



The Pensioners' Incomes Series

United Kingdom, 2011/12

July 2013

Contents

List of tables	iii
List of figures	v
Chapter 1: Introduction and Summary of Main Results	1
Definitions and conventions in the Pensioners' Incomes Series	2
Summary of main results.....	5
A summary guide to interpretation of the results within the Pensioners' Incomes Series ...	8
Chapter 2: Pensioners' Incomes	13
Trends in income for all pensioner units.....	13
Trends in income sources for pensioner units.....	18
Differences by age	20
Differences by gender	27
Differences by region	29
Chapter 3: Sources of Pensioners' Incomes.....	30
Pensioner units in receipt of different sources of income.....	32
Pensioners in receipt of State Pension	36
Pensioners in receipt of income-related benefits	38
Pensioners in receipt of disability benefits	40
Pensioners in receipt of investment income.....	42
Pensioners in receipt of occupational pension income	44
Pensioners in receipt of personal pension income.....	46
Pensioners in receipt of private pension income.....	48
Pensioners in receipt of income from earnings	50
Pensioners in receipt of income from annual lump sum payments	52
Chapter 4: Distribution of Pensioners' Incomes.....	54
Median incomes by quintile.....	54
Age and gender in the income distribution	56
The distribution of different sources of income by position in the net income (BHC) distribution.....	59
The distribution of different sources of income by position in the net income (AHC) distribution.....	62
The importance of different sources of income in different quintiles	65
Pensioners in the overall net income distribution.....	67
The proportion of pensioners in the top half of the income distribution.....	69

Chapter 5: Additional Analysis and Context.....	71
Mixed status couples.....	72
Retired people.....	74
Pensioners 65 or over.....	76
Ethnic minority groups.....	78
Marital status of couples.....	80
Appendices.....	82
Appendix A: Data Sources and Methods.....	83
Appendix B: Reliability of Estimates in the Pensioners' Incomes Series.....	88

List of tables

Table 1.1: The number of pensioner units in the United Kingdom, 2011/12	2
Table 2.1: The average incomes of pensioner units, 1996/97-2011/12	16
Table 2.2: Growth in average incomes of pensioner units, 1996/97-2011/12	17
Table 2.3: The average incomes of pensioner couples by age, 1996/97-2011/12	22
Table 2.4: The average incomes of single pensioners by age, 1996/97-2011/12	24
Table 2.5: The average incomes of pensioner units by age, 1996/97-2011/12	26
Table 2.6: The average incomes of single pensioners by gender, 1996/97-2011/12	28
Table 2.7: The average income of pensioner units by region / country, 2009-12	29
Table 3.1: The proportion of pensioner units with income in addition to state benefits, 1996/97 to 2011/12	31
Table 3.2: The proportion of pensioner units with more than 50 per cent of income from private sources, 1996/97 to 2011/12	31
Table 3.3: The proportion of pensioner units with income from State Pension and the average amount for those in receipt, 1996/97 to 2011/12	37
Table 3.4: The proportion of pensioner units with income from income-related benefits and the average amount for those in receipt, 1996/97 to 2011/12	39
Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1996/97 to 2011/12	41
Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1996/97 to 2011/12	43
Table 3.7: The proportion of pensioner units with occupational pension income and the average amount for those in receipt, 1996/97 to 2011/12	45
Table 3.8: The proportion of pensioner units with personal pension income and the average amount for those in receipt, 1996/97 to 2011/12	47
Table 3.9: The proportion of pensioner units with private pension income and the average amount for those in receipt, 1996/97 to 2011/12	49
Table 3.10: The proportion of pensioner units with income from earnings and the average amount for those in receipt, 1996/97 to 2011/12	51
Table 3.11: The average amounts of income from annual lump sums for those in receipt, 1996/97 to 2011/12	53
Table 4.1: The median net income of pensioner units by quintile of the net income distribution, 1998/01 and 2009/12	55
Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2011/12	58
Table 4.3: Components of mean gross income of pensioner units by quintile of the net (BHC) income distribution, 1998-01 and 2009-12	61

Table 4.4: Components of mean gross income of pensioner units by quintile of the net (AHC) income distribution, 1998-01 and 2009-12	64
Table 4.5: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2011/12	66
Table 4.6: The proportion of individuals in pensioner families in each quintile of the overall population net income distribution, 1979, 1998/99, and 2011/12.....	68
Table 4.7: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1996/97 to 2011/12	70
Table 5.1: The average incomes of couples where one partner is over state pension age but the other is not, 1996/97 to 2011/12	73
Table 5.2: The proportion of different groups of pensioner couples with income from earnings and the average amounts for those in receipt, 2011/12.....	73
Table 5.3: The number of benefit units that have retired or not, by state pension age, 2011/12	74
Table 5.4: The average incomes of single retired benefit units under state pension age, 2011/12	75
Table 5.5: The average incomes of pensioner units 65 or over, 1996/97 to 2011/12.....	77
Table 5.6: The components of mean gross income of pensioner units, and the proportion in receipt by ethnic group, 2009-12.....	79
Table 5.7: The components of mean gross income of married and cohabiting pensioner units, 2009-12	81
Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2011/12	91
Table B1.2: Growth in average incomes of pensioner units, 1998/99 to 2011/12, and 2010/11 to 2011/12	92

List of figures

Figure 2.1: Real income of pensioners, 1979-1996/97 and 1994/95-2011/12	13
Figure 2.2: Sources of gross income, 2011/12	18
Figure 2.3: Growth in sources of gross income, 1979-1996/97 and 1994/95-2011/12	19
Figure 2.4: Sources of gross income of pensioner couples by age of head, 2011/12	21
Figure 2.5: Sources of gross income of single pensioners by age, 2011/12	23
Figure 2.6: Sources of gross income of all pensioner units by age of head, 2011/12	25
Figure 2.7: Net income (AHC) of single pensioners by gender 1979-1996/97 and 1994/95-2011/12	27
Figure 3.1: Benefit and non-benefit income, 1979-1996/97 and 1994/95-2011/12.....	30
Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2011/12	33
Figure 3.3: Distribution of income from selected income sources for those in receipt, 2011/12	34
Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996/97 and 1994/95-2011/12	36
Figure 3.5: Pensioner units in receipt of income related benefits, 1979-1996/97 and 1996/97-2011/12	38
Figure 3.6: Pensioner units in receipt of disability benefits, 1979-1996/97 and 1994/95-2011/12	40
Figure 3.7: Pensioner units in receipt of investment income, 1979-1996/97 and 1994/95-2011/12	42
Figure 3.8: Pensioner units in receipt of occupational pension income, 1979-1996/97 and 1994/95-2011/12	44
Figure 3.9: Pensioner units in receipt of personal pension income, 1994/95-2011/12	46
Figure 3.10: Pensioner units in receipt of private pension income, 1994/95-2011/12	48
Figure 3.11: Pensioner units in receipt of income from earnings, 1994/95-2011/12.....	50
Figure 3.12: Pensioner units in receipt of income from annual lump sums, 1994/95-2011/12	52
Figure 4.1: Net income (AHC) of pensioner couples by position in the income distribution, 1994-97, 1998-01, 2003-06 and 2009-12	56
Figure 4.2: Pensioner couples by age and position in the net income (AHC) distribution, 2011/12	57
Figure 4.3: Sources of gross income of pensioner couples by position in the net income (BHC) distribution, 2009/12.....	59
Figure 4.4: Sources of gross income of single pensioners by position in the net income (BHC) distribution, 2009/12.....	60

Figure 4.5: Sources of gross income of pensioner couples by position in the net income (AHC) distribution, 2009/12.....	62
Figure 4.6: Sources of gross income of single pensioners by position in the net income (AHC) distribution, 2009/12.....	63
Figure 4.7: Pensioners' position in the overall net income (AHC) distribution, 1979 and 2011/12.....	67
Figure 4.8: Proportion of individuals in pensioner families in the top half of the overall population net income (AHC) distribution, 1979-1995/97 and 1996/97-2011/12.....	69
Figure 5.1: Sources of gross income for different types of pensioner couples, 2011/12	72

Chapter 1: Introduction and Summary of Main Results

The publication

This is the latest edition of the annual Pensioners' Incomes (PI) Series. It contains estimates of the levels and trends of pensioners' incomes based on two household surveys: since 1994-95 information is based on the Family Resources Survey (FRS), while historical trends are examined using the Family Expenditure Survey (FES). The FRS is one of the largest cross-sectional household surveys in this country. This chapter of the publication gives an introduction and summarises the main conclusions.

- **Chapter 2 looks at income for different groups of pensioners** by age, for singles and couples, and broken down by region
- **Chapter 3 looks in more detail at various sources of income**, including the proportion of pensioners who receive income from these different sources
- **Chapter 4 looks at the distribution of pensioners' incomes**, both within the pensioner population and within the household population overall
- **Chapter 5 sets out results for additional analysis**, including couples where one member is above state pension age and the other below, married and cohabiting couples and results for ethnic groups
- **The appendices include** further details on the methodology behind the publication.

Online access

This publication is on the internet at

<https://www.gov.uk/government/organisations/department-for-work-pensions/series/pensioners-incomes-series-statistics--3>

The site includes copies of the tables in excel format, including data for the years omitted from the hard copy publication for reasons of space. The PI web page also includes links to methodological papers and other relevant documents. Related statistical reports, for example Households Below Average Income published by the Department for Work and Pensions (DWP) can be found at:

<https://www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2>

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Definitions and conventions in the Pensioners' Incomes Series

The Pensioners' Incomes Series analysis is for **pensioner units**, which are defined as:

- **Single pensioners:** people over state pension age (SPa) , or
- **Pensioner couples:** married or cohabiting pensioners where one or more are over SPa.

The SPa is 65 for men born before 6th April 1959. For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018. Other changes are planned or have been announced from December 2018 when the State Pension age for both men and women will start to increase to reach 66 in October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028. These changes are published at: <https://www.gov.uk/changes-state-pension>. For 2011/12 data, women are over SPa based on date of birth and date of the survey interview. For further guidance on calculating State Pension eligibility age, see: <https://www.gov.uk/calculate-state-pension>

All analysis is based on the benefit unit – single pensioners or pensioner couples. The analysis does not reflect income from others in a household. If a pensioner lives with their adult children for example, the children's income is not reflected in this analysis.

This publication presents analysis by different groups of pensioners.

Recently retired pensioner units are defined on the basis of age rather than employment status. In previous years, this has been defined as those units where the head is less than 5 years over SPa, which included single women between 60 and 64, single men between 65 and 69, and pensioner couples where the head is between 65 and 69 if male, or between 60 and 64 if female. For 2011/12, women aged between 60 and 64 are included in recently retired if they have reached SPa as defined by the criteria above. Recently retired pensioner units are included in the 'Under 75' age group. This approach is used in most of the publication while Chapter 5 looks at retired units by employment status rather than age.

For analysis by age, pensioner couples are categorised by the age of the head (see Appendix A for definition of the head of benefit unit).

Table 1.1 shows the total pensioner population and the main population subgroups reported on in this publication. For example, the recently retired pensioners group is mostly pensioner couples, and the single pensioner group is mainly single female pensioners.

Table 1.1: The number of pensioner units in the United Kingdom, 2011/12

	Recently retired	Under 75	75 or over	All
All pensioner units	2,000,000	4,950,000	3,700,000	8,650,000
<i>of which</i>				
Pensioner couples	1,200,000	2,900,000	1,250,000	4,150,000
Single pensioners	800,000	2,050,000	2,450,000	4,500,000
Pensioner married couples	1,150,000	2,750,000	1,200,000	3,950,000
Pensioner cohabiting couples	100,000	150,000	50,000	200,000
Single male pensioners	300,000	550,000	650,000	1,200,000
Single female pensioners	500,000	1,500,000	1,800,000	3,300,000

The publication is based on data from the FRS, which is a household survey and therefore does not reflect the situation of pensioners in care homes.

Gross income is income from all sources received by the pensioner unit including income from Social Security benefits (including Housing Benefit), earnings from employment or self-employment, any private pension income, and tax credits.

Net income Before Housing Costs (BHC) is gross income with direct taxes including Council Tax payments deducted.

Net income After Housing Costs (AHC) is as above with housing costs including rent, water rates and mortgage interest payments deducted.

A detailed description of gross and net income definitions can be found in Appendix A.

Throughout the publication, figures for incomes are presented in 2011/12 prices and rounded to the nearest pound. Population numbers are rounded to the nearest 50,000 unless otherwise stated. Totals may not equal their components due to rounding. Estimates of less than 50p or 0.5 per cent are labelled *.

Averages are either means or medians and are identified to help readers' understanding. Growth rates presented are in real terms (that is, after inflation) and calculated using unrounded data.

DWP is aware that in January 2013 the National Statistician announced, following a review and consultation, that the formula used to produce the RPI did not meet international standards and recommended that a new index be published (RPIJ) using the Jevons¹ formula.

The National Statistician also noted that there was significant value to users in maintaining the continuity of the existing RPI's long time series without major change, so that it may continue to be used for long-term indexation and for index-linked gilts and bonds in accordance with user expectations. In accordance with the Statistics and Registration Service Act 2007, the RPI used in this publication has been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. A full report can be found on the UK Statistics Authority website.

In response to this announcement regarding the limitations of RPI, DWP plans to engage with users of the PI data and related publications² during Summer 2013, to explore whether the adoption of an alternative index would be appropriate, taking into account user needs, data availability and methodological issues

Graphs showing long-term trends use the Family Expenditure Survey for 1979 to 1996/97 and the Family Resources Survey for 1994/95 to 2011/12 (the most recent year). FES estimates should not be directly compared with FRS estimates due to methodological differences in the surveys.

¹ This is a geometric formula, whereas the RPI uses the Carli with an arithmetic formula. These formulae are used at the elementary aggregate level (i.e. the first stage of calculation where no weighting data are available). At higher levels of aggregation weighted averages are used.

