

RETIREMENT LIVING STANDARDS

EXECUTIVE SUMMARY

For just over a decade the Centre for Research in Social Policy (CRSP) at Loughborough University has been researching what the UK public think is needed for an adequate income in retirement at a minimum level – what single and partnered retired people living in the UK need for a minimum socially acceptable standard of living (as well showing what is needed by a range of different working-age households). The PLSA commissioned CRSP to explore if the public would be able to reach consensus on what higher standards of living would look like, building on their ongoing research to establish a ‘Minimum Income Standard’, and with the aim of enabling consumers to see what they would need, producing a range of living standards to inform individual thinking and planning for retirement that is relevant to their needs and expectations.

RESEARCH APPROACH

The Minimum Income Standard (MIS) has increasingly come to be seen as a ‘standard’ and used by a growing number of organisations as the benchmark, informing thinking, policy and practice relating to the living standards of pensioners. The research is reviewed on an annual basis to ensure that the costs of goods and services used to compile the expenditure budget is kept current. The standard is regularly rebuilt using primary research methods to ensure that what is in a minimum “basket” of goods and services remains current and reflects the views of the general public.

The definition of a minimum standard of living for all people living in the UK, which was constructed by the public, has been regularly retested over years, is used as the benchmark for what a minimum retirement living standard is and was used as a starting point for the research into the higher retirement living standards:

A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.

The research for the Retirement Living Standards was adapted from the research approach used to produce MIS. It is a ‘bottom-up’ method that starts and ends with the views of members of the public, established through a series of group discussions and deliberations. Expert views were input for some areas (nutrition, transport and energy usage) to provide additional specialist contributions. A total of 26 extended qualitative discussion groups (many lasting in excess of 3 hours in length) across 13 UK locations with almost 250 participants were used to form a robust view from across a wide range of socio-economic and geographic backgrounds.

The research started with group discussions with members of the public about how ‘higher’ living standards should be described and defined, and what the key descriptors of each different level should be. Through a series of four groups, participants discussed what was the most appropriate ‘label’ for these different living levels as well as identifying both the kinds of things that it would be possible to do at each of these levels and less tangible affective dimensions, such as ‘peace of mind’ or ‘security’. The result of these discussions was two definitions of living standards above a minimum which were rooted in public discussion and reflect a shared understanding of expectations in and for retirement, which were named a “moderate” and a “comfortable” standard of living:

A moderate standard of living in retirement in the UK is about more than just meeting your basic needs. It means being able to access a range of opportunities and choices, having a sense of security and the option to do some of the things that you would like to do.

A comfortable standard of living in retirement in the UK is about more than just meeting your basic needs; it is about having a broad range of opportunities and choices, peace of mind and the flexibility to do a lot of the things that you would like to do.

The definitions provided the basis for the detailed discussions about exactly what is needed to reach the living standard level. Participants were asked to focus on the needs of a defined hypothetical individual (or couple), which acted as a focal point around which the needs and expectations for such an individual at that particular living standard were explored, challenged and refined in order to build up a detailed description of the goods and services needed. In this way the groups were focused on providing a detailed description of the goods and services that every person needs to achieve such a standard of living, rather than a description of the goods and services that reflects individual tastes and preferences.

A series of sequential groups were held that were tasked with deliberating on and refining the work of previous groups, thereby building up a very detailed picture of the goods and services that are needed for a particular living standard. The process produced a rich description of what item or service is needed,

why it is needed, what quality the item should be, how long it would last and where it would be bought.

Following on from the research to establish retirement living standards in urban areas of the UK outside London/SE, a review of the list of goods and services identified within each living standard was undertaken in London/SE. This review was necessary as ongoing research on minimum living standards has repeatedly pointed to differences in needs, costs and expectations, within the capital compared to other urban areas in the UK. The groups were asked to reflect on whether or not single or partnered pensioners would need different goods or services to reach a moderate or a comfortable retirement living standard in London/SE, which addressed potential areas of difference e.g. thinking about the different transport options in the capital compared to many other parts of the UK, does a retiree at the moderate level require the use of a car or not?

FINDINGS

The detailed, ‘granular’ specification of goods and services, arrived at across groups, was used as the basis for obtaining costings for each item from the retailers agreed within the groups. The resulting data were used to calculate what individuals and couples would need to spend on a weekly and annual basis within each broad category of expenditure (e.g. food, leisure etc.), and in turn what a single or a couple in retirement would need to spend each year in order to reach each of the retirement living standards.

RETIREMENT LIVING STANDARDS: UK



one person



couple

COMFORTABLE	£33,000	£47,500
MODERATE	£20,200	£29,100
MINIMUM	£10,200	£15,700

LONDON/SOUTH EAST



one person



couple

COMFORTABLE	£36,300	£49,300
MODERATE	£24,100	£33,300
MINIMUM	£12,400	£19,800

The research provided not only a detailed public view of what should be contained within a particular living standard but also rich qualitative insight into what people thought living at such standards would deliver. At the moderate and comfortable living standards groups thought that such a standard would deliver financial peace of mind and security, as they felt that people living at these levels would be able to absorb financial shocks by having some financial buffer to withstand, for example, the expense of urgent roof repairs.

Linked to the notion of financial security and peace of mind was the importance for many of being able to maintain the life they had before retirement, and of having the freedom to continue doing much of what they had done before they retired. This was a feature for all three living standards. Maintaining a standard of living did not necessarily mean that spending in all areas would continue at the same level as before retirement, but that retirement should not bring with it a sudden change in their quality of life. Groups felt that for some this would mean making some preparations for life in retirement whilst still working e.g. completing major building work or alterations, meaning that at retirement your home would be as you want and need it to be.

The research demonstrated that the public was able to form a consensus view around the three standards through a methodology that can track and incorporate changes in the public's views and preferences of what are the essential components of each of the three standards. It is envisaged that the standards will be updated on a regular basis to ensure that they reflect an up-to-date view of costs in retirement to enable the public to make realistic plans based on the most accurate data available.

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