income over the last 40 years. In the early 1950s the proportion of total gross income derived from earnings (18 per cent) was three times the level in the late 1980s shown in Table 5, while the proportion received from occupational pensions was just under two-thirds (13 per cent) of its level in 1988. The proportion of pensioner income made up from social security rose through the 70s and dropped through the 1980s.

Between 1971 and 1988 the proportion of older people's incomes deriving from employment fell by more than half (17 per cent to 8 per cent) while the proportion coming from occupational pensions rose by more than one-third (14 per cent to 23 per cent). In 1991 social security benefits comprised 61 per cent of pensioner income and occupational pensions 16 per cent (Central Statistical Office, 1992, p.93). However, as noted earlier, these gross income figures conceal major inequalities between different groups of pensioners.

TABLE 5. SOURCES OF INCOME OF PENSIONERS COMPARED WITH THE TOTAL POPULATION (percentages)

Sources of income:	Pensioners ¹	All Households ²
Employment earnings	6	70
Social security and other transfers	58	15
Occupational / private pensions	21	8
Investment, rent	15	8

Notes: 1. Pensioner tax units, Great Britain 1986.

2. UK 1988.

Source: CSO, *Social Trends* 20, London, HMSO, 1990, pp.86, 88.

Pension Policies

The corollary to this social process of exclusion from the labour force is that older people are heavily dependent on the state for financial support — around 90 per cent of them receive some form of social security benefit and three-fifths of them derive at least three-quarters of their income from state transfers. Like all welfare states the UK's had its origins in pension provision for older people and today this group comprise the main beneficiaries of social expenditure (50.5 per cent of social security expenditure goes to people over retirement age-60 for women and 65 for men). However this does not mean that older people fare equally well or badly under all welfare states, even within the EU, and it is when we begin to distinguish the different approaches to pension policy and other income in old age between EU countries at a similar stage of economic development that the peculiarities of the British system can be recognised.

Research by the EU Observatory on Ageing and Older People has revealed a wide range of experience among the member states in the extent of their success in protecting older people from poverty. The member states divide roughly into three groups: those with *low* poverty rates (less than 10 per cent of older people living on or below social assistance levels)

TABLE 6. NET REPLACEMENT RATIOS OF FIRST AND SECOND TIER PENSIONS IN EU COUNTRIES 1989¹

(%)

	Gross Salary as a Proportion of the Average					
	2 / 3	100		200		
Number of Years Employed: ²	35-45	20	35-45	20	35-45	20
Belgium	91	39	88	42	68	43
Denmark	83	82	74	59	72	46
France	94	51	83	46	73	47
Greece	132	125	114	84	99	71
Germany	66	31	69	33	70	35
Ireland	84	84	64	62	61	36
Italy	91	56	92	59	94	57
Luxembourg	85	45	76	44	65	39
Netherlands	90	90	82	67	81	47
Portugal	95	58	98	58	103	59
Spain	96	75	98	73	97	71
UK	73	40	64	34	60	34

Source: Eurostat.

Notes: 1. The above table is drawn from a comprehensive analysis of replacement ratios conducted by Eurostat. In order to simplify the presentation it is assumed that the pension is for a married man entitled to a basic or first tier pension together with any compulsory supplementary pension. It is further assumed that the supplementary pension contributes a sum equivalent to 50 per cent of the basic pension for a man working between 35 and 45 years and 25 per cent for one working 20 years. Readers requiring a more detailed picture are advised to consult the Eurostat publication.

2. 35 years: Greece, Italy, Spain
 37 years: Portugal
 37.5 years: France
 40 years: Belgium, Denmark, Ireland, Luxembourg, Netherlands
 45 years: Germany, UK

Denmark, Luxembourg, Germany and Ireland; those with *medium* poverty rates (10-29 per cent) Belgium, France, Italy and the Netherlands; and those with *high* poverty rates (30 per cent or more) Greece, Portugal, Spain and the UK. The UK is at the bottom end of the high range, but if the government's favoured measure of low income was used — those living below 50 per cent of average income — it would be placed much higher in this category (Walker, Guillemand and Alber, 1993).

To a large extent these national differences in the financial status of older people are a reflection of the different pension systems to be found in the EU, variations in the national priority given to tackling poverty in old age and the difference in economic development between the north and the south of the EU. As can be seen below the EU is divided between Beveridge style flat rate statutory pensions and Bismarckian earnings-related ones and, in a majority of countries, the basic pension is combined with either a compulsory or a voluntary occupational scheme. The UK is peculiar in being the only country to couple a flat-rate basic pension with a compulsory statutory earnings-related one, though contracting out of the state supplementary scheme is changing this pattern.

