

## The impact of the economic recession on well-being and quality of life of older people

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### What is known about this topic

- Little is understood about the impact of the current economic downturn on people's general quality of life and well-being.
- There is little research on the financial experiences and capability of the older age group, a concern in light of the ageing UK population.

### What this paper adds

- An insight into the impact of the current economic downturn on the economic, mental and social well-being of older people.
- A particular focus on the 'asset rich-income poor' group.
- Evidence that some older people are equipped with certain resilience factors due to their money management and budgeting skills.

### Introduction

This article discusses a recent project that explored the impact of the recession on older people and their financial capability. Although this research explored the perceptions of both older people and the agencies working with them, this article focuses on the impact of the recession on older people's well-being and quality of life from the perceptions of older people themselves, and the findings from interviews with agencies working with older people are reported elsewhere (Hean *et al.* 2012).

The backdrop to this study is the growing economic downturn and global economic recession, which devel-

### Abstract

The importance of economic well-being is recognised in the recent UK Government policy. Older people may be particularly vulnerable to economic fluctuations as they are reliant on fixed incomes and assets, which are reducing in value. Within the literature, little is understood about the impact of the current economic downturn on people's general quality of life and well-being and, in particular, there is little research on the financial experiences and capability of the older age group, a concern in light of the ageing UK population. This article reports a qualitative research study into the nature of older peoples' vulnerability by exploring their perceptions of the impact of the economic recession on their well-being and quality of life. It explores specifically a group of older people who are not the poorest within the ageing population, but who may be described as the 'asset rich-income poor' group. Key themes relate to the impact of the recession on the costs of essential and non-essential items and dimensions of mental, physical and social well-being. Implications for health and social care practice in meeting the needs of older people during times of economic recession are then explored. The paper adds to the debate by demonstrating that the recession is having adverse consequences for older people's quality of life in terms of economic, mental and social well-being, although there is also evidence that some of them are equipped with certain resilience factors due to their money management and budgeting skills.

**Keywords:** economic downturn, older people, resilience factors, well-being

oped following the summer of 2007. This was driven by defaults in the US subprime mortgage market and an erosion of the capital base of the banking system in the USA and the UK (Barrell *et al.* 2008, Watson 2008). Governments worldwide have adopted measures to cut back on public expenditure, and the UK has entered a new 'age of austerity' to cope with the crisis and 'a period of retrenchment in which services will be cut' (Prabhakar 2010, p. 12). At the time of writing, the global aftershocks of the recession are still reverberating around the world, and economic problems in Greece and other European countries are leading to ongoing concerns about the stability of the global economy (Chisolm 2011).

In such uncertain times, increasing numbers of people are experiencing anxiety and stress about managing their finances (Financial Services Authority 2009), and poorer households may be adversely affected by spending cuts to essential services (Horton & Reed 2011). A key influence on older people's experience of the economic recession is related to their ability to deal with sudden shocks to their economic status. This is linked to three main factors: access to credit, shortened time horizon (such as in old age) and if the shocks in question are persistent (Beatty *et al.* 2011). As the effects of the recession and austerity measures continue to bite, so older people's resilience to cope with their changing economic state continues to be tested.

Income tends to decline in later life due to retirement whilst health-related expenses tend to rise (Stoller & Stoller 2003). Increased life expectancy means that financial resources need to be managed over an extended life course (Hill *et al.* 2007), and the period of life post retirement can stretch across a number of decades. The constraints of a fixed income in old age challenge individual ability to cope with sudden changes in economic well-being (Cook *et al.* 2004), and the routine management of finances can be 'de-stabilised by unexpected and sudden changes' in the economy (Bornat & Bytheway 2010, p. 191). These challenges can have an adverse impact upon the quality of life and well-being of many within the ageing population.

Notions about well-being are particularly important as people grow older, as they may contribute to resilience and individual ability to cope with life changes (Ong *et al.* 2009). Quality of life is a concept of increasing interest in the study of ageing and is loosely defined as those factors that 'make people happy or satisfied with their current life situation, past life experiences, and hopefulness for satisfaction with future life circumstances' (Kelley-Gillespie 2009, p. 278). However, the range and depth of quality of life in older people are broader than health alone and is a dynamic multi-faceted concept (Bowling 2011), including dimensions such as:

- Social well-being – sense of belonging, participation in social activities and membership of family or friendship networks
- Mental and psychological well-being – mental and emotional health, self-esteem and life acceptance.