² Related PI publications are 'Family Resources Survey' and 'Households Below Average Income'. They all use the FRS as their main data source.

Chapter 1: Introduction & Summary of Main Results

FES data are for calendar years up to 1993 and for financial years from 1994-95 onwards. 1990-91 data are combined data for the two calendar years 1990 and 1991. FRS data are for financial years.

For reasons of space, the FRS-based tables shown within the Pensioners' Incomes Series 2011/12 do not contain data for all years. Complete tables for the period 1994/95 to 2011/12 can be found on the GOV.UK website at

<https://www.gov.uk/government/publications/pensioners-incomes-series-201112> .

Some income growth comparisons with 1979 use figures not contained in this report.

Chapters 2, 3 and 5 use historical comparisons to 1996/97 and 1998/99. The year 1998/99 is used because it is the first fully consistent year of data (change from Great Britain to United Kingdom) from the FRS. 1996/97 is then given for comparison as it is a link year, available for both the FES and FRS data and is therefore used regularly for long-term comparisons. Chapter 4 uses historical comparisons to 1998/99, for similar reasons to above; but also includes 3 year averages where the comparison with the three latest years is to 1998-01. This year was used as 1998/99 was the first consistent year and therefore is the earliest year which would provide a completely consistent comparison.

Further details regarding the data sources and methods used within the Pensioners' Incomes Series 2011/12 can be found in Appendix A.

Summary of main results

Income trends

Chapter 2

- Mean net income After Housing Costs has risen faster than Before Housing Costs. After deducting housing costs, mean net income has grown by 35 per cent since 1998/99 compared with 30 per cent Before Housing Costs. Around three quarters of pensioners own their homes outright (Family Resources Survey, 2011/12), **so pensioners' incomes are most often presented on an After Housing Costs basis.**
- Pensioners' mean net income has grown faster than earnings over the last thirteen years. **Net income After Housing Costs for pensioner units has grown by 35 per cent** between 1998/99 and 2011/12 in real terms, whereas **Average Weekly Earnings for the whole economy have risen by 12 per cent** in real terms over the same period.
- The **median net income has grown faster than the mean net income** for both Before Housing Costs and After Housing Costs, with the Before Housing Costs median increasing 35 per cent between 1998/99 and 2011/12 and 43 per cent After Housing Costs. This means **pensioners in the middle of the income distribution have seen faster growth** than those in the upper end of the distribution.
- Mean net income After Housing Costs decreased by 3 per cent and mean net income Before Housing Costs decreased by 2 per cent between 2010/11 and 2011/12. **Economic factors over the same time period have limited the general scope for income growth**, with Average Weekly Earnings in the whole economy decreasing by 2 per cent in real terms, inflation rising to 4.8 per cent (based on the Retail Price Index [RPI]), and Bank of England interest rates remaining very low at 0.5 per cent.

Trends in income sources

Chapter 2

- In 2011/12 **state benefits accounted for 43 per cent of pensioners' incomes**, occupational pensions made up 27 per cent, earnings 18 per cent, investment income 7 per cent, and personal pensions 4 per cent.
- Since 1998/99, the **fastest growing sources of income are earnings**, which has increased by 65 per cent in this time, and **personal pension income**, which has increased by over 200 per cent. Benefit income which includes the State Pension has increased by 23 per cent and occupational pension income by 40 per cent over the past 13 years. Investment income has decreased by 18 per cent in real terms from 1998/99.
- In the past year, benefit income fell by 3 per cent, **due to a range of factors one being the uprating of benefits in April 2011 being lower than inflation during this period.** The Basic State Pension increased by 4.6 per cent and Pension Credit by 3.6 per cent compared with the 4.8 per cent increase in inflation (RPI).
- Occupational and personal pensions showed increases while earnings and investments showed decreases in the latest year, **though these were not statistically significant.** While results are indicative, they should therefore be treated with caution.

Differences between pensioner units

Chapter 2

There are substantial variations in income within all groups of pensioners. However:

- Pensioner couples on average have around two-and-a-half times the level of occupational pensions and approximately three times the amount of investment income as single pensioners. Pensioner couples also have almost seven times the level of

Chapter 1: Introduction & Summary of Main Results

earnings as single pensioners, though if limited to those in receipt of earnings, couples have less than double that of singles. These earnings discrepancies between couple and singles are partly explained by fact that pensioner couples are more likely to contain a younger partner in the workplace.

- On average **older pensioners have lower incomes**. In 2011/12 pensioner couples where the head was aged 75 or over had a (mean) net income of £439 a week After Housing Costs, compared with £502 for those aged under 75.
- On average **male pensioners have higher incomes than female pensioners** within all age groups. Single male pensioners had a (mean) net income After Housing Costs of £256 per week in 2011/12 compared with £212 for single female pensioners.
- Pensioners in London, the East, and the South East have on average higher income than pensioners in other parts of the UK. Average benefit income varies much less between regions than other types of income. This is true for both couples and singles.

Proportion of pensioners with different sources of income

Chapter 3

- 97 per cent of all pensioner units reported income from the **Basic and Additional State Pension** in 2011/12, at an average of £127 a week for singles and £184 a week for couples.
- 27 per cent of pensioner units received at least one **income-related benefit** in 2011/12, such as Pension Credit, Housing Benefit or Council Tax Benefit.
- 23 per cent of pensioner units were in receipt of **disability benefits**. Pensioner couples received an average £81 a week from disability benefits in 2011/12 compared with £64 for single pensioners.
- In 2011/12, 66 per cent of pensioner units had some **investment income**, for example from savings or stocks and shares, although for most pensioners this was a relatively small amount. For example, half of those who had investment income received £4 a week or less.
- 62 per cent of pensioner units had income from an **occupational pension** at an average amount of £201 per week. 17 per cent had personal pension income in 2011/12.
- The proportion of pensioner units reporting income from occupational pensions rose from 40 per cent in 1979 to 57 per cent in 1996/97 (based on FES data). The proportion with some form of **private** (occupational and/or personal) **pension** income has continued to rise in recent years, increasing from 62 per cent of pensioner units in 1998/99 to 71 per cent in 2011/12 (based on FRS data).

Distribution of pensioners' incomes

Chapter 4

- Between 1979 and 1996/97 incomes rose more quickly at the upper end of the pensioner income distribution than at the bottom (based on FES data). For **pensioner couples'** net income After Housing Costs distribution, the growth rates were 91 per cent in the top fifth and 30 per cent in the bottom fifth. For **single pensioner** net income After Housing Costs distribution, the growth rates were 83 per cent in the top fifth and 21 per cent in the bottom fifth.
- FRS estimates suggest that the pattern of relatively high **growth in average income** for the top fifth of incomes, and lower growth for the bottom fifth was not repeated between 1998/99 and 2011/12, with a more even spread across the income distribution for both single pensioners and pensioner couples. The highest growth rates were in the second and third quintiles, and this is more pronounced for the After Housing Costs estimates.

- Median net income After Housing Costs increased by 25 per cent in the bottom fifth, 43 per cent in middle fifth and 26 per cent in top fifth of the **single pensioner distribution** between 1998-01 and 2009-12. Median net income growth of the **pensioner couple distribution** was 31 per cent in the bottom quintile, 33 per cent in the middle fifth and 25 per cent in the top fifth After Housing Costs between 1998-01 and 2009-12
- Older pensioners were more likely to be at the bottom of the income distributions, as were single female pensioners.

A summary guide to interpretation of the results within the Pensioners' Incomes Series

Measures of income

Use...	If...
Gross	<ul style="list-style-type: none"> interested in how much income pensioners receive before any taxes are applied interested in different sources of income
Net	<ul style="list-style-type: none"> interested in income available for pensioners to spend (excluding the income of other household members), either Before or After Housing Costs
Mean	<ul style="list-style-type: none"> interested in all income available to pensioner units in a particular group do not consider the influence of the highest incomes to be a major problem interested in breaking down income by source
Median	<ul style="list-style-type: none"> interested in the income of the 'typical' pensioner unit do not want the average distorted by a small number of high incomes looking at distributions of incomes
Average (mean or median) for all	<ul style="list-style-type: none"> interested in all income available to pensioner units in a particular group want to include those with no income from a particular source
Average (mean or median) for those in receipt	<ul style="list-style-type: none"> interested in the average 'rate' at which people receive income from a particular source interested in an individual source of income
All pensioner units	<ul style="list-style-type: none"> interested in broad trends in cash amounts for pensioners (both in couples and singles) as a whole
Singles and couples separately	<ul style="list-style-type: none"> comparing subgroups that contain different proportions of singles and couples looking at distributions of income
After Housing Costs	<ul style="list-style-type: none"> interested in the income available for pensioners to spend after their housing costs have been met considering changes in this net income over time comparing pensioners incomes with working-age incomes
Before Housing Costs	<ul style="list-style-type: none"> interested in total net income

National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

Strengths and limitations for use of the publication

- In March 2012, the Pensioners' Incomes series team undertook a review of the use of the publication with the aim of ensuring that the report continues to meet user needs. A summary is published at the following URL: <https://www.gov.uk/government/publications/pensioners-incomes-series-user-consultation>
- The key strengths of the Pensioners' Incomes Series were identified as the relatively long time series available for assessing trends going back to 1994/95 on the Family Resources Survey (FRS) and further with the Family Expenditure Survey (FES), and the availability of data for a range of income sources.
- A weakness of the publication is the uncertainty in estimates due to the fact they are survey based and are hence subject to sampling variation and other forms of error associated with a survey. The most important of these to note for the FRS are reporting errors, under-reporting, systematic bias and random sampling error. Where available, administrative data often avoids these uncertainties and is therefore a potentially better source when analysing particular income sources in isolation (see Appendix B for methodology). However, administrative data lack the demographic and socio economic detail available from household surveys such as the FRS.
- The surveys on which the Pensioners' Incomes Series is based are household surveys and so people living in institutions and communal establishments are not represented in the report. These institutions include nursing homes for example and so the PI Series focuses on pensioners living in households only.

Other sources covering similar themes include:

- Households Below Average Income (HBAI) <https://www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2>

The main focus of HBAI is to present the number and percentage of pensioners living in poverty and material deprivation. The PI series includes both total income and a detailed breakdown by different income components, such as benefits and occupational pension income, which are not included in HBAI. The PI series includes the incomes of pensioner units, singles and couples, of which couples can be both over SPa or one over and one under SPa. HBAI presents household incomes and

Chapter 1: Introduction & Summary of Main Results

defines pensioners as all adults over SPa. The PI series is based on unequivalised pension income, where the data are not adjusted for the size of the household, whereas in HBAI income is equivalised to take account of different sized households.

- Family Resources Survey (FRS)

<https://www.gov.uk/government/organisations/department-for-work-pensions/series/family-resources-survey--2>

Chapter 8 of the FRS publication includes pension participation for working-age individuals. This chapter shows those who are saving for retirement and the type of pension they are saving in (occupational or personal). Pension saving is broken down by economic status for employees, the self-employed and economically inactive, and by gender, age, economic status, total weekly household income and region.

- The DWPs Tabulation Tool

<http://83.244.183.180/100pc/tabtool.html>

The DWPs Tabulation Tool allows users to download DWP benefit caseloads, DWP benefit on and off flows, employment programmes, National Insurance contributions and qualifying years and second tier pension provision (taken from the Lifetime Labour Market Database (LLMDB) or L2) and National Insurance number allocations to adult overseas nationals entering the UK.

- The DWP's Stat-Xplore Tool

<https://stat-xplore.dwp.gov.uk/>

Housing Benefit statistics only are currently published via Stat-Xplore

- Wealth and Assets Survey (WAS)

<http://www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-2/index.html>

WAS is a relatively new large scale longitudinal survey with two waves currently published. The first wave (2006/08) had a sample of over 30,000 private households in Great Britain. The WAS dataset holds information about the economic status of households and individuals including their physical and financial assets, debts and pension provision. WAS data are also used to understand how wealth is distributed and factors which may affect financial planning, as well as respondents' attitudes and behaviours to saving. The Pension Wealth chapter in the WAS publication provides estimates of the types of private (non-state) pension wealth, split by a wide range of socio-demographic and economic breakdowns.

- English Longitudinal Study of Ageing (ELSA)

<http://www.ifs.org.uk/ELSA>

ELSA is a biennial longitudinal study of the health, social and economic circumstances of an initial sample of approximately 12,000 people aged over 50 in England. ELSA started in the early 2000s and now provides longitudinal data on pensions, savings, and labour market participation. It holds information on interactions and transitions over the life courses of respondents as they grow older - sometimes extending their working life - and eventually retire. ELSA also collects both objective and subjective data, such as social participation and networks, expectations of retirement, and the extent to which those expectations are met post retirement.

- Occupational Pension Scheme Survey

<http://www.ons.gov.uk/ons/rel/pensions/occupational-pension-scheme-survey-annual-report/2011-annual-report/index.html>

The Occupational Pension Schemes Survey (OPSS) is an annual survey, conducted by the Office for National Statistics. It covers occupational pension schemes from the public and private sector, not other types of pension, and samples at the level of the scheme and not the employer or employee. The Occupational Pension Schemes Survey provides the UK's longest consistent time series for estimates of pension scheme membership, with data back to 1953, and it provides a number of estimates of the number of schemes, scheme members, and their level of contributions.

- ONS Annual Survey of Hours and Earnings

<http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2012-provisional-results/index.html>

The Annual Survey of Hours and Earnings (ASHE) is published by the Office for National Statistics. It has been in place since 1997, although pension statistics are only robust from 2003. This can be used to provide information on earnings for individuals close to or over SPa. It also collects significant information on employee pension membership and contributions and because of the large sample (1% of National Insurance numbers) and the fact it is completed by the employer, rather than the employee, it is generally thought to provide the most robust indicator of employee pension membership.