In addition to the differences shown in the typology there is also an important additional one between the qualification conditions for receipt of a pension in Denmark and the Netherlands and those of other EU countries, be they flat-rate or earnings related schemes. In these two countries the receipt of a pension depends on citizenship rather than employment-based contributions (Ireland's pension system also includes a non-contributory pension).

The principal outcome of these different pension systems is a substantial variation between countries in the level of income provided to pensioners. We have seen the extent of the variation in poverty rates and the differences between national pension policies may also be illustrated with reference to replacement ratios. As Table 6 shows, the pension of a married man whose salary when in employment was equal to average earnings and who contributed to pension schemes (first and second tier) for a full term (35-45 years), ranges from just over

TYPOLGY OF BASIC AND SUPPLEMENTARY PENSION SCHEMES

Supplementary Pension Scheme

Basic (statutory) pension scheme	Compulsory statutory scheme (earnings related)	Compulsory occupational pension scheme statutory or by collective agreement	Voluntary occupational pension scheme
Flat-rate	UK	Denmark Netherlands (partly)	Ireland Netherlands (partly) (Denmark) (UK)
Earnings Related		France Italy	Belgium Germany Greece Luxembourg Portugal Spain

Source: derived from Schmähl (1991) p.48.

TABLE 7. ADEQUACY OF PENSIONS (Retired Only)

	EC12	Belgium	Denmark	France	West Germany	East Germany	All Germany	Greece	Ireland	Italy	Luxem- bourg	Nether- lands	Portugal	Spain	UK
Completely adequate	12.7	10.9	23.4	5.2	24.1	8.9	20.6	4.5	13.6	8.4	29.5	28.6	1.2	22.2	9.3
Just about adequate	40.9	47.8	50.4	42.1	53.3	50.9	52.7	13.2	36.9	38.8	51.4	40.3	15.8	26.2	38.6
Somewhat inadequate	23.8	22.3	17.4	27.0	16.7	27.5	19.2	25.0	24.8	21.5	8.4	22.0	37.1	25.0	28.4
Very inadequate	21.3	16.7	8.7	22.4	5.9	10.6	7.0	55.7	20.3	30.8	10.8	6.0	44.9	26.7	22.6
DK	1.2	2.2	0.0	3.3	0.0	2.1	0.5	1.7	4.4	0.5	0.0	2.9	1.1	0.0	1.1

Source: Walker (1993)

60 per cent of his previous earnings in two countries to over 90 per cent in four member states. The UK's pension system lies at the foot of the EU league in both the level of protection it provides against poverty and the level of replacement income. When we include the subjective opinions of pensioners themselves about the adequacy or otherwise of their pensions, there is, not surprisingly, a correlation between the level of pensions and the satisfaction of pensioners. Table 7 shows that the Bismarckian system tends to produce more financially contented older people than does the Beveridge one.

The Principle of Minimum Subsistence

The main characteristics of the UK's Beveridge inspired pension system are its flat rate and minimum subsistence principle. Beveridge built on the insurance principles established by the National Insurance Act, 1911, and the Windows, Orphans and Old Age Contributory Pensions Act, 1925, rather than the noncontributory, means-tested model provided by the 1908 Old Age Pensions Act or another more radical alternative. This meant that pensions were not regarded as a right but were contingent on the establishment of eligibility through the labour market, or 'work-testing' (Shragge, 1984). Moreover, pensions and other social security benefits were to provide only the minimum subsistence floor specifically in order to encourage additional private welfare provisions (Beveridge, 1942). These fundamental principles, which have guided the construction and subsequent operation of the post-war welfare state, are enshrined in the following passage:

Social security must be achieved by co-operation between the State and the individual. The State should offer security for service and contribution. The State in organising security should not stifle incentive, opportunity, responsibility; in establishing a national minimum it should leave room and encouragement for voluntary action by each individual to provide more than the minimum for himself and his family. (Beveridge, 1942, pp.6-7)

As well as the contribution conditions a second important constraint was proposed by Beveridge and institutionalised by the introduction of the National Insurance pension in 1948; the 'retirement condition'. Those who have built up a right to the state pension by

virtue of their contributions are only awarded their pension following formal retirement from employment (Beveridge, 1942). The retirement condition institutionalised the dependency relationship between older people, the state and the labour market. It encouraged an end to labour-force participation and established an arbitrary age as the customary retirement age. Ironically, Beveridge had hoped that the retirement condition would encourage workers to defer retirement:

Making receipt of pension conditional on retirement is not intended to encourage or hasten retirement. On the contrary, the conditions governing pension should be such as to encourage every person who can go on working after reaching pensionable age, to go on working and to postpone retirement and the claiming of pension. (Beveridge, 1942, p.96)

But in practice, it resulted in the adoption of the pension ages as the retirement ages. Together with the high marginal rates of taxation levied on pensioners who took up employment by the notorious earnings rule (abolished in 1989), it militated against the continuation of work.