These dimensions overlap and interact to represent the complexity of quality of human life. Finances may play an integral role in achieving many of the above dimensions (Kelley-Gillespie 2009), and economic well-being has a part to play in an individual's overall sense of well-being. For example, UK Government policy suggests that economic well-being be viewed as an essential

component of an individual's needs, and that local councils should consider this along with other key areas, such as health and well-being, when undertaking their assessments for social care (Department of Health (DH) 2010). Economic well-being is influenced by the management of a complex combination of capabilities and assets, which include both material and social resources. The decisions that individuals make about their financial lives can have a wider impact upon their overall sense of well-being, and research suggests that delaying or avoiding decisions about finances during retirement can cause psychological distress (Ferraro & Su 1999). Economic well-being is therefore intertwined with other dimensions of well-being.

Economic well-being may be compromised by rising fuel and food costs, which stretch consumer budgets (2020 Public Services Trust, 2010), with the oldest and poorest being most disadvantaged by such rising prices (Leicester *et al.* 2008, 2009). Concerns about fuel prices may be a particular concern for older people where cold weather can have a negative impact on the well-being of vulnerable groups; recent figures suggest that 30 000 excess deaths occur each winter, with older people at the most risk (Department of Health 2009). Research in both the UK and USA suggests that there is a heat or eat trade-off for lower income families during times of unseasonable cold weather (Cullen *et al.* 2005, Beatty *et al.* 2011). This means that the poorest pensioners may make difficult choices between eating and keeping warm during cold weather, as low-income households tend to devote a greater share of their spending on fuel than higher income households (Levell & Oldfield 2011). The findings from this study develop this discussion further by exploring how a certain group, described as 'asset rich-income poor', is facing difficult decisions due to rising prices and squeezed incomes. This group was targeted as they were considered most 'at risk' financially by the steering group, as they are sufficiently well-off not to be eligible for state support, yet insufficiently well-off to be living comfortably.

In the USA, economic well-being is positively associated with private pension receipt and home ownership (Hungerford *et al.* 2001). Better health is another well-established correlate of better economic circumstances at older ages. This is true for various dimensions of health, including mental and physical health (Lum & Lightfoot 2003). These factors may act as generalised resistance resources (Antonovsky 1996, Read *et al.* 2005), and alongside these elements, older people are able to draw on a lifetime experience of managing finances which can operate as a further resistance resource. Age has been found to be positively associated with the ability to make ends meet and planning ahead (Atkinson *et al.* 2006), and these attributes offer older people some resilience in

times of recession over the general population. However, it is important to recognise diversity within the older population, and resistance factors will vary due to national differences, gender and marital status (Lusardi & Mitchell 2007, Evans & Robinson, 2010).

The relationship between economic well-being and other correlates of well-being is complex and little understood. This article contributes to this debate, offering some consideration of the perceptions of older people of the impact of the recession on their essential and non-essential living costs, and the impact of this on their mental, physical and social well-being.

### Aims

This study explores the experiences of older adults who are described as 'asset rich-income poor' living in the community regarding the impact of the economic recession on their finances, well-being and quality of life.

### Methodology

The study was jointly funded by the Scottish Accountancy Trust for Education and Research, and Bournemouth University Foundation. Interviews took place between September 2010 and January 2011. Ethical approval for the project was gained through the University Ethical Review process before the commencement of the project. The design and management of the study were overseen by a steering group consisting of representatives from age-related charities in the third sector, older service users and academics. In addition to providing an overview of the project, including interview prompts, the steering group identified potential participants through their local networks in the South of England. Snowball sampling was used to distribute 200 information packs to potential groups and participants.

The inclusion criteria for participants were that they should be home owners, not in receipt of means-tested benefits, and not required to complete a tax return. This 'asset rich-income poor' sector was targeted as it was considered most 'at risk' financially following discussion with the steering group as it was ineligible for state support. Participants were recruited using a purposive sampling strategy (Patton 1988) to achieve representation of the local ageing population with regard to the research question in terms of the 'income' requirements, gender, geographical location (urban/rural), the old (65–79) versus the very old (>80) and living arrangements (in a couple versus living alone). Due to the small sample size, it was not our intention to provide comparisons across these features, but rather to ensure a diverse sample of experience.