- Labour Force Survey (LFS)

<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/june-2013/statistical-bulletin.html>

The Labour Force Survey (LFS) is a continuous household survey conducted in England, Scotland and Wales. The LFS is a large sample survey in which 60,000 households are interviewed each quarter. The survey provides information on the labour market, including employment, unemployment and economic activity rates. This source can be used to provide information on individuals close to or over SPa in the labour market.

- The Purple Book

<http://www.thepensionsregulator.gov.uk/docs/purple-book-2012.pdf>.

The Purple Book, jointly published annually by the Pension Protection Fund (PPF), and the Pensions Regulator (TPR), provides estimates of assets, liabilities, and risk in defined benefit schemes. Its focus is predominantly on the private sector, publishing the position of defined benefit schemes at the end of the financial year. It is drawn from administrative data, and is an official statistic.

Measuring living standards

- Incomes are often used as a measure of the 'standard of living' achieved by different groups. However, there are many other factors that can affect living standards, such as wealth, physical health or expenditure. Furthermore, estimates of pensioner unit income in the Pensioners' Incomes Series do not take account of the income of other members of the household, which could affect pensioners' standards of living. Therefore income estimates should only be regarded as broadly indicative of pensioners' overall living standards.

Chapter 1: Introduction & Summary of Main Results

- Material deprivation for pensioners, an additional indicator for measuring living standards has been included in the Households Below Average Income (HBAI) publication since 2009/10. This indicator is derived from a suite of questions in the Family Resources Survey, in which pensioners are asked whether they have access to 15 goods and services. A final score is calculated from the set of questions and compared with a threshold score to determine whether a pensioner is in material deprivation.
- For details of the material deprivation indicator, see the Department for Work and Pensions Working Paper Number 54 available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/200717/technical_note_20110307.pdf
For the 2011/12 results on pensioner poverty / deprivation, see Chapter 6 of HBAI at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206822/chapter_6_hbai13.pdf

Reliability of estimates in the Pensioners' Incomes Series (see Appendix B for more details)

- All estimates presented in this publication are based on sample surveys and are therefore subject to a degree of uncertainty. The presence of uncertainty in sampling estimates means that caution should be exercised in drawing conclusions.
- Uncertainty is larger for smaller groups. It is also larger for components of income which vary widely between different people. Estimates with relatively low levels of variability, such as benefit income that is pre-determined by benefit entitlement rules, will have lower levels of uncertainty (see **Table B1.1** for standard errors and confidence intervals for estimates of pensioners' average incomes in 2011/12).
- There is greater uncertainty when comparing two estimates of income (such as the income of two different groups of pensioners, or the change in incomes between two points in time). If the difference is large relative to the uncertainty in the estimates, then the growth estimate is likely to be meaningful.
- For other measures, a relatively large uncertainty in the original estimate will mean that the growth rate is subject to a wide margin of error. In some cases, the uncertainty is so great that we cannot say for certain whether the income measure has increased or decreased over the period.
- For most tables in this publication, the latest year-on-year growth estimates are subject to confidence intervals so wide it is not possible to say for certain whether there has been a positive or negative change. Growth estimates and their measure of uncertainty are included in **Table B1.2** of **Appendix B** only. Users can however draw broad conclusions about recent trends by looking at the full time series of estimates in the tables and charts.
- For further detail on the limitations of sample survey estimates as applicable to the Family Resources Survey (from which Pensioners Incomes data are derived), see pages 112 - 132 in the FRS 2011/12 publication

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206887/frs_2011_12_report.pdf

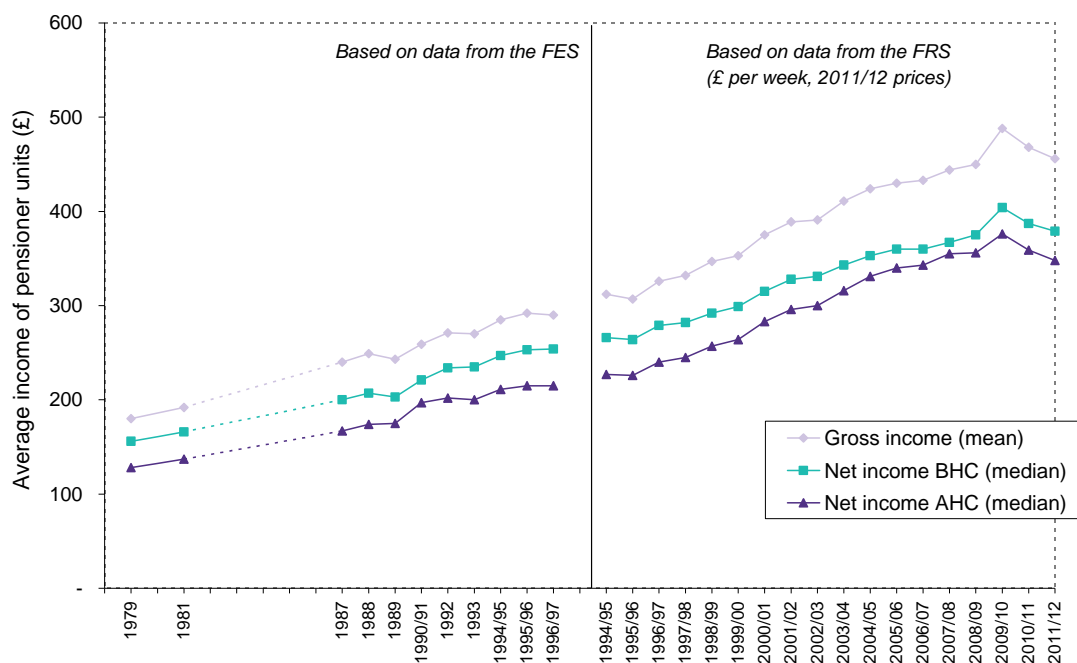
Chapter 2: Pensioners' Incomes

Trends in income for all pensioner units

Pensioner units on average received £456 a week in (mean) gross income in 2011/12 (**Table 2.1**). Using the same methodology for calculating incomes, working-age benefit units receive a (mean) average of £653 a week in gross income. After deduction of direct taxes, pensioner units received a (mean) average of £379 a week in net income compared with £476 for the working-age population. After deduction of housing costs, (mean) average income was £348 a week, compared with £408 for working-age benefit units. The difference between pensioner and working-age benefit units is less pronounced with After Housing Costs than Before Housing Costs. However, direct income comparisons with working-age benefit units may be inappropriate as a relative guide to standards of living due to the larger size of families with children. The median gross income for pensioner units in 2011/12 was £335 compared with £449 for working-age benefit units. The median net income for pensioner units was £297 Before Housing Costs and £265 After Housing Costs. For working-age benefit units, the corresponding figures were £362 and £294.

Pensioner incomes have grown faster than average earnings across the economy as a whole since 1998/99. Net mean income for pensioners has grown in real terms by 30 per cent (median 35 per cent) since 1998/99, compared to real average earnings growth of 12 per cent over the same period (based on ONS Average Earnings Index data to 2000/01 and Average Weekly Earnings data from 2001/02, adjusted to real terms). Net income After Housing Costs has grown more quickly, increasing by 35 per cent in real terms since 1998/99 (43 per cent growth in median). This is partly due to pensioners now more likely to own their home outright than they were in 1998/99, and so have lower housing costs. (See HBAI income distribution 1994/95 – 2011/12 <https://www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2>)

Figure 2.1: Real income of pensioners, 1979-1996/97 and 1994/95-2011/12



Chapter 2: Pensioners' Incomes

In **Table 2.2** we give the central estimate of growth for each income component between 1996/97 and 2011/12 and between 1998/99 and 2011/12. We also give a 95 per cent confidence interval for the growth between 1996/97 and 2011/12. (A 95 per cent confidence interval is the range in which the actual change has a 95 per cent chance of falling).

The 95 per cent confidence intervals for the growth between 1998/99 and 2011/12 and the confidence intervals for growth in the latest year are shown in **Table B1.2** in Appendix B. As the confidence intervals surrounding the growth in main income sources since 1998/99 are relatively narrow compared with the growth estimates themselves, users can be confident of these long-term trends.

Between 2010/11 and 2011/12, gross mean income fell by £12, which equalled a 3 per cent decrease. Similarly, net income Before Housing Costs fell by 2 per cent for the mean and by 3 per cent for the median. For net income After Housing Costs, there were falls of 3 per cent (mean) and 4 per cent (median). For these decreases in income between 2010/11 and 2011/12 only the 4 per cent fall in the median AHC was statistically significant. As for these summary measures, there was also a reduction in most income sources. However only the 3 per cent reduction in benefit income is statistically significant.

Occupational and personal pension incomes did not decline, but respectively increased slightly or remain unchanged since last year. These changes were also not statistically significant.

Overall users are therefore advised to treat the latest year-on-year changes for specific income sources other than benefit income with caution.

The overall economic climate will have affected the trends in overall income and the different sources of income for pensioners over time. Key economic indicators for recent years:

- Using the same ONS measure for long-term trend in real average earnings (based on Average Weekly Earnings adjusted to real terms), Average Weekly Earnings fell by 2 per cent from 2010/11 to 2011/12. The reduction in real terms earnings may partly be due to a combination of both pay freezes and economic restructuring following the recession³.
- The inflation rate in 2011/12 as measured by the Retail Price Index (RPI) was 4.8 per cent, and 4.3 per cent as measured by the Consumer Price Index (CPI).⁴ For 2010/11, RPI was 5.0 per cent and CPI 3.5 per cent. For 2009/10, RPI was 0.5 per cent and CPI 2.2 per cent.
- Base interest rates were 0.5 per cent in 2011/12 and have remained unchanged since April 2009.

The fall in earnings for pensioners in the latest year is similar to the overall situation for average wages over the same time period in 2011/12. Also low interest rates will have affected the level of income received from savings.

³ See ONS publication <http://www.ons.gov.uk/ons/rel/regional-trends/regional-economicanalysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/sum-real-wages-down-by-8-5--since-2009.html>

⁴ All Before Housing Costs (BHC) incomes in this publication have been adjusted for inflation using a bespoke index supplied by the Office for National Statistics, consisting of the Retail Price Index excluding Council Tax, while all After Housing Costs (AHC) incomes in this publication have been adjusted for inflation using the Retail Price Index excluding housing.

Various benefit reforms were introduced in 2011/12, which had different effects on different benefit recipients. Overall, however, they resulted in a real terms fall in benefit income.

Those reforms relevant to the incomes of many pensioners include:

- From April 2011 Basic State Pension uprating was governed by a 'triple guarantee' where the increase is the highest of earnings, prices or 2.5%.
- The standard minimum income guarantee in Pension Credit was increased in April 2011 by the cash rise in a full basic State Pension.
- Measures to reduce housing benefit expenditure.

The introduction of the triple guarantee in 2011/12 meant that the key pensioner benefit – the Basic State Pension – was uprated by 4.6 per cent in April 2011 (the higher of earnings, prices as measured in the 3rd quarter of 2010/11, or 2.5 per cent). In addition the Pension Credit (Guarantee Credit) was increased by 3.6 per cent, to ensure the lowest income pensioners received the full value of the increase in their Basic State Pension.

Any uprating to benefits and private pension income in April 2011 therefore did not fully keep pace with the high inflation rate (of 4.8 per cent) for 2011/12, contributing to the overall reduction in real incomes in that year.

Chapter 2: Pensioners' Incomes

Table 2.1: The average incomes of pensioner units, 1996/97-2011/12

	<i>Incomes in £ per week, 2011/12 prices</i>						
	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
All pensioner units							
Gross income	326	347	450	488	468	456	100%
<i>of which</i>							
Benefit income	156	159	195	206	201	195	43%
Occupational pension	84	89	110	123	121	125	27%
Personal pension income	4	6	16	18	17	17	4%
Investment income	37	40	42	38	35	33	7%
Earnings	44	50	84	100	91	82	18%
Other income	2	3	4	4	4	3	1%
Net income BHC							
Mean	279	292	375	404	387	379	83%
Median	216	220	296	317	305	297	
Net income AHC							
Mean	240	257	356	376	359	348	76%
Median	176	186	273	286	276	265	
Pensioner couples							
Gross income	468	497	624	670	641	626	100%
<i>of which</i>							
Benefit income	178	179	213	225	220	217	35%
Occupational pension	130	140	160	177	172	182	29%
Personal pension income	7	10	27	29	27	28	4%
Investment income	59	62	63	57	52	50	8%
Earnings	92	103	156	178	164	146	23%
Other income	2	3	5	4	5	4	1%
Net income BHC							
Mean	394	411	508	541	517	510	81%
Median	309	318	413	428	416	415	
Net income AHC							
Mean	354	378	497	520	495	483	77%
Median	270	290	400	409	394	390	
Single pensioners							
Gross income	219	235	304	314	311	299	100%
<i>of which</i>							
Benefit income	139	145	180	188	183	176	59%
Occupational pension	48	52	67	71	74	73	24%
Personal pension income	1	2	7	8	8	7	2%
Investment income	21	24	24	19	18	17	6%
Earnings	8	10	23	25	24	22	7%
Other income	1	2	3	4	3	3	1%
Net income BHC							
Mean	193	205	264	273	269	258	86%
Median	166	171	229	240	236	226	
Net income AHC							
Mean	154	168	237	240	237	224	75%
Median	117	127	196	200	199	188	