Although Beveridge had intended that the basic pension would provide the retired with 'an adequate income to maintain them' (Beveridge, 1942, p.92) in practice this has never been the case. Partly because of the Treasury principle of 'financial soundness' accepted by Beveridge the NI pension was set at a level of bare subsistence rather than adequate maintenance. Beveridge drew on the work of Booth (1889) and Rowntree (1901) and, in turn, nutritionalists, such as Atwater in the United States, on whose work Rowntree's calculations of food needs were based. Furthermore, Beveridge allowed only 75 per cent of the scientific food value necessary for 'physical efficiency' for old-age pensioners, plus 10 per cent for special food needs. The amounts required for clothing and housing were also set lower than those of a person of working age (Shragge, 1984).

Thus, the definition of need in old age adopted by Beveridge and followed by the 1945 Labour government and all subsequent government was an extremely minimalistic one. Despite longstanding and widespread criticism of the pseudo-scientific basis of the calculations that Beveridge used for his assessment of food and other needs — not least that they bore little resemblance to what people actually spent their money on — they have influenced the levels of pensions and other social security benefits ever since. Not surprisingly, therefore, the single person's NI pension hovered at around only one-fifth of average gross earnings over the whole of the post-war period until the mid-1980s when its value began to be eroded drastically. Moreover since its introduction in 1948 the NI pensions has been set at a rate below that of social assistance.

Reducing the Restructuring Pension Provision

While the Beveridge NI pension system provided the main determinant of the living standards of the UK pensioners since 1948, the policies pursued during the 1980s and early 1990s have had the twin effects of increasing the polarisation between rich and poor older people and reinforcing the poverty of the latter. The election of the Thatcher government in 1979 brought a neo-liberal inspired commitment to the reduction of public expenditure coupled with opposition to state provision of welfare and a desire to increase the role of the private sector. The outcome has been three significant changes in policy aimed at reducing and

restructuring pension and other social security provision for older people.

First, there was the breaking of the uprating link between the NI pension and earnings, in 1980, which has had a substantial cumulative effect on older people; resulting, for example, in a cut in the NI pension for a single person of more than one-quarter compared to what it would have been had the previous uprating link with earnings been maintained.

Secondly a series of reviews of social security were instituted in 1984. These led to the 1986 Social Security Act which was put into effect in 1988. The main driving force behind change was fears about the future cost of the State Earnings Related Pension (SERP) Scheme as it reached maturity at the turn of the century: 'The certain and emerging cost of the state earnings-related pension scheme should give everyone — of whatever persuasion — pause for thought' (DHSS, 1985a, p.21). But, in addition, there was the strong desire to increase the role of the private pension sector:

The purpose of these proposals is to achieve a steady transition from the present dependence on state provision to a position in which we as individuals are contributing directly to our own additional pensions and in which we can exercise greater choice in the sort of pension provision we make. (DHSS, 1985b, p.6)

Initially the government proposed to abolish the SERP Scheme and replace it by a wholly private system. However, there was widespread opposition not just from those representing older people and trades unions but also employers' organisations, the private pension industry and the main life assurance companies (Walker, 1986b, p.192). This caused the government to rethink and the result was a scaling-down of SERPs rather than their abolition. This entailed a change in the formula from 25 per cent of the best 20 years of earnings to 20 per cent of the lifetime average, with some transitional protection for those retiring between 1999 and 2009. Also the pension to be inherited by a spouse was halved.

While these changes will chiefly affect future pensioners others introduced in 1988 under the 1986 Social Security Act had a more immediate impact. On the government's own calculations some 2.2 million pensioners were made worse-off by the series of alterations to the social security system in 1988 and especially the revamping of supplementary benefit into income support.

Thirdly, coupled with the scaling-down of the SERP Scheme were measures to encourage employees to contract out of it. In 1988 the right of employees to contract out of the SERPS into an occupational pension scheme was extended to enable contracting out into personal pension schemes. Employees taking up this option are given a rebate on their NI contributions of 5.8 per cent on earnings between £2,392 and £18,200 and in addition, until 1993, a special 2 per cent incentive. Furthermore the basis for contracting out of occupational pension schemes was changed fundamentally by allowing 'money purchase' schemes to contract out. Consequently a person's pension can be based on specified minimum contributions only instead of specified minimum benefits. This means that officially contracted-out pensions can depend on the outcome of investment decisions rather than, as previously, a pre-determined formula.