The target for the number of participants was 30 and in total, 39 older people responded with an interest, and

11 withdrew or were ineligible: three withdrew due to personal/health reasons, three were ineligible due to their receipt of state benefits, four were ineligible due to having annual income above £22 000 and one was ineligible for the reason of living in rented accommodation. The total sample was  $n = 28$  see Box 1.

The perspective of the older population was explored in depth through a qualitative narrative approach using semi-structured interviews to explore support that older people use with regard to their financial well-being. The interview protocol contained questions concerning well-being, the recession and financial capability. For example, 'thinking back over the last 3 years, how has the economic downturn affected you?'. 'Do you think it has had any impact upon your well-being?' (prompts are included about the impact upon the individual's way of life, health, financial well-being, psychological and social well-being).

Other questions explored the individual's financial capability in terms of past, present and future, including how they manage money, plan ahead, choose financial products and stay informed.

A thematic analysis of the data was undertaken (Miles & Huberman 1994). Through a process of open coding, the basic units of analysis arising from the data were identified by scanning the transcript line-by-line. In this coding and formation of categories procedure, the researcher drew on the original research questions that guided the interview, as well as recurring themes that arose from data relevant, although not directly linked, to these original research questions. Through a process of constant comparison, codes were compared and contrasted to identify where variation and uniformity in the codes lay. Codes that showed similar properties were brought together to form wider categories. A coding framework comprising of individual codes, subcategories and categories was formed and agreed by the research team as a whole. Separate notes/memos were kept during the familiarisation and data fracturing stage, recording the properties of each potential category and the potential inter-relationships between categories. Analysis took place in parallel to the data collection phase in order that emerging themes or themes that had been insufficiently explored could be fed back into the interview schedule. QSR NVivo 9 QSR International Inc, Cambridge, MA, USA was employed to manage this analysis.

#### Box 1 Description of sample $n = 28$

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11 male/17 female  
 15 inside conurbation/13 outside conurbation  
 16 aged <80/12 aged >80  
 12 were in a couple/16 lived alone.

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## Findings

A number of key themes were drawn from the interview data in terms of the challenges that older people face due to the recession, their resilience to these challenges and the impact upon their quality of life and well-being.

### Increases in essential costs

The extra financial demands, which result from a recession, including rising prices and reduced incomes, influence the behaviours that individuals adopt to cope with increased outgoings whilst living on a restricted income. Many respondents reported an awareness of price increases across a range of essential living costs in the past year, including food, household repairs, transport and utility costs, and utility bills.

Food, as you know, is absolutely rocketing.... some things you can give up quite willingly but some foods that you've eaten all your life and you suddenly think I can't afford those any more. (Female, under 80, urban, living alone, SEDT121)

I've found for instance that in the last 12 months, food shopping has got considerably dearer. (Male, Over 80, rural, living alone, SEDT126)

Other participants spoke about cutting down the cost of food by cancelling the number of 'meals on wheels' deliveries.

And then I have an invoice for [name of Meals on Wheels provider] so that's why I cut out some of the meals on some days, to try and cut that down a bit. (Female, over 80, urban, living alone, SEDT225)

Rising heating costs are another challenge with individuals trying to reduce their costs:

Well I do say I'm fairly mean with the heating, I mean it has been rather cold so I've had it on.... I put woolly things round my wrists to keep my wrists warm because you've got no flesh round there you know. (Female, over 80, urban, living alone, SEDT202)

Housing and related maintenance costs are another area of concern, with many delaying repairs, or being worried about being unable to allocate resources to these types of costs.

I begin to worry about the house itself, the building itself, how long is it going to be before my gas boiler needs to be replaced and that used to be something that you could afford to pay, (Male, over 80, rural, living alone, SEDT33)

Yes I am putting things off like you know there's leaks in my guttering, there's jobs to do in the garden. (Female, under 80, rural, living alone, SEDT124)

These increased essential costs have altered the behaviours of the respondents, including reductions in

the use of heating to keep bills lower or attending public libraries to keep warm and comfortable during the day.