Table 2.2: Growth in average incomes of pensioner units, 1996/97-2011/12

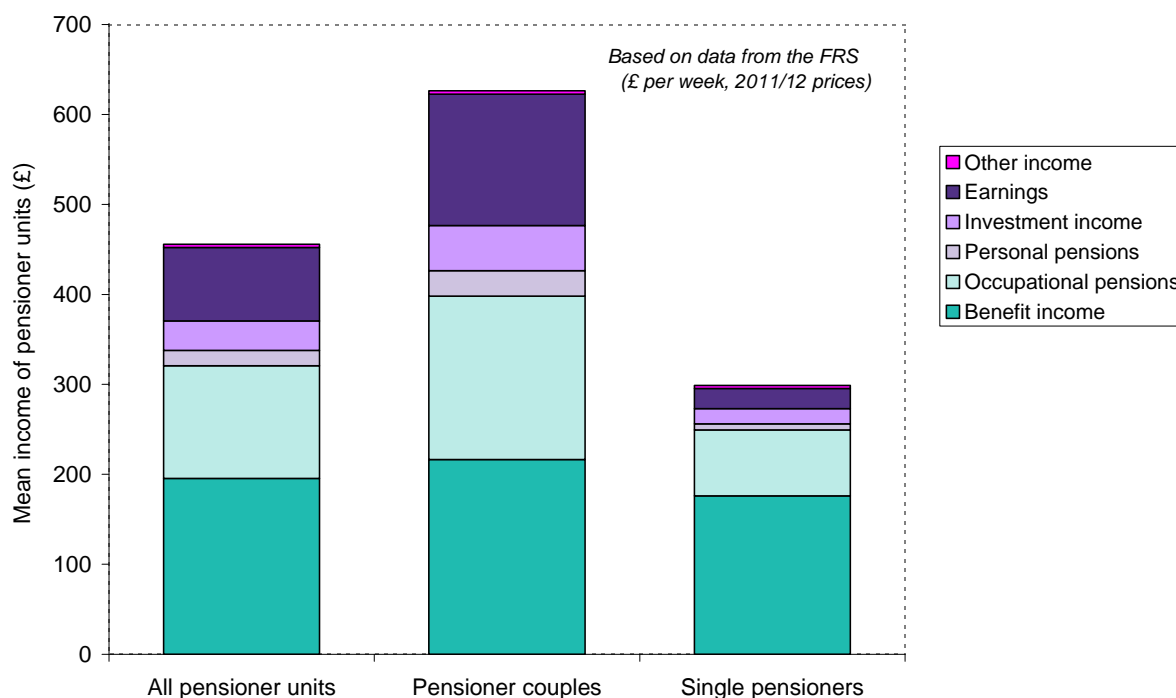
	<i>Incomes in £ per week, 2011/12 prices</i>					
	1996/97	1998/99	2011/12	% growth 1996/97 to 2011/12	% growth 1998/99 to 2011/12	95% confidence interval 1996/97 to 2011/12
All pensioner units						
Gross income	326	347	456	40%	31%	34% to 45%
<i>of which</i>						
Benefit income	156	159	195	25%	23%	24% to 27%
Occupational pension	84	89	125	50%	40%	41% to 58%
Personal pension income	4	6	17	376%	207%	280% to 471%
Investment income	37	40	33	-12%	-18%	-25% to 0%
Earnings	44	50	82	84%	65%	59% to 109%
Other income	2	3	3	109%	39%	39% to 178%
Net income BHC						
Mean	279	292	379	36%	30%	31% to 40%
Median	216	220	297	38%	35%	34% to 41%
Net income AHC						
Mean	240	257	348	45%	35%	40% to 50%
Median	176	186	265	51%	43%	46% to 56%
Pensioner couples						
Gross income	468	497	626	34%	26%	27% to 41%
<i>of which</i>						
Benefit income	178	179	217	22%	21%	19% to 24%
Occupational pension	130	140	182	39%	30%	29% to 49%
Personal pension income	7	10	28	315%	172%	221% to 409%
Investment income	59	62	50	-14%	-19%	-29% to 0%
Earnings	92	103	146	58%	42%	35% to 81%
Other income	2	3	4	78%	15%	-19% to 175%
Net income BHC						
Mean	394	411	510	30%	24%	24% to 35%
Median	309	318	415	34%	30%	31% to 38%
Net income AHC						
Mean	354	378	483	36%	28%	31% to 42%
Median	270	290	390	44%	35%	40% to 48%
Single pensioners						
Gross income	219	235	299	36%	27%	33% to 39%
<i>of which</i>						
Benefit income	139	145	176	27%	21%	24% to 29%
Occupational pension	48	52	73	52%	42%	39% to 65%
Personal pension income	1	2	7	488%	239%	185% to 792%
Investment income	21	24	17	-21%	-30%	-39% to -3%
Earnings	8	10	22	173%	115%	92% to 255%
Other income	1	2	3	142%	65%	59% to 225%
Net income BHC						
Mean	193	205	258	34%	26%	30% to 38%
Median	166	171	226	36%	32%	33% to 39%
Net income AHC						
Mean	154	168	224	45%	33%	39% to 50%
Median	117	127	188	61%	48%	55% to 66%

Trends in income sources for pensioner units

Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2011/12:

- 43 per cent of average gross income came from state benefits (including the State Pension)
- Occupational pensions provided 27 per cent of average gross pensioner income
- 7 per cent of average gross income came from investment income
- On average 18 per cent of gross income came from earnings, although this is concentrated on a sub-group of pensioners.

Figure 2.2: Sources of gross income, 2011/12



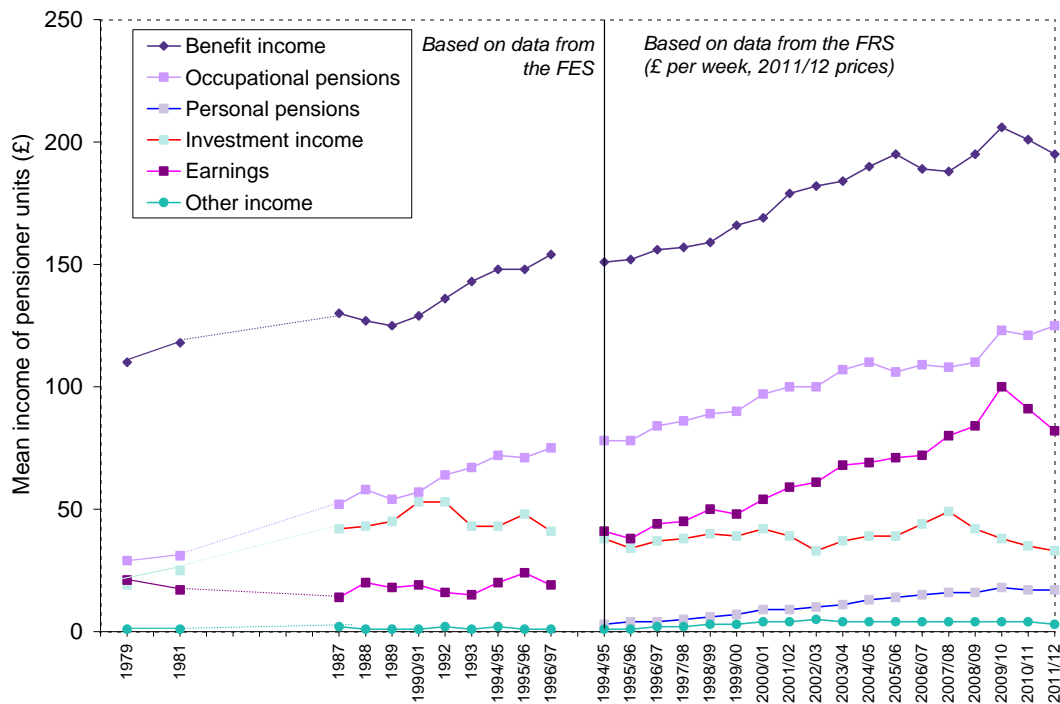
Some sources of income have contributed more than others to the overall growth in pensioners' incomes over the last 30 years (**Figure 2.3**). However, some sources with very high growth, such as personal pensions, started from a much lower base and so still contribute a relatively small amount to the overall gross income in the latest year.

- **Benefit income** has seen 23 per cent growth in real terms over the thirteen years since 1998/99 to £195 per week in 2011/12.
- **Occupational pensions** increased by 84 per cent in real terms between 1979 and 1996/97. In more recent years average incomes from occupational pensions have continued to grow, increasing by 40 per cent between 1998/99 and 2011/12, reaching £125 per week.
- **Personal pensions**, where the average income received from this source has trebled in real terms to £17 per week (over 200 per cent growth) since 1998/99, although it is still only a minority (17 per cent) of pensioners who receive a relatively small income from personal pensions.

- **Investment income** approximately doubled in real terms between 1979 and 1996/97. It fell between 2000/01 and 2002/03 and rose slowly up to 2007/08. Average investment income has fallen by over 30 per cent in the last four years to £33 per week. In real terms, the 2011/12 (mean) average investment income is lower than in 1998/99.
- **Earnings** increased between 1998/99 and 2011/12 from £50 to £82 per week in real terms, which equates to 65 per cent growth. However this source of income has also seen a fall in more recent years from £100 per week in 2009/10.

Increases in these average amounts over the longer term reflect both increases in the number of people receiving different types of income (for example, more people receiving occupational pensions) and increased amounts for those people who are in receipt. More information on these two effects for different sources of income can be found in Chapter 3. It should be noted that changes in average income do not simply reflect the changes experienced by individual pensioners. They also reflect changes in the composition of the pensioner population, for example as new retirees with higher incomes join the group, or those past state pension age remain in or return to the workplace.

Figure 2.3: Growth in sources of gross income, 1979-1996/97 and 1994/95-2011/12



Pensioner couples and single pensioners

The average summary measures such as means and medians for all pensioner units mask the differences between single pensioners and pensioners living as part of a couple.

On average pensioner couples have around two-and-a-half times the level of occupational pensions and around three times the amount of investment income as single pensioners. Pensioner couples also have almost seven times the level of earnings as single pensioners. Pensioner couples include some couples (around 30 per cent) where one partner is under SPa (see Chapter 5 for more information regarding mixed status couples).

Average net income After Housing Costs grew by 68 per cent between 1979 and 1996/97 for couples and by 59 per cent for singles. Between 1998/99 and 2011/12 (mean) net income

After Housing Costs increased by 28 per cent for pensioner couples, and 33 per cent for singles. As pensioners are increasingly likely to own their home these increases are smaller Before Housing Costs; 24 per cent for couples and 26 per cent for single pensioners over the same period.

Differences by age

The sources of income for pensioners and the average amounts received vary with age. **Tables 2.3 – 2.5** give the average incomes of pensioner couples, single pensioners and all pensioner units split into two clear groups and a sub-group. These are pensioner units aged 75 and over; pensioner units aged under 75; and a subset of the under 75's, recently retired pensioner units (single pensioner or head of pensioner couple less than 5 years over SPa). For couples, the age used is that of the head of the household. Note that recently retired is a subset of the under 75 group.

There are a number of reasons why there are differences caused by age:

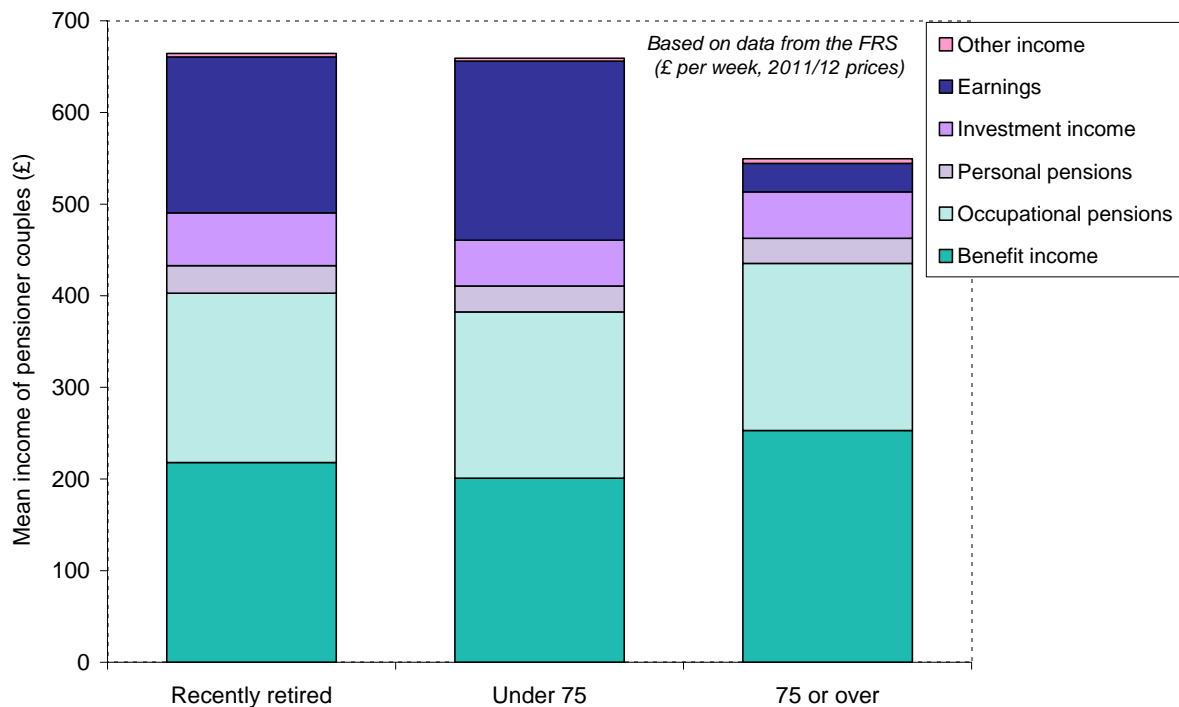
- **The 'age' effect:** Due to their age, older pensioners tend to have less income from earnings because they are less likely to be in work. Any pension(s) they may be in receipt of are usually a proportion of what they would have earned.
- **The 'cohort' effect based on historical factors:** Cohort effects are an important factor behind the growth in average incomes of pensioners. For example, the rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to someone born in 1940 than in 1910 for example. Currently, each successive cohort of pensioners has a higher income than the older cohort it effectively replaces and thus pushes up the average income of the pensioner group as a whole. There is a possibility that the cohort effect will have been dampened over the last two years because of the changes to equalise the State Pension age for men and women, which has had the effect of reducing the number of women starting to claim the State Pension. This means there are relatively fewer younger pensioners.
- **The length of time since retirement:** Before retirement the value of defined benefit pensions are linked to salary for those accruing pensions and price inflation for those with deferred pensions. The value of defined contribution pensions change in line with investments. The general long-term position is that Earnings-related Additional State Pension (SERPS, S2P) is linked to earnings growth during working life (see Chapter 3 for definition). After retirement, the value of defined benefit pensions in payment is generally linked to price inflation. The Basic State Pension is linked to the highest of earnings, prices or 2.5 per cent and Additional State Pension is linked to prices (note that changes to State Pension uprating have been put in place since 2011). The majority (around 85 per cent) of annuities purchased with occupational or personal pensions are level annuities, which do not increase over time, although a minority of individuals do purchase annuities which increase annually in line with inflation (RPI). Therefore, other things being equal, pensioners who have been retired for longer will have lower pensions than the equivalent younger pensioner.