This switch from public to private pensions has become a major policy issue because the number of people opting out of SERPS, 4 million by the end of April 1993, far exceeded the government's estimate of half a million potential optants. Moreover it has been revealed that the gross cost of the rebates and incentives to encourage contracting-out was over £9,300 million by April 1993. Also fears have been raised that some of this expenditure may have

been wasted because it will benefit some of the contracted-out employees to opt back into the SERP Scheme.

Sources of Inequality Among Older People

Pension systems may be characterised on one sociological dimension as mechanisms that contribute to the reproduction of structural social inequalities. To a considerable extent they perpetuate the advantages or disadvantages associated with earlier phases of the individual's life course, although there is a general depression of living standards on retirement over a large proportion of the income distribution. For example, access to private welfare in the form of occupational pensions is of fundamental importance in determining the inequalities in income between different groups of older people outlined earlier and marks the main boundary between the two main socio-economic groups among Britain's pensioners. There are two sources of inequality based on occupational pensions. One the one hand, there is unequal access to occupational and other private pensions, based primarily on socio-economic group and employment status and, on the other, there is inequality between generations of older people arising from changes in pension conditions and levels.

Linked to generational or age-cohort divisions there are differences in living standards between male and female pensioners. The main issue here is that women's employment patterns differ significantly from those of men, in particular they are more likely to work part-time and to experience absences from the labour force. Thus the UK pension system was constructed at a time when female participation in the labour force was minuscule and it has not been adapted to their increasing part-time participation. As a consequence they are far less likely than men to have accrued a full entitlement to an NI pension or to have been a member of an occupational pension scheme (Table 8). Thus the UK pension system may be criticised for being 'male-orientated' and, in fact, the same criticism may be levelled at the

TABLE 8. EMPLOYEES IN OCCUPATIONAL PENSION
SCHEMES UNITED KINGDOM, 1953-1987

	(Millions)								
	1953	1956	1963	1967	1971	1975	1979	1983	1987
Private sector									
Women	0.6	0.8	0.8	1.3	1.3	1.1	1.5	1.4	1.4
Men	2.5	3.5	6.4	6.8	5.5	4.9	4.6	4.4	4.4
Public sector									
Women	0.7	0.8	0.9	1.0	1.1	1.7	1.8	1.9	2.0
Men	2.4	2.9	3.0	3.1	3.2	3.7	3.7	3.4	2.8
Total	6.2	8.0	11.1	12.2	11.1	11.4	11.6	11.1	10.6
Percentage employed who are members									
Women	18	21	21	28	28	30	35	37	35
Men	34	43	63	66	62	63	62	64	60

Source: *Occupational Pension Schemes 1987*, Government Actuary
Department, London, HMSO, 1991, Table 2.1.

Bismarckian systems as well. The only country in the EU not to have substantial inequalities between male and female pensioners is Denmark — the only one that has a wholly citizenship-based (i.e. not employment-tested) pension system. Of course the poverty-inducing social exclusion of older women from both public and private pension schemes in the UK and most other EU countries is reinforced by their greater longevity than men.

This review of employment and pension policies indicates that the economic insecurity of large numbers of older people — and therefore their poverty and low incomes — have been socially constructed. As a matter of social and economic policy state pensions have been set at a bare subsistence level. In the interests of narrow financial efficiency and increased profitability mass superannuation has been managed through retirement, early retirement and unemployment among older people. Age-restrictive social policies have been used by both the state and employers to exclude older workers from the labour force and to legitimate that exclusion through retirement and early retirement. This socially constructed relationship between age and the labour market has not only been the primary cause of poverty in old age, but has also formed the basis for the spread of a more general dependency among older people as well as ageism, orange discrimination, in many aspects of public policy and wider social attitudes.

CONCLUSION

The concentration of poverty and deprivation in old age has persisted in the UK despite social recognition for over a century and more than forty years of welfare state provision. The recurrent issue of pension reform has always been dominated by concern with a narrow conception of cost : direct Exchequer expenditure. The fact that the needs of older people have rarely been central to discussions of pensions reform is a major failing of post-war social policy. Part of the problem is that pension policies themselves have been employed to regulate the economy and labour force rather than to meet need. The main lesson from successive pension reforms is that unless there is a fundamental restructuring of the relationship between age and the labour market, on the one hand, and the incomes of pensioners and those in employment, on the other, economic insecurity and poverty will persist into the next century and beyond.

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