### Increases in lifestyle and non-essential living costs

This theme concerns non-essential living costs and related lifestyle choices that individuals make, including hobbies, eating out and holidays. It fits the notion of retirement as a phase of the life-cycle when individuals should be in a position to pursue leisure activities (Robinson & Godebey 1997). Holidays are important to participants, either as an activity to be maintained, or as activity that is no longer possible. For those still taking holidays, this was often seen as a luxury that was worth sacrificing for in other areas of life. Many others, however, felt unable to afford holidays, a loss much regretted.

Probably the only real luxury we indulge in is occasional holidays and I consider that really important, I mean you can do without a few treats and clothes and things. (Female, under 80, rural, in a couple, SEDT197)

We haven't gone abroad, in fact I don't think we've gone abroad now for the last 4 years and that does make a big difference because if you're used to sort of travelling and making your holiday visits. (Male, over 80, rural, in a couple, SEDT126)

Hobbies and other pastimes are important to respondents; however, it appears that these are restricted due to the costs involved. This in turn may impact negatively their overall physical, mental and social well-being (Silverstein & Parker 2002).

I can't really afford to go to the theatre, cinema, shows, those kind of things, which is a great sadness to me. (Female, under 80, urban, living alone, SEDT121)

Alongside the general reduction in leisure activities due to cost, a number within the sample expressed concern about the impact of services being cut on the leisure activities they pursue. They discussed the possible loss of free bus passes, the closure of libraries and the loss of subsidised adult education.

And that's another worry because they're talking of shutting down the public libraries whereas for people like me and for people on low incomes, they're a Godsend because they have activities, they have coffee mornings. (Female, under 80, urban, living alone, SEDT204)

Many described now thinking twice about purchases, particularly when this involved non-essential items or luxuries. For some, this means accepting that items, previously taken for granted, now are no longer affordable on a fixed budget.

Money's getting tighter and tighter and that means that luxuries that one used to have one thinks of looking at twice now, (Male, over 80, rural, living alone, SEDT33)

The economic downturn therefore is impacting the lifestyle choices that older people make, particularly in terms of non-essential items, resulting in a reduction in or loss of leisure activities, which may have a negative impact in terms of increased isolation and decreased levels of well-being.

### Resilience factors

Alongside these challenges, there is resilience to financial adversity within the older population (Rosowsky 2009). This is linked to a tendency to 'focus on the pleasure of gains rather than the pain of losses' (Mikel & Reed 2009, p.459), and illustrates an ability to achieve psychosocial balance after adverse experiences (Richardson 2002). For older people, this resilience is linked to life-long approaches to budgeting, an aversion to credit and the ability to make ends meet and plan ahead (Atkinson *et al.* 2006). In times of economic hardship, such attributes may offer the individual some control over their outgoings.

I've always had to be careful, it's just natural. I write down every single penny I spend, ...every month I break it down so I know every year how much has gone on bills, how much has gone on food, how much has gone on travel, everything. (Female, urban, under 80 living alone, SEDT101)

Such budgeting skills set older generations at an advantage during difficult economic times; for some individuals, the inability to pay for luxury items has meant a return to valuing the social capital of friendship groups including pooling resources and helping one another. Access to social capital can act as an important factor for resilience.

Well, cosmetics and things like that, going out and having beauty treatments or whatever. You either go without, or you have a little get together with your friends and you do the things to each other. (Female, under 80, urban, living alone, SEDT121)

Individual resilience and ability to draw on life-long skills will therefore influence quality of life and well-being.

### Well-being

Well-being is a subjective multidimensional concept (Kelley-Gillespie 2009). For older people, two dimensions are key to this: their mental and social well-being.

### Mental well-being

Most interviewees are concerned about finances in retirement, and the economic downturn in terms of

rising prices and reduced incomes. This causes them worry and stress.

I think if you're worried about money it does affect your mood, ...it's nag nag nagging away in the back of your mind. (Female, under 80, urban, living alone, SEDT121)

I just dread to feel that I'm going into debt.

(Female, under 80 rural, in a couple, SEDT30).