Pensioner couples by age

The main sources of income for pensioner couples are shown in **Figure 2.4**.

Older pensioner couples (as defined by the age of the head of the household) tend to have less income than younger couples. This difference is mainly due to younger couples having greater earnings from employment. Nearly half (46 per cent) of mean gross income for pensioner couples 75 or over is sourced from benefits compared with 33 per cent and 31 per cent for recently retired and under 75 groups respectively. Pensioner couples include some couples where one partner is under SPA (see Chapter 5 for more information regarding mixed status couples).

Figure 2.4: Sources of gross income of pensioner couples by age of head, 2011/12



Chapter 2: Pensioners' Incomes

Table 2.3: The average incomes of pensioner couples by age, 1996/97-2011/12

Incomes in £ per week, 2011/12 prices

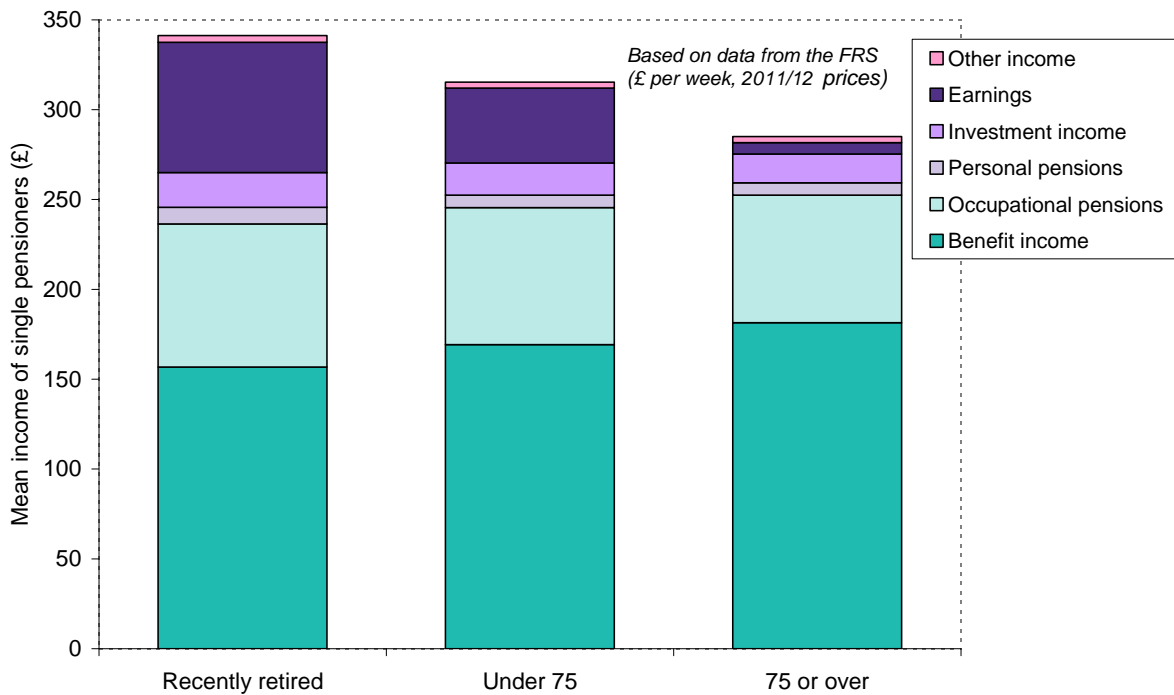
	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
Recently retired pensioner couples							
Gross income	519	546	677	745	681	665	100%
<i>of which</i>							
Benefit income	190	195	214	221	221	218	33%
Occupational pension	155	156	174	194	189	185	28%
Personal pension income	11	16	30	34	35	30	5%
Investment income	71	81	74	72	62	58	9%
Earnings	90	91	182	219	169	170	26%
Other income	2	6	4	5	6	4	1%
Net income BHC							
Mean	437	451	548	599	548	543	82%
Median	336	350	446	464	437	445	
Net income AHC							
Mean	398	419	539	579	526	515	77%
Median	304	321	434	449	416	416	
Pensioner couples where the head is under 75							
Gross income	502	534	667	721	690	659	100%
<i>of which</i>							
Benefit income	169	170	196	208	206	201	31%
Occupational pension	141	147	163	179	174	181	27%
Personal pension income	8	12	27	31	28	28	4%
Investment income	62	66	67	61	56	50	8%
Earnings	121	135	208	239	221	196	30%
Other income	3	4	5	4	5	3	0%
Net income BHC							
Mean	417	435	534	572	548	531	81%
Median	325	338	435	445	436	430	
Net income AHC							
Mean	377	402	523	550	524	502	76%
Median	287	311	420	425	414	406	
Pensioner couples where the head is 75 or over							
Gross income	371	399	520	541	523	549	100%
<i>of which</i>							
Benefit income	205	203	255	268	255	253	46%
Occupational pension	100	121	153	172	169	182	33%
Personal pension income	3	7	29	23	22	28	5%
Investment income	50	51	53	47	45	51	9%
Earnings	12	17	26	26	27	31	6%
Other income	1	1	4	5	6	5	1%
Net income BHC							
Mean	328	344	445	465	443	462	84%
Median	275	272	374	393	373	377	
Net income AHC							
Mean	291	312	435	446	425	439	80%
Median	232	238	360	369	356	356	

Single pensioners by age

Figure 2.5 below shows the main components of income for single pensioners. Table 2.4 sets out the different sources of income.

Younger single pensioners are likely to have higher income than older single pensioners. This is mainly due to a higher level of earnings. However, income from benefits tends to be the largest single source of income for all single pensioner groups. As a percentage of gross income, the contribution of benefits is greater for older single pensioners, at 64 per cent for the 75 or over age group compared with 54 per cent for the under 75 age group.

Figure 2.5: Sources of gross income of single pensioners by age, 2011/12



Chapter 2: Pensioners' Incomes

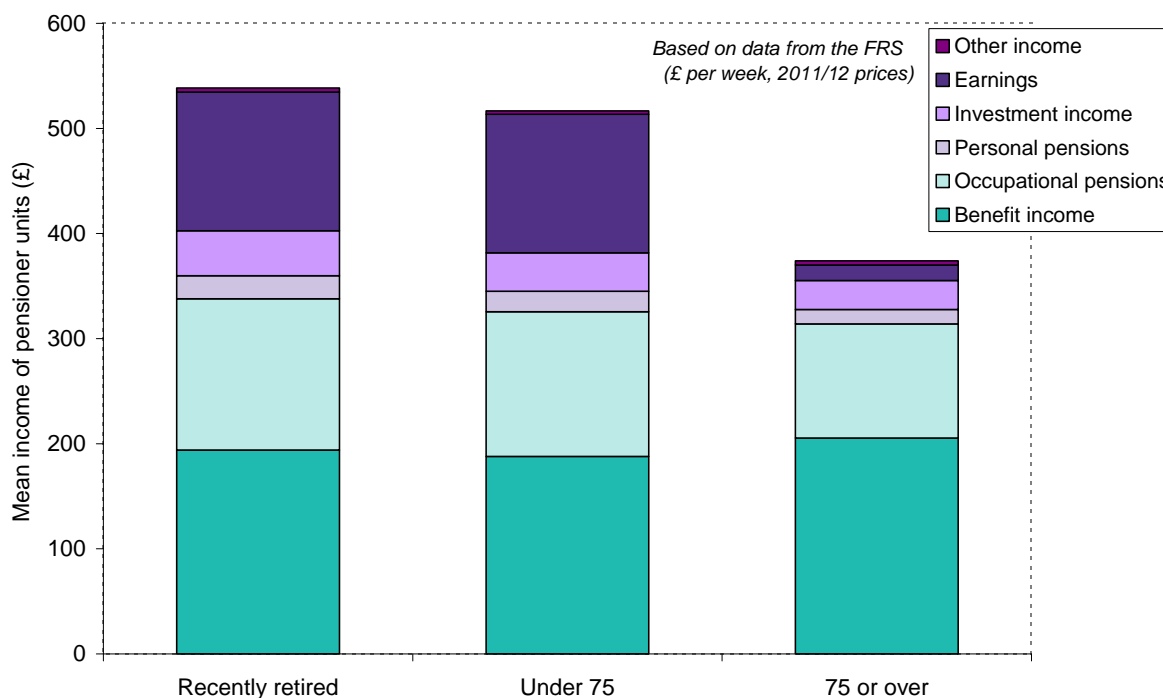
Table 2.4: The average incomes of single pensioners by age, 1996/97-2011/12

	<i>Incomes in £ per week, 2011/12 prices</i>						
	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
Recently retired single pensioners							
Gross income	257	291	342	358	393	341	100%
<i>of which</i>							
Benefit income	136	139	164	169	163	157	46%
Occupational pension	66	66	66	66	87	80	23%
Personal pension income	2	4	9	11	11	9	3%
Investment income	23	32	24	20	34	19	6%
Earnings	28	44	76	86	94	73	21%
Other income	3	6	3	5	4	4	1%
Net income BHC							
Mean	219	244	288	301	323	287	84%
Median	185	188	235	254	259	242	
Net income AHC							
Mean	175	205	256	259	286	245	72%
Median	142	148	199	209	221	198	
Single pensioners under 75							
Gross income	238	256	318	335	338	315	100%
<i>of which</i>							
Benefit income	136	140	175	180	179	169	54%
Occupational pension	59	60	69	73	77	76	24%
Personal pension income	2	3	8	10	9	7	2%
Investment income	23	29	23	21	23	18	6%
Earnings	15	20	41	47	47	42	13%
Other income	2	3	2	3	3	3	1%
Net income BHC							
Mean	205	218	272	285	287	269	85%
Median	171	175	234	242	243	234	
Net income AHC							
Mean	166	182	243	249	252	231	73%
Median	124	131	196	200	203	193	
Single pensioners 75 or over							
Gross income	202	217	292	298	288	285	100%
<i>of which</i>							
Benefit income	142	149	184	194	187	181	64%
Occupational pension	38	44	66	69	72	71	25%
Personal pension income	1	1	6	6	6	7	2%
Investment income	20	20	24	18	14	16	6%
Earnings	2	2	7	6	4	6	2%
Other income	1	1	4	4	4	3	1%
Net income BHC							
Mean	181	192	256	263	253	249	87%
Median	162	168	226	238	232	218	
Net income AHC							
Mean	143	156	232	232	223	218	76%
Median	111	123	196	202	196	184	

All pensioner units by age

Figure 2.6 shows the proportions of income from different sources by age group for all pensioner units. Table 2.5 sets out the different sources of income. Higher earnings and higher private pension income are the main sources of difference between younger and older pensioners' incomes. For the 75 or over group, the lack of earnings mean that a greater proportion of gross income comes from benefits, at 55 per cent compared with 36 per cent each for both the recently retired and for under 75 age groups.

