The Missing £Billions

The economic cost of failing to adapt our high street to respond to demographic change

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Executive Summary

There is a growing interest in understanding how the built environment may act as a barrier to participation in society by older people. The ILC-UK report “The Golden Economy” highlighted a number of recurring problems that older people experience when in shops, particularly supermarkets: a lack of rest areas and seating making shopping tiring; a lack of adequate toilet facilities; poor store layout, and other issues.

Over the past decade, the World Health Organisation has developed a global network of Age Friendly Cities, and the Age Platform in Brussels has led the development of a Covenant on Demographic Change pulling together a range of stakeholders including public authorities to **implement evidence-based solutions to support active and healthy ageing.** However, there has been limited study on the extent to which the environment we live and shop in might actually act as a barrier to consumption. Yet these barriers are documented in qualitative research. The ILC-UK report “The Golden Economy” highlighted qualitative research suggesting that, for example, **the lack of toilets and the lack of seating created a barrier to consumption**.

In this report we try to quantify the decline in consumption and spending on the high street among older consumers due to a series of barriers, such as poor health and lack of connectivity, which are related to the built environment. By health barriers we mean having mobility issues, such arthritis or having a difficulty walking for ¼ of a mile unaided; having a long standing illness; other health conditions or disabilities such as poor eyesight, difficulty hearing and incontinence. By connectivity barriers we mean lack of proximity to shops and amenities, especially for people living in rural areas; lack of access to a private means of transport, such as a car or a van; and lack of access to the internet.

We start by describing patterns of spending among older consumers, that is, consumers aged 50+, with a special focus on the 75+. We then summarise how often they engage in social and cultural activities, such as going to the cinema, theatre, museum, or eating out, and whether they would like to do more. We continue by providing a detailed description of the health and connectivity barriers that this group of consumers face, and show how they become more widespread with age. We finish by sketching a series of solutions, emphasising the potential role of the built environment.

Older people are increasingly important consumers

The market for older consumers is large and growing fast: nearly 20 million people – 9.3 million men and 10.4 million women – are aged 50+ in the UK.[i] Approximately half of them are aged 65+, and one in seven is an octogenarian. The number of people over state pension age is set to increase to nearly 14 million by 2030.[ii]

The growing number of older people means that this group of the population is an increasingly important part of our consumer economy: consumers aged 50+ spend a total of £314 billion a year, equivalent to roughly 43% of total consumer spending.[iii] However, households headed by a 50+ represent over 55% of the total number of households, and so it follows that older households are spending less that their younger counterparts. In this report we analyse some of the potential reasons for this and offer some tentative solutions.

Older people are “underspending” on goods and services

Previous studies - including ILC-UK’s “Understanding Retirement Journeys” (2015); “Financial Wellbeing in Later Life” (2014) and “The Golden Economy” (2010) - have documented how consumption steadily falls with age. Furthermore, the decline in spending appears to be persistent over time, and typical of most western countries and has been described as the ‘retirement consumption puzzle’.

This report shows that for each year past age 55, average (equivalised) household expenditure on food and groceries, eating out, clothing, and leisure declines by approximately 1%. So, by the time consumers reach the age of 75, we can predict an overall drop in spending equal to approximately 17.1%. However, there are differences across spending categories: while consumers aged 75+ spend significantly less on clothing and leisure, they spend nearly the same amount of money on food and groceries, and eating out as consumers in their early fifties.

These findings confirm what we had already established in the ILC-UK's previous report, Understanding Retirement Journey; the report analysed 10 years' worth of data from the Living Cost and Food Survey and concluded that it is mainly expenditure on so called "non-essential" items that declines as people get older, while expenditure on most essential items remains rather steady.

Older people also aren't getting out to spend as much as they would like

Not only do we spend less as we grow older; our research also finds that some of us don't go out as much as we would like as we age.

Based on original estimates from the English Longitudinal Study of Ageing (2014/15), the report reveals that only a tiny proportion of the 50+ engage in cultural activities, such as going to the cinema, theatre or museum at least once a month. Approximately 60% of the 50+ eat out at least once a month; and yet more than 40% of them would like to eat out more often. Ageing does not affect the frequency with which people go out – with the exception of going to the cinema; in addition, as we grow older, we want to go out less and less.

But do we want to go out less as we age because we are fully content with our lives and happy being at home watching TV, or are we forced to stay in because the environment is not fit for us?

Barriers to spending and cultural participation: financial constraints, poor health and connectivity barriers

A lack of spending in old age isn't just down to a lack of income

Financial constraints and a decreasing income are likely to be two of the main reasons for a drop in spending; however, our report reveals that consumers in their 60s and 70s claim to have 'too little to spend on their needs' less frequently than their younger counterparts.

In addition, regardless of where people stand in the income distribution, they still spend less as they get older. Interestingly, middle earners show the largest drops in consumption – up to 30% – between the ages of 50 and 80+; by contrast, octogenarians in the lowest income bracket spend on average only 10.7% less than their younger counterparts belonging to the same income group.