.....and you look in magazines and you flick through the pages and you think, can't afford that, can't afford that, and although it's only material stuff, it does get through to you, it can be a bit depressing to say the least. (female, under 80, urban, living alone, SEDT121)

These concerns are linked to the fear of debt and a reluctance to borrow money and the inability to pay bills. Many describe how they just about cover their weekly bills, but would be pushed into debt by unexpected costs. This means cutting back at times such as Christmas and birthdays, which can negatively impact their sense of mental well-being.

I'm sad to think I'm not going really to be able to do Christmas this year, and this is going to be the first year that I really realize I can't do it. (Female, under 80, urban, living alone, SEDT204)

For those on restricted incomes, the economic downturn has pressurised a finely balanced situation. Respondents are worried about coping in the future, particularly if services are cut or charges increased.

It was a worry when we heard that there might be a possible cessation of the free bus pass because we don't have a car, we depend on local transport. (Male, over 80, rural, in a couple, SEDT126)

The dimensions of well-being are inter-related. Anxiety about finances means that older people re-consider what lifestyle they can afford to adopt, and for many, this means reducing social activities because of the expense, which impacts their social well-being.

### Social well-being

Financial concerns and reductions in 'socialising' can negatively impact older people's access to social capital. Gray (2008, p. 6) defines social capital in relation to older people as 'the array of social contacts that give access to social, emotional and practical support'. This includes informal networks, neighbourhood groups, or support through religious groups, interest groups and so on. Respondents spoke of reduced social activities due to the increasing costs.

Social events have slowed a little bit like that I used to go out quite often but the cost of everything's gone up. (Female, under 80, rural, living alone, SEDT124)

Yes I think I can honestly say that we've definitely cut back on the sort of days out type fun trips. (Male, urban, under 80, living as a couple, SEDT123)

The link between finances and physical well-being is less clear, and it is likely that a complex inter-relationship exists among health, nutrition and finances. Some older people may become increasingly vulnerable due to their increasing poor health, and financial concerns can exacerbate this situation.

It's juggling finances and juggling health'. (Male, over 80, rural, living alone, SEDT127)

Declining health leads to increased costs for services, which they could once undertake themselves such as gardening and minor decoration, and reduced mobility can lead to increased transport costs and social isolation.

Last year a bulb went out in the three light fitting, I climbed on the steps and fell split my head open and I had to go in hospital. So I thought I've learnt my lesson, get somebody in to do it', (Female, under 80, rural, living alone, SEDT124)

Concerns about the increased costs of essential and non-essential items are expressed by nearly all of those interviewed, including coping current expenditure, as well as worrying about future financial needs. Participants are making lifestyle choices, based on financial considerations, which impact their social well-being. As a result, some risk increased loneliness and isolation as their social world shrinks, and in a cyclical fashion, this influences individual mental and physical well-being.

## Discussion

The findings of this study suggest that older people are experiencing financial challenges as a result of the economic recession. This is caused by static or reducing incomes whilst essential and non-essential living costs are continuing to rise. Although some recent research suggests that the economic downturn has not had massive direct consequence as yet (Batty & Cole 2010), the findings from this project suggest that older people are already experiencing adverse consequences. This study has considered the impact of rising costs, and the decisions people make about how to reduce weekly budgets for essential items. At the same time, individuals are worrying about the future consequences of the recession and austerity measures taken by the government.

These findings support Age Concern research (Williams 2009), suggesting that 42% of older people are struggling to afford essential items during the recession, and this may directly influence whether they decide to reduce food intake and skip meals. A number of participants spoke about cutting down on the food they buy, and

reducing the number of 'meals on wheels' delivered during the week or attendance at luncheon clubs. Adapting diet or reducing food intake may have wider implications for older people's general health and well-being, and may also impact social well-being as they reduce their attendance at luncheon clubs etc. due to rising costs. This may become a more urgent issue as prices for fuel and heating increase, and during cold weather, some individuals will make difficult decisions as to whether they should eat or heat (Cullen *et al.* 2005, Beatty *et al.* 2011).