Figure 2.6: Sources of gross income of all pensioner units by age of head, 2011/12



Chapter 2: Pensioners' Incomes

Table 2.5: The average incomes of pensioner units by age, 1996/97-2011/12

Incomes in £ per week, 2011/12 prices

	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
Recently retired pensioner units							
Gross income	412	444	526	589	559	538	100%
<i>of which</i>							
Benefit income	168	173	191	200	196	194	36%
Occupational pension	118	120	125	143	146	144	27%
Personal pension income	7	11	21	25	25	22	4%
Investment income	51	62	51	51	50	43	8%
Earnings	65	72	134	165	137	132	25%
Other income	2	6	3	5	5	4	1%
Net income BHC							
Mean	348	368	431	479	453	443	82%
Median	269	279	340	366	350	353	
Net income AHC							
Mean	307	333	411	450	424	410	76%
Median	231	247	318	343	321	323	
Pensioner units where the head is under 75							
Gross income	380	404	513	566	541	517	100%
<i>of which</i>							
Benefit income	153	156	187	197	195	188	36%
Occupational pension	103	106	122	136	133	138	27%
Personal pension income	5	8	19	23	20	19	4%
Investment income	44	49	48	45	42	37	7%
Earnings	72	81	135	162	148	132	26%
Other income	2	4	4	4	4	3	1%
Net income BHC							
Mean	319	334	419	457	438	422	82%
Median	242	251	327	352	342	336	
Net income AHC							
Mean	279	299	400	429	409	389	75%
Median	205	216	307	325	313	301	
Pensioner units where the head is 75 or over							
Gross income	249	267	363	379	366	374	100%
<i>of which</i>							
Benefit income	159	164	207	219	210	205	55%
Occupational pension	55	65	93	104	104	108	29%
Personal pension income	1	2	13	12	12	14	4%
Investment income	28	29	33	28	25	28	7%
Earnings	5	6	13	13	12	15	4%
Other income	1	1	4	4	4	4	1%
Net income BHC							
Mean	222	234	315	330	317	321	86%
Median	183	189	261	275	268	259	
Net income AHC							
Mean	184	199	295	303	291	292	78%
Median	147	157	242	248	239	233	

Differences by gender

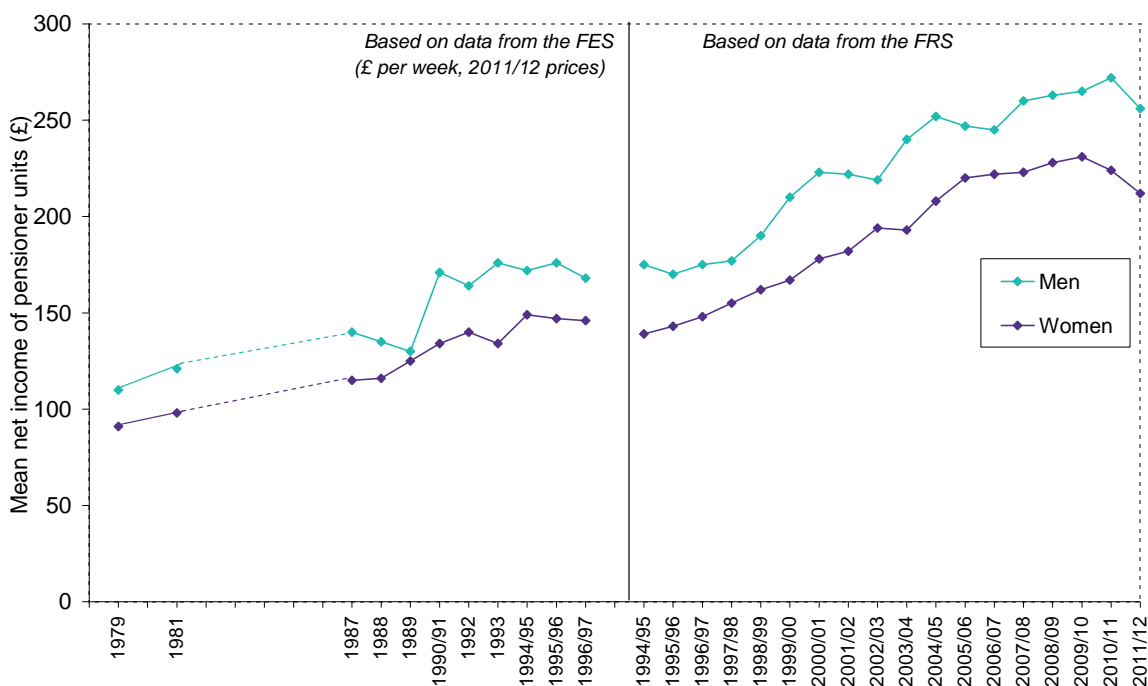
Average incomes of pensioners differ for men and women. **Table 2.6** gives components of income for single male and single female pensioners, with their different age distributions also likely to affect income levels. Estimates for pensioner couples by gender are not presented because income-related benefits are calculated on a couple basis and it is not meaningful to split these.

Average (mean) net income After Housing Costs for single men was higher (at £256 per week) than for single women (£212 per week) in 2011/12. **Figure 2.7** shows the growth in net incomes (AHC) over time. Net incomes measured Before Housing Costs follow a similar trend. The gross and net income amounts are subject to relatively large sampling errors and short-term changes need to be treated with caution. As shown in Appendix B Table B1.2, changes between 2010/11 and 2011/12 for net median (AHC) and for gross benefit income were the only statistically significant changes over the year.

The main difference between the genders occurs for occupational pension income. In 2011/12, single men received £102 per week on average from this source, compared with £63 per week for single women. Single men also received more investment and personal pension income, while average incomes from other sources were more consistent for single men and women.

Table 2.6 also shows gross and net income results for single men and women aged under 75, and 75 or over. Results show that single male pensioners have higher incomes than single female pensioners within each age group. However this does not hold for all individual components of gross income as illustrated by higher average benefit income among single female pensioners aged 75 or over.

Figure 2.7: Net income (AHC) of single pensioners by gender 1979-1996/97 and 1994/95-2011/12



Chapter 2: Pensioners' Incomes

Table 2.6: The average incomes of single pensioners by gender, 1996/97-2011/12

Incomes in £ per week, 2011/12 prices

	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
Single male pensioners							
Gross income	250	264	336	351	362	346	100%
<i>of which</i>							
Benefit income	139	143	182	189	181	173	50%
Occupational pension	72	74	89	93	104	102	29%
Personal pension income	2	5	14	14	15	15	4%
Investment income	29	30	31	27	30	26	8%
Earnings	7	11	18	26	28	26	8%
Other income	*	2	2	3	4	3	1%
Net income BHC							
Mean	215	227	290	301	306	292	84%
Median	178	181	242	256	251	236	
Net income AHC							
Mean	175	190	263	265	272	256	74%
Median	136	139	212	217	218	202	
Single female pensioners							
Gross income	210	227	293	302	293	282	100%
<i>of which</i>							
Benefit income	139	146	180	187	184	177	63%
Occupational pension	41	45	60	63	64	63	22%
Personal pension income	1	1	4	6	5	4	1%
Investment income	19	23	21	17	14	14	5%
Earnings	9	10	25	25	23	21	7%
Other income	2	2	3	4	3	3	1%
Net income BHC							
Mean	186	198	254	263	256	246	87%
Median	163	168	225	235	232	221	
Net income AHC							
Mean	148	162	228	231	224	212	75%
Median	113	124	192	195	191	183	
Single male pensioners under 75							
Gross income	273	288	340	357	385	350	100%
Benefit income	142	144	182	186	181	171	49%
Mean Net Income BHC	231	244	293	304	323	295	84%
Mean Net Income AHC	188	206	264	262	287	253	72%
Single male pensioners 75 or over							
Gross income	226	241	332	346	340	342	100%
Benefit income	136	141	181	192	181	176	51%
Mean Net Income BHC	199	211	288	299	289	288	84%
Mean Net Income AHC	162	175	261	268	259	258	75%
Single female pensioners under 75							
Gross income	227	246	310	327	320	302	100%
Benefit income	134	139	172	178	178	169	56%
Mean Net Income BHC	197	210	265	279	274	259	86%
Mean Net Income AHC	159	174	235	244	239	222	74%
Single female pensioners 75 or over							
Gross income	195	209	278	282	270	265	100%
Benefit income	143	151	186	195	189	183	69%
Mean Net Income BHC	176	187	245	251	240	235	89%
Mean Net Income AHC	138	151	222	220	211	203	77%

Differences by region

Pensioner incomes vary by region within the UK. **Table 2.7** shows (mean) average gross incomes, (mean) average benefit incomes and (mean) net income Before and After Housing Costs for each of the regions.

Single pensioners and pensioner couples in London, the East and the South East have gross incomes above the average for the UK. Pensioner couples in Scotland also have above average gross incomes. However, there are smaller differences in average benefit incomes across the regions.

These figures are based on the average of three years of data and users should not read too much into small differences between regions. Statistical significance testing has not been carried out on these estimates.

Table 2.7: The average (mean) income of pensioner units by region / country, 2009-12

Incomes in £ per week, in 2011/12 prices

	Pensioner couples				Single pensioners			
	Gross income	Benefit income	Net income BHC	Net income AHC	Gross income	Benefit income	Net income BHC	Net income AHC
England	648	220	524	498	313	182	270	234
North East	562	233	473	448	306	196	270	235
North West	593	237	489	465	287	192	255	222
Yorkshire and the Humber	558	219	465	442	276	181	244	211
East Midlands	623	222	503	483	282	180	247	216
West Midlands	560	227	469	445	299	189	262	230
East	695	213	551	526	339	176	287	254
London	743	210	584	545	343	181	288	239
South East	774	209	606	578	354	170	293	258
South West	617	216	509	485	306	177	265	234
Wales	636	226	518	496	277	191	249	217
Scotland	662	225	536	512	292	183	259	230
Northern Ireland	534	234	454	441	267	184	239	219
Great Britain	648	220	525	499	309	182	267	233
United Kingdom	646	221	523	498	308	182	267	233

Notes:

(1) Data based on the average of three years of results from 2009/10, 2010/11 and 2011/12 FRS data and updated to 2011/12 prices

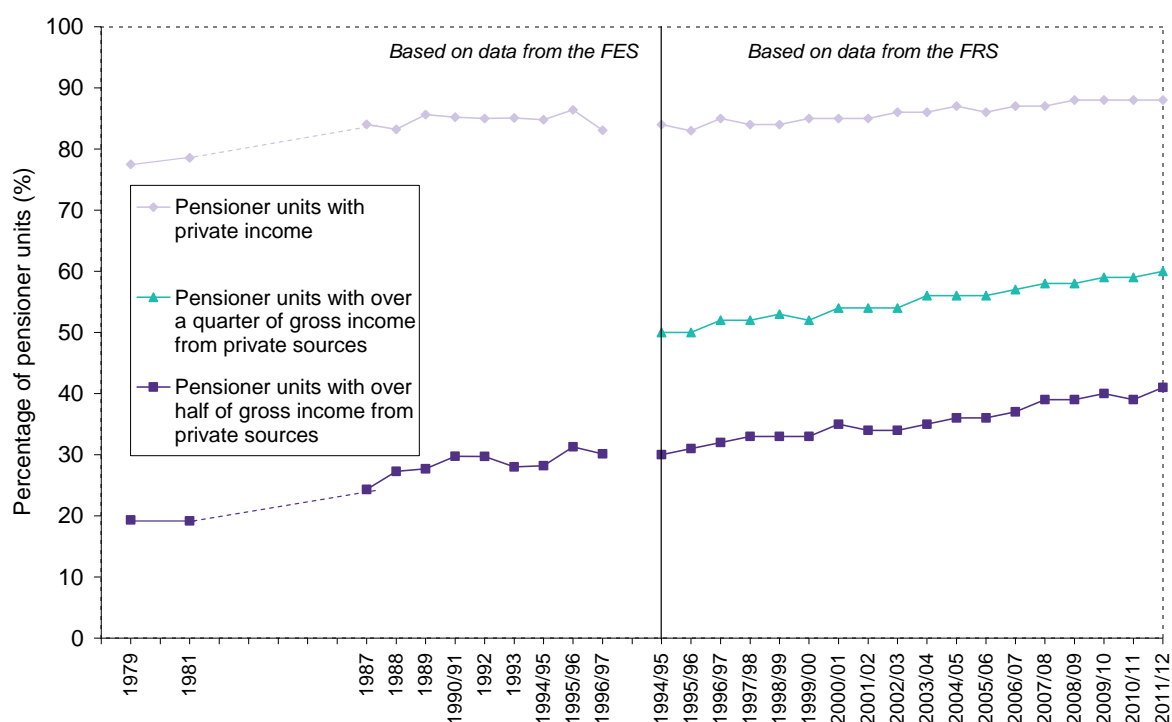
Chapter 3: Sources of Pensioners' Incomes

Benefit income (including State Pension) serves as the main source of income for pensioners as a whole. However, the importance of benefit income varies between different pensioner units.

In 2011/12, the vast majority of pensioner units had some private income on top of state benefits (95 per cent of pensioner couples and 82 per cent of single pensioners – **Table 3.1**). The overall proportion was 77 per cent in 1979 and continued to gradually increase over the next three decades but appears to have levelled off in recent years, standing at 88 per cent of pensioner units.

For two fifths (41 per cent) of pensioner units, more than half of their gross income came from private sources in 2011/12 (**Table 3.2**). This proportion was higher for couples (55 per cent) than singles (27 per cent). **Figure 3.1** shows that the overall proportion with over half of income from private sources increased from 19 per cent in 1979 to 30 per cent in 1996/97 (based on FES data). It also shows the proportion of pensioners with over a quarter of gross income from private sources rising slowly since 1994/95, and was 60 per cent in 2011/12.

Figure 3.1: Benefit and private income, 1979 to 1996/97 and 1994/95 to 2011/12



Chapter 3: Sources of Pensioners' Incomes

Table 3.1: The proportion of pensioner units with income in addition to state benefits, 1996/97 to 2011/12

	1996/97	1998/99	2008/9	2009/10	2010/11	2011/12
All pensioner units						
Total	85%	84%	88%	88%	88%	88%
Pensioner couples	93%	92%	95%	94%	93%	95%
Single pensioners	78%	78%	83%	83%	83%	82%
Recently retired pensioner units						
Total	87%	86%	87%	88%	88%	88%
Pensioner couples	93%	92%	94%	94%	93%	94%
Single pensioners	79%	76%	79%	80%	82%	79%

Table 3.2: The proportion of pensioner units with more than 50 per cent of income from private sources, 1996/97 to 2011/12

	1996/97	1998/99	2008/9	2009/10	2010/11	2011/12
All pensioner units						
Total	32%	33%	39%	40%	39%	41%
Pensioner couples	46%	49%	54%	54%	53%	55%
Single pensioners	22%	22%	27%	27%	27%	27%
Recently retired pensioner units						
Total	43%	45%	51%	54%	52%	53%
Pensioner couples	50%	52%	60%	62%	57%	59%
Single pensioners	34%	35%	40%	42%	44%	44%

Pensioner units in receipt of different sources of income

The type of income received is self-reported by survey respondents and consequently can be misreported. For example, some survey respondents may not be able to distinguish between the State Pension and Pension Credit because these benefits can be paid jointly. A full description of components of gross income is given in Appendix A.