Poor health affects spending

Ageing is generally associated with a deterioration of health. But not all older people will see their health deteriorate at the same pace and to the same extent. While some 70 year-olds can still enjoy extremely good health and functioning, others are frail and require significant help from others.

Health and the risk of its deterioration have been widely recognised as being important determinants of consumption and saving decisions. Having a mobility issue, such as a difficulty walking a relatively short distance, is likely to make a person less willing to leave the house, and thus less likely to spend or engage in social activities, especially in areas that are not specifically equipped for older people. Our estimates reveal that having a walking difficulty is one of the toughest barriers to consumption among the 50+. After controlling for all other socio-demographic factors, we find that people with a walking difficulty spend on average 14.5% less; however, having a walking difficulty does not have the same impact on all spending categories: it leads to 16% less spending on clothing, 15% less spending on eating out and 11.5% less spending on leisure; but has no association with spending on food and groceries. If we concentrate on the 75+, we find a smaller impact - on average 10.9% lower spending – but the estimates become less precise, because of the reduction in sample size.

Living in a rural area, lack of access to a car or the internet also affect spending

Older people living in rural areas may have to travel more to reach their local high street shops; they will thus be much more reliant on driving or public transport than their urbanite counterparts. Older people with mobility issues or arthritis are particularly at risk of losing out if they live in more rural areas, unless the route to their high street provides ample opportunities for resting or seating.

About a quarter of the 50+ live in rural areas, with the proportion slightly lower (23.7%) for the 75+. However, we find that living in rural areas has a mixed impact on spending.

Having access to a car is associated with higher expenditure, and so is having internet access.

Addressing the barriers

For the people in their seventies, disability is a major issue which can severely affect their ability to perform everyday tasks. For this reason, it is important that the facilities they wish to access are well designed; and yet, recent research from the DWP suggests high streets in Britain are ill-equipped to meet the needs of older, disabled people. [iv]

People aged 50+ who have a walking difficulty may find it hard to access their local pubs and restaurants, since they are significantly more likely to say that they would like to eat out more; the relationship is even stronger for consumers aged 75+, which suggests that making pubs and restaurants more age friendly may greatly benefit this demographic.

Supplying more seating or resting places for people with a walking difficulty or arthritis and more toilets for people with incontinence issues may represent an incentive for older consumers to spend more or engage in cultural activities more often. Similarly, providing internet access to people with a walking difficulty, may lead to huge benefits in economic terms.

Making our environment more age friendly could offer an economic boost to UK GDP

Household spending is the most important part of aggregate demand; it amounts to approximately two thirds of GDP in most western economies, including the UK. By affecting consumption patterns, the age structure of the population is thus a crucial determinant of GDP. If older people do under-consume, as much of the empirical evidence seems to suggest, then an ageing population is likely to deliver a sluggish growth at least, or even a recession in the worst case scenario.

By removing barriers to consumption due to mobility issues, we could both improve the standard of living of people aged 50+, and give a boost to the economy.

We have calculated that if consumers aged 50+ with a mobility issue were to spend as much on eating out, clothing and leisure, as consumers of the same age and with the same socio-economic characteristics but without a walking difficulty, we could have an increase in annual spending between £470million and £3.84 billion. Even if we just focus on the 75+, we could have a boost to the economy ranging between £66 million and £560 million a year.

If we focus on the households headed by a consumer who is 55+, we would see a boost in consumption ranging between £0.3 billion and £2.6 billion; whereas, if we look at the 65+, we would quantify the boost as ranging between £0.2 billion and £2.0 billion a year; the boost in spending among the 70+ would range between £0.1 billion and £1.2 billion a year; and finally, the boost in spending among the 75+ would range between £66 million and £560 million a year.

What can we do?

Under consumption by older people presents a major economic challenge. As such, concerted policy action at a national and local level is justified. For businesses, there is a huge economic return from maximising access to the high street for the older consumer.

We focus our calls on the importance of ensuring that our built environment does not act as a barrier to consumption. It is vital that all communities, large and small, better understand the changing demographics of their inhabitants. We must better support the development of age friendly communities which foster active ageing. An age friendly community will improve the opportunities for shopping, socialising, working, and volunteering for all ages.

The design of shops can prevent or encourage access to the high street and thus foster spending. Local transport infrastructure can also determine whether an older person is capable of even making the journey to their local high street, and the actual design of the high street itself can be reviewed in order to make it more accessible for an older population.

End Notes

[i] ONS population estimates, 2015.

[ii] ONS (2015).

[iii] Our estimates from the Living Cost and Food Survey, 2014. Estimates from survey data may differ from estimates in the National accounts as they do not include imputed rents.

[iv] https://www.gov.uk/government/news/government-concerned-at-shocking-evidence-of-the-inaccessibility-of-the-british-high-street-to-disabled-people-despite-their-200-billion-spending

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