Individual difference within the ageing population will exert an influence on the 'eat or heat' debate, and a particular risk factor is related to living alone and the risk of an inadequate diet (Holmes *et al.* 2008), although this is further compounded by low income. There is a link between low financial resource and poor diet, and such dietary restrictions have been found to inhibit physical and cognitive functioning (Sharkey 2008). One way of improving the nutrient intake of older people has been through attendance at community luncheon groups and clubs, and these have been found to provide benefit to both physical health and social well-being (Burke *et al.* (2011). It is therefore worrying that some older people are reducing their attendance, and such actions may have negative impacts upon their physical, mental and social well-being.

A range of non-essential living costs and activities are mentioned by participants, namely costs related to holidays, hobbies, socialising, luxury items and paying for other non-essentials. Such lifestyle choices have an important role to play in maintaining an individual's sense of well-being, and may provide continuity with a pre-retirement lifestyle and identity. An 'engaged lifestyle' is an important component of successful ageing and well-being (Betts *et al.* 2011), yet many of the older people in this sample describe reducing or stopping activities they have previously enjoyed due to the cost. This may reduce the social capital they have access to and contribute to future loneliness and isolation, which in turn may negatively impact quality of life and well-being.

Concern about upkeep of property is a major concern for the sample in this research. Housing is a policy issue as the aim has generally focused on the importance of 'ageing in place' (Means 2007, p. 65). It has been suggested that by 2011, around 73% of households whose heads are aged 60 years and more and over will own their own homes (Forrest *et al.* 1997). Therefore, upkeep of property and paying for essential household repairs are likely to remain a key concern for the ageing population. All of those interviewed spoke of delaying or avoiding essential repairs due to the costs, and many were worried about being unable to finance the cost of major repairs. Although these may be concerns shared with the general population during times of economic hardship, being on

a fixed income and being unable to generate new income during old age (Cook *et al.* 2004) can challenge older people's ability to cope with sudden changes in economic well-being (Bornat & Bytheway 2010).

The factors identified by Beatty *et al.* (2011) as influencing how older people may experience the economic recession do appear to be relevant within this study. For the most part, the participants described avoiding credit, preferring to use budgeting techniques to cope with bills without taking on extra debt. The shortened time horizon posed by old age does exert an influence as individuals are often coping on fixed incomes, with no chance of increasing these over the remainder of their life course.

Finally, although internal resilience factors (Wagnild 2003) may offer older people an ability to adapt to economic hardship, the ongoing nature of the economic shocks (Prabhakar 2010, Chisolm 2011) may test their resilience in the longer term. This may be compounded by lack of knowledge about the welfare system and entitlements to state benefits (Mayhew 2002), and difficulty in accessing appropriate financial services (Mitton 2008). These findings should be a wake-up call, not only for agencies working with older people but also for the younger population which needs to think to-day about their own financial needs for tomorrow.

It is anticipated that these findings will resonate with older people's experiences elsewhere in the UK. However, the financial lives of older people are extremely complex and it is difficult to differentiate completely those factors that are exclusively linked to the current economic downturn and those that are associated with the ageing process and/or reaching retirement regardless of economic climate. Follow-up studies, both qualitative and quantitative, are required to explore the extent to which these themes apply elsewhere nationally and how these may vary by demographic variables such as age, gender, living arrangement, and locality. Although older people possess some resilience to deal with the economic crisis, the oldest-old may overestimate their financial capabilities, above and beyond an impartial assessment of their means. Practitioners should keep this caveat in mind when very old clients tell them that they are able to make ends meet (Department of Health 2009, Litwin *et al.* 2009). They should be wary when older people cancel 'meals on wheels', or stop attending luncheon clubs, as such changes in behaviour may be due to a lack of finance rather than a lack of need.

## Conclusion

Older people's well-being and quality of life are being negatively impacted by the recession and the austerity measures being adopted by governments to deal with it. Although many older people have certain resilience in

terms of managing their finances linked to life-long approaches to money, the ongoing and pervasive nature of this recession may pose an ongoing challenge for many. Reductions in quality of life, due to compromised mental, physical and social well-being, may become a lasting consequence of this recession. Health and social care practitioners will need to remain vigilant to the range of factors that may impact an individual's ability to weather unpredictable economic changes. This is not just a concern for today, but may remain an issue for future cohorts of older people and the agencies that work and support them.

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