Some groups have relatively small sample sizes, so users should be careful about drawing conclusions about movements in data between single years. For example, year-on-year changes in average reported benefit income based on the FRS do not necessarily match changes in average benefit income seen in administrative data sources. Results based on survey respondents' identification of different elements of income may be subject to misreporting. More information on sampling and reporting errors most relevant to this publication can be found in Appendix B.

Pensioners receive a number of different sources of income. Some sources have contributed more than others to the overall growth in incomes since 1979. **Figure 3.2** shows the proportion of pensioner units in receipt of different types of income.

Tables 3.3 to 3.11 show the proportion of pensioner units in receipt of the main sources of income and the mean and median weekly amounts they receive.

Tables 3.3 to 3.5 include the three broad types of benefit income: State Pension (Basic and Additional State Pension and widow's benefits), income-related benefits and disability-related benefits. These three benefit types are not exhaustive as there are benefits, such as Carer's Allowance, which do not fit into any of these categories but are still included in total benefit income.

Tables 3.6 to 3.10 show the proportion of pensioner units in receipt of non-benefit income, and the mean and median weekly amounts received. These non-benefit income sources are investments, non-state pensions or earnings.

Table 3.11 shows average income from annual lump sum payments converted into a weekly amount. Such payments include Winter Fuel Payments and the free TV licence for those aged 75 or over. Note that Winter Fuel Payments are counted in total benefit income. Free TV licences are included in other income.

For **Figures 3.2** and **3.3**, note that private pension income is the sum of occupational pension and personal pension income. These represent all sources of non-state pensions.

The most common source of income amongst pensioners is the State Pension, with nearly all pensioner units (97 per cent) receiving income from this source (**Figure 3.2**). Less than a third of pensioner units received other types of benefit income. In total, 71 per cent of pensioner units received private pension income, of which 62 per cent had occupational pension and 17 per cent a personal pension. Among other sources, 66 per cent of pensioner units received some investment income and 18 per cent earnings income.

Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2011/12

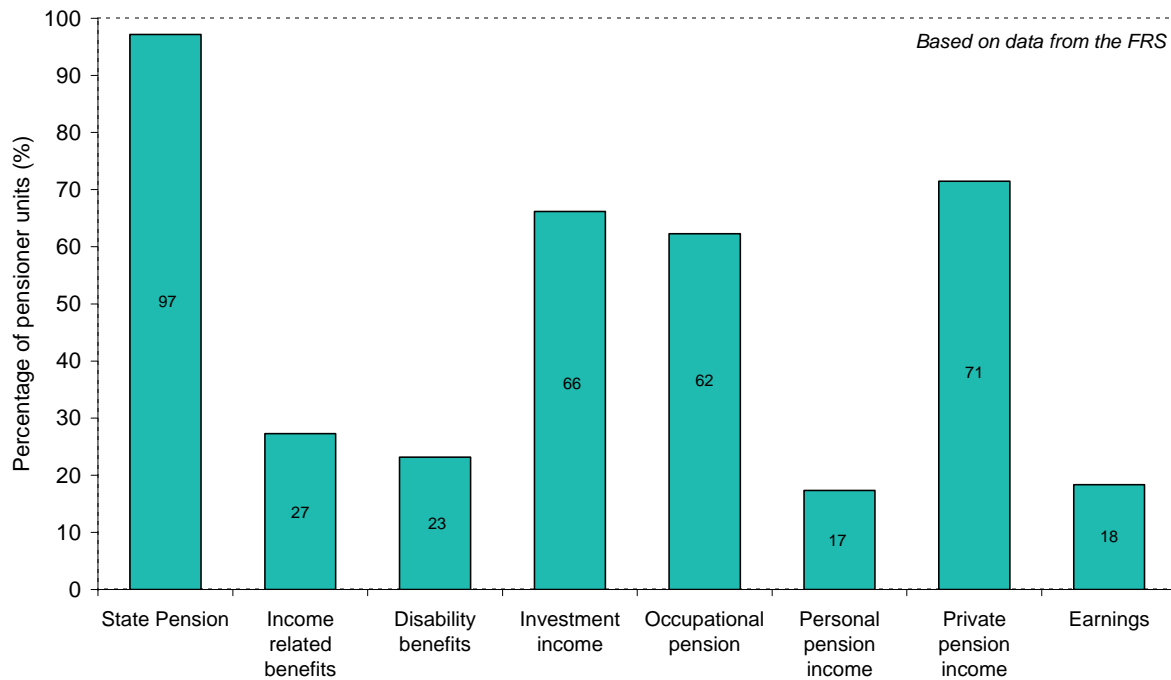


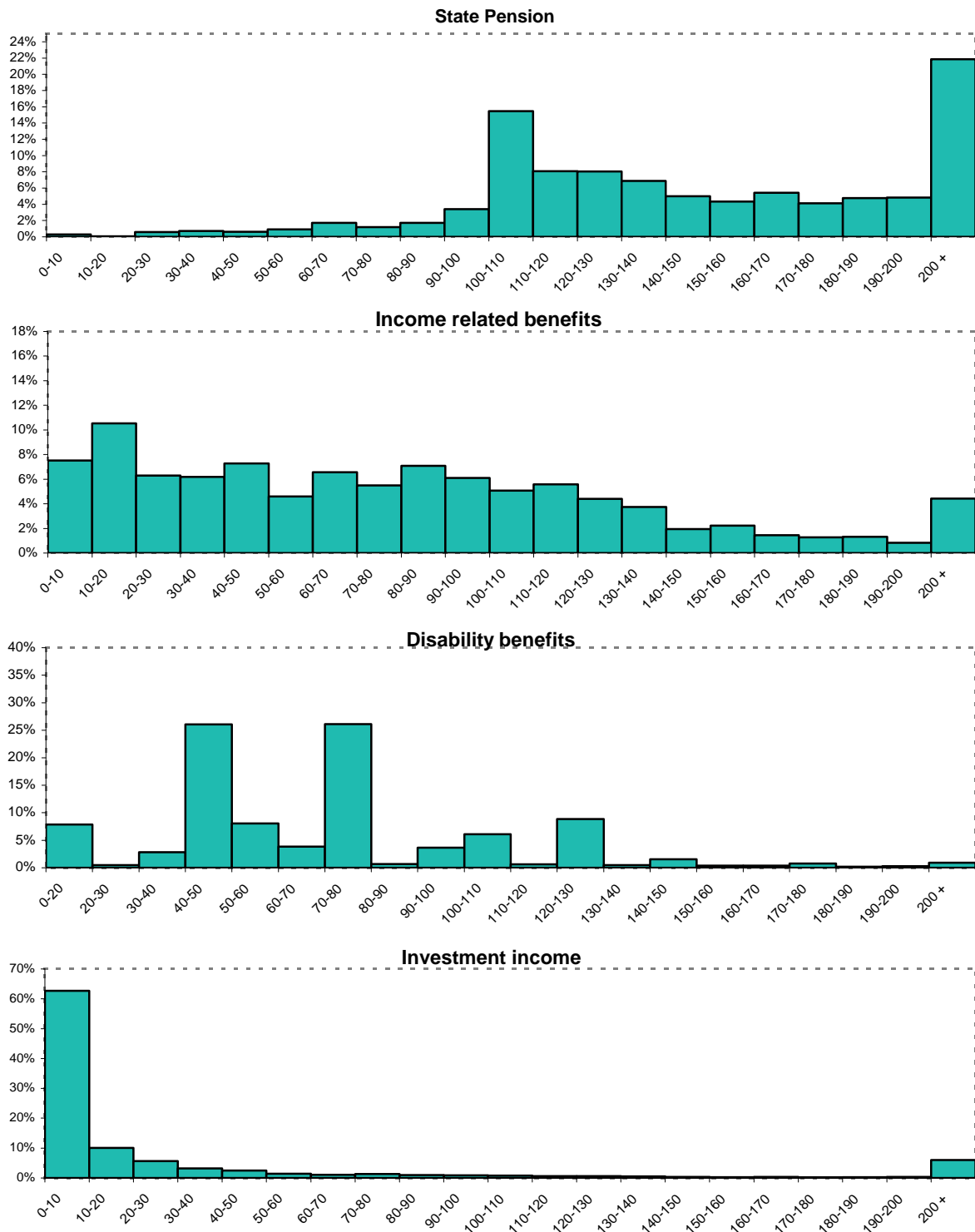
Figure 3.3 shows the distribution of income that pensioners receive from various sources. For example, 15 per cent of pensioner units receive between £100 and £110 per week from their State Pension, with individuals eligible for the full Basic State Pension in 2011/12 receiving £102.15.

The survey figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income band will be subject to a degree of sampling error.

Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 1: Distribution of income from selected income sources for those in receipt, 2011/12

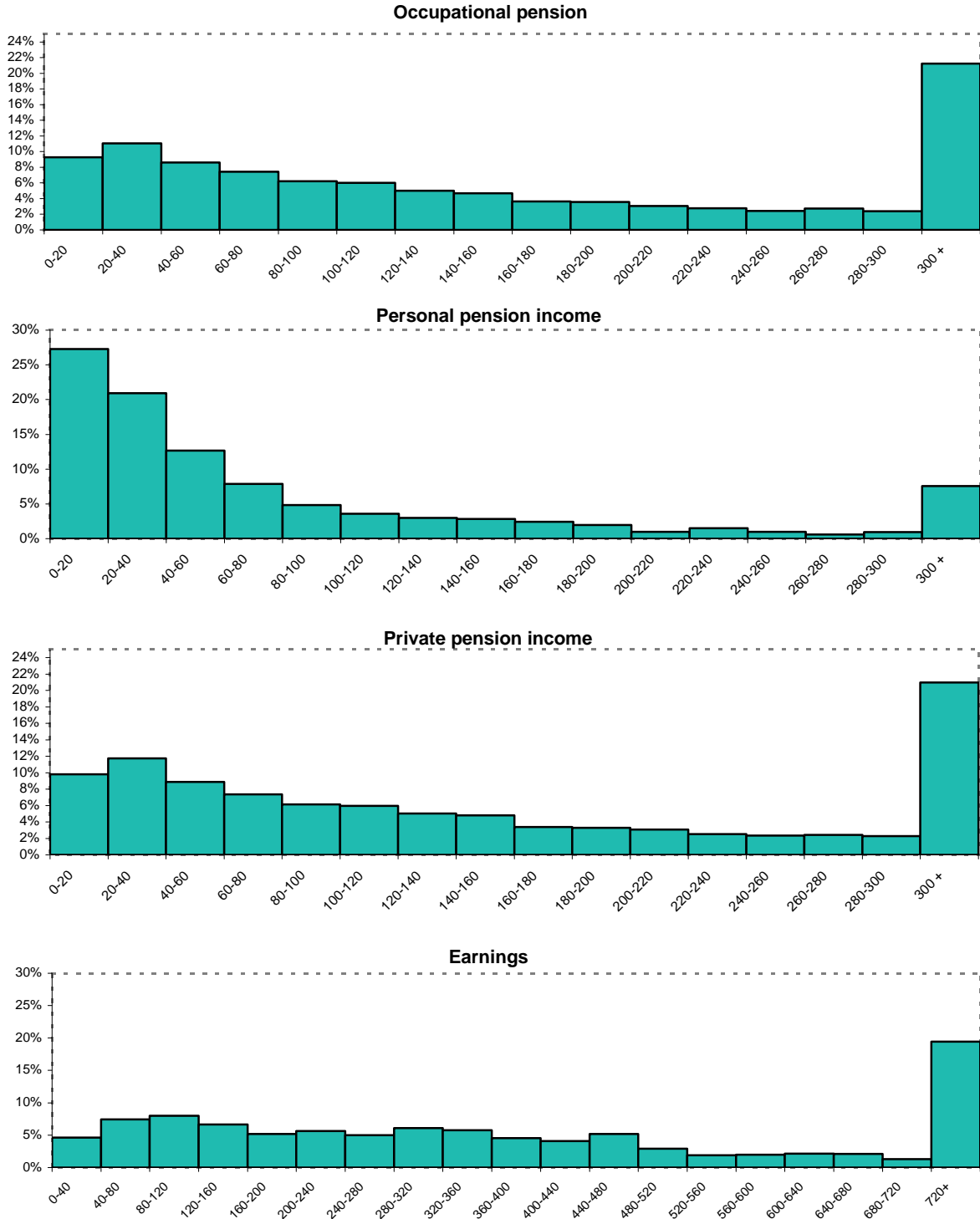
Income received from each source (£ per week, 2011/12 prices)



Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 2: Distribution of income from selected income sources for those in receipt, 2011/12

Income received from each source (£ per week, 2011/12 prices)



Notes:

(1) The scales used on each of the income axes in Figure 3.3 (parts 1 and 2) are not the same across each of the graphs.

Pensioners in receipt of State Pension

This includes the Basic State Pension and Additional State Pension. From 1978 to 2002, the additional State Pension was called the State Earnings-Related Pension Scheme (SERPS). SERPS was replaced in April 2002 with the State Second Pension (S2P). Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. Quoted amounts may include other benefits such as Pension Credit and Attendance Allowance, both of which are under-reported in the FRS.

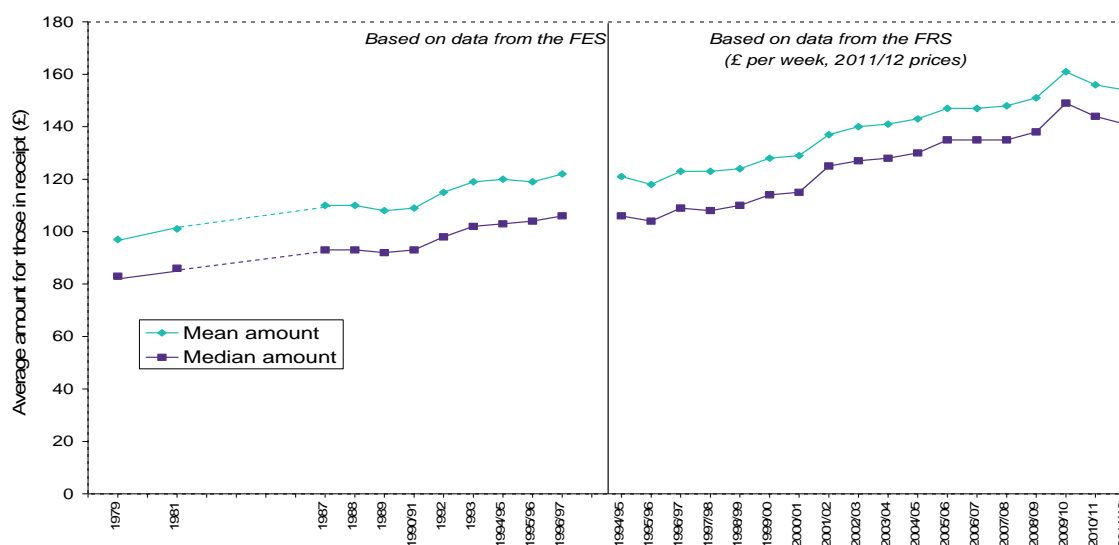
Nearly all pensioner units (97 per cent) received the State Pension in 2011/12 (**Table 3.3**). This proportion was slightly lower for recently retired pensioners, which could reflect fact that individuals can defer receiving their state.

The average amount of reported total State Pension for all pensioner units in receipt was £154 per week in 2011/12 (£127 for singles and £184 for couples). Between 1998/99 and 2011/12 there was 28 per cent real terms growth in the median State Pension received (**Figure 3.4**). The maturing of earnings-related component (SERPS, S2P) is the main factor behind the growth seen in median State Pension. Each cohort of retirees since 1978 has had the opportunity to make contributions over a longer period.

Unlike the earlier decrease between 2009/10 and 2010/11, the latest decrease in State Pension since 2010/11 cannot be fully explained by inflation exceeding pension uprating. This is because, in April 2011, the Basic State Pension increased by 4.6 per cent based on an uprating schedule which took the value of the RPI in the 3rd quarter of 2010/11. The average rate of inflation over 2011/12 (and which was used to express PI 2011/12 in 2011/12 prices) was 4.8 per cent.

Users should note, that increasing State Pension averages are seen both in the raw (i.e nominal) FRS data and in administrative estimates⁵ of weekly amounts. It is likely that a similar decrease in State Pension would be seen if the administrative time series data were expressed in 2011/12 prices.

Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996/97 & 1994/95-2011/12



⁵ Administrative estimates of State Pension in nominal terms from DWP's Tabtool <http://83.244.183.180/100pc/tabtool.html>

Chapter 4: Distribution of Pensioners' Incomes

This chapter looks at the distribution of pensioners' incomes. The populations we are looking at are ranked by income and divided into quintiles (five equal sized groups) for the purpose of the analysis. There are two sets of tables within this chapter:

- **Tables 4.1 to 4.5** examine the distribution by quintile of incomes within the single pensioner and pensioner couples groups. In these tables incomes are not adjusted for the size of the household, so results for single pensioners and couples are shown separately. These breakdowns do not take account of any others in the household.
- **Tables 4.6 and 4.7** look at the distribution of pensioners' incomes within the population as a whole. In order to rank households within these tables income has been equivalised. Equivalisation adjusts incomes to account for variations in both the composition and size of the entire household. These figures are not comparable with figures in **Tables 4.1 to 4.5**

In both sets of tables, the distribution is calculated separately under the Before and After Housing Costs measures. When considering changes in incomes over time for pensioners it is generally considered more appropriate to use the After Housing Costs measure because of the high proportion of pensioners owning their home outright.

Tables 4.1, 4.3 and 4.4 are presented as three year averages. This is because pensioner unit quintiles are relatively small groups with single year results volatile from one year to the next. These figures are therefore not directly comparable to single year estimates.

The position in the overall income distribution is only a proxy for relative living standards. It does not account for different costs people will face. For example the costs involved in disability or old age, or for working people the costs associated with travelling to work.

Median incomes by quintile

For pensioner couples over the three-year period 2009 to 2012, the median net income of the top fifth was more than three and a half times that of the bottom fifth, both Before Housing Costs, and After Housing Costs. For single pensioners median net income of the top fifth was around three times that of the bottom fifth, Before Housing Costs, and more than three and a half times After Housing Costs.

Figure 4.1 compares the median net incomes on an AHC basis of the bottom fifth and top fifth of pensioner couples in 1994-97, 1998-01, 2003-06 and 2009-12 (based on the FRS). The median net income of the top fifth has remained at around four times that of the bottom fifth since the mid-1990s.

Among couples, the rate of growth in both BHC and AHC median incomes between 1998-01 and 2009-12 was fairly evenly spread across the first four quintiles, but with a lower growth in the top quintile of the income distribution. For singles, growth in AHC median incomes was lower in top and bottom quintiles.

For example pensioner singles in both the top and bottom quintiles AHC saw growth below 30 per cent between 1998-01 and 2009-12, while incomes in the middle quintile grew over 40 per cent - **Table 4.1**. However, as the top quintile is starting at a higher base level, percentage growths of under 30 per cent equate to increases of £21 in the bottom quintile, £59 in middle quintile and a £78 in the top quintile,.

The importance of different sources of income in different quintiles

The analysis of income receipt in **Table 4.5** shows the proportion of pensioner units *within each quintile* who received a given source of income.

The majority of pensioners receive income from State Pension with over 90 per cent in receipt in each quintile. Pensioners (both couples and singles) towards the bottom of the income distribution are less likely to receive income from investments, occupational pensions or earnings than in the upper end of the distribution. In the Before Housing Costs distribution, the proportion of pensioner couples with occupational pension income ranged from 47 per cent in the bottom fifth of the distribution to 81 per cent in the top fifth. The trend is similar After Housing Costs. Overall, around a quarter of all pensioner couples receive income from personal pensions compared with 10 per cent of single pensioners.

The lowest rates of receipt for disability benefits were generally found in the bottom and top quintiles of the income distribution. This is because disability benefit rates (and disability related additions to income-related benefits) help move people up the income distribution. It is worth noting that in this analysis no account is taken of the extra costs associated with disability when calculating a pensioner's position in the income distribution.

Income-related benefits were not limited to those at the bottom of the income distribution. Indeed substantial proportions further up the income distribution also received income-related benefits, with this trend across all quintiles more pronounced for single pensioners. This is partly due to these benefits serving to push people up the distribution; particularly disability additions to income-related benefits (which are paid on top of disability benefits such as Attendance Allowance and Disability Living Allowance).

The trend for higher receipt of Income Related Benefits among single pensioners holds true for both Before and After Housing Costs. For example, on a Before Housing Costs basis, 50 per cent of single pensioners in the middle quintile are in receipt of such benefits, compared with 15 per cent for pensioner couples. In contrast, greater proportions of pensioner couples are in receipt of investment income and occupational pension across all quintiles than single pensioners. This is also true on both Before and After Housing Costs bases.

Housing Benefit is included as income on a Before Housing Costs basis but rents are not deducted from income. Pensioners who receive this income-related benefit will therefore appear better off than those pensioners who do not have rent to pay and so are not entitled to Housing Benefit. This leads to larger proportions of single pensioners in the 3rd, 4th and 5th quintiles getting income-related benefits on the Before Housing Costs basis than when rent is deducted from incomes for the After Housing Costs basis.

Chapter 4: Distribution of Pensioners' Incomes

Table 4.5: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2011/12

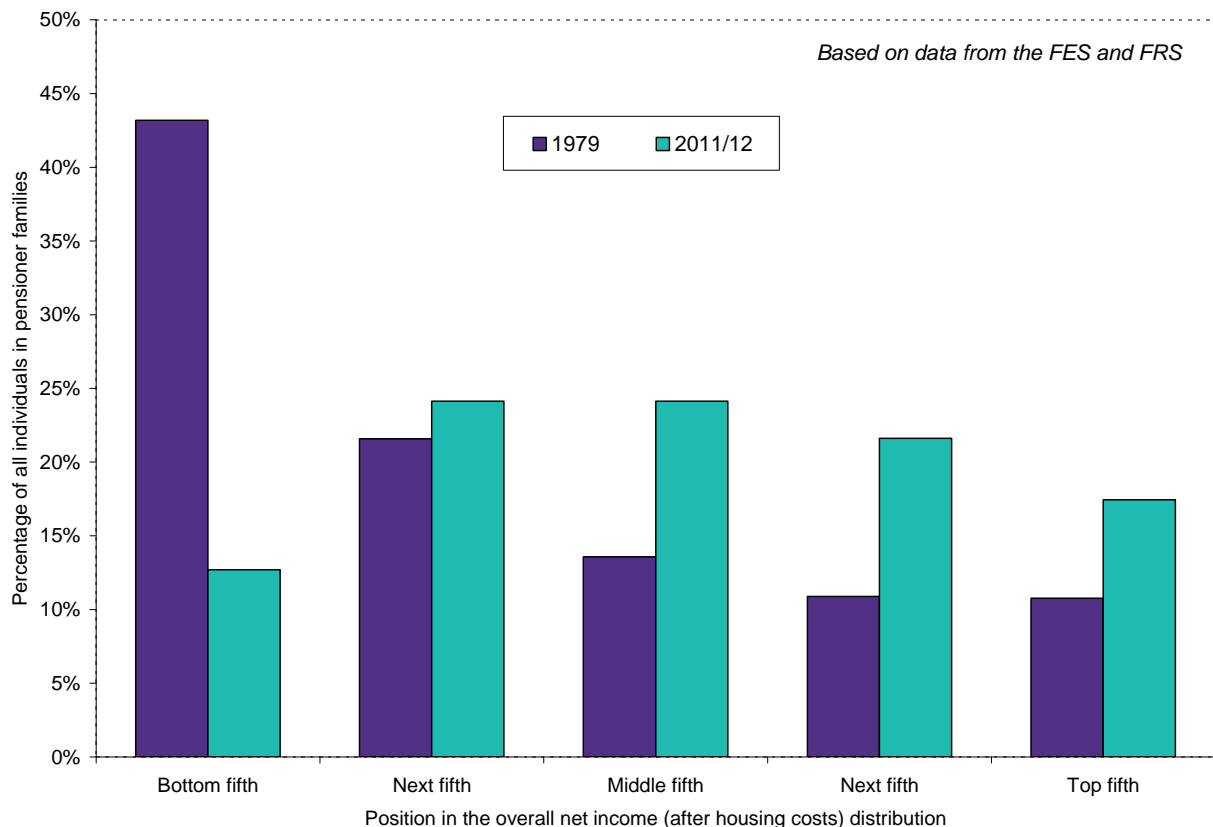
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	95%	98%	97%	97%	96%	97%
Income related benefits	25%	28%	15%	7%	1%	15%
Disability benefits	12%	33%	34%	25%	10%	23%
Investment income	58%	66%	74%	78%	89%	73%
Occupational pension	47%	67%	76%	76%	81%	69%
Personal Pension income	24%	24%	24%	23%	28%	25%
Earnings	11%	13%	26%	40%	59%	30%
Pensioner couples' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	95%	98%	97%	97%	96%	97%
Income related benefits	33%	25%	13%	5%	1%	15%
Disability benefits	14%	32%	34%	24%	10%	23%
Investment income	54%	66%	75%	79%	90%	73%
Occupational pension	44%	67%	75%	79%	82%	69%
Personal Pension income	22%	25%	26%	23%	29%	25%
Earnings	11%	15%	26%	38%	58%	30%
Single pensioners' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	96%	99%	99%	98%	95%	98%
Income related benefits	32%	41%	50%	44%	25%	38%
Disability benefits	5%	18%	23%	41%	31%	24%
Investment income	52%	58%	57%	60%	74%	60%
Occupational pension	30%	55%	57%	64%	72%	56%
Personal Pension income	9%	12%	9%	10%	14%	10%
Earnings	3%	3%	4%	9%	21%	8%
Single pensioners' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	97%	99%	99%	98%	96%	98%
Income related benefits	39%	61%	41%	37%	14%	38%
Disability benefits	7%	12%	32%	41%	25%	24%
Investment income	50%	49%	58%	63%	81%	60%
Occupational pension	33%	39%	61%	66%	79%	56%
Personal Pension income	6%	9%	10%	12%	15%	10%
Earnings	2%	4%	4%	8%	21%	8%

Pensioners in the overall net income distribution

Tables 4.6 and 4.7 show the position of individuals in pensioner families within the overall household income distribution. This is the approach used in the HBAI publication which analyses the overall income distribution. Before dividing households into quintiles, household income is equivalised, which means it is adjusted to take account of the size and composition of the household. The tables show pensioners ranked by their equivalised household income. More details of the equivalisation process are given in Appendix A.

The proportion of pensioners in each fifth of the After Housing Costs income distribution in 1979 and 2011/12 is shown in Figure 4.7. In 1979, 44 per cent of all pensioners were in the bottom fifth Before Housing Costs and by 2011/12 this proportion had more than halved to 21 per cent. As increasing numbers of pensioners own their home outright the improvement of pensioners' position in the net income distribution After Housing Costs is more evident. On this measure the proportion in the bottom fifth fell from 43 per cent in 1979 to 13 per cent in 2011/12. A greater proportion of single pensioners are in the bottom fifth both on Before and After Housing Costs bases when compared to couples.

Figure 4.7: Pensioners' position in the overall net income (AHC) distribution, 1979 and 2011/12



Chapter 4: Distribution of Pensioners' Incomes

Table 4.6: The proportion of individuals in pensioner families in each quintile of the overall population net income distribution, 1979, 1998/99, and 2011/12

Quintiles based on equivalised household income

Results based upon data from the FES (for 1979) and the FRS (for 1998/99 and 2011/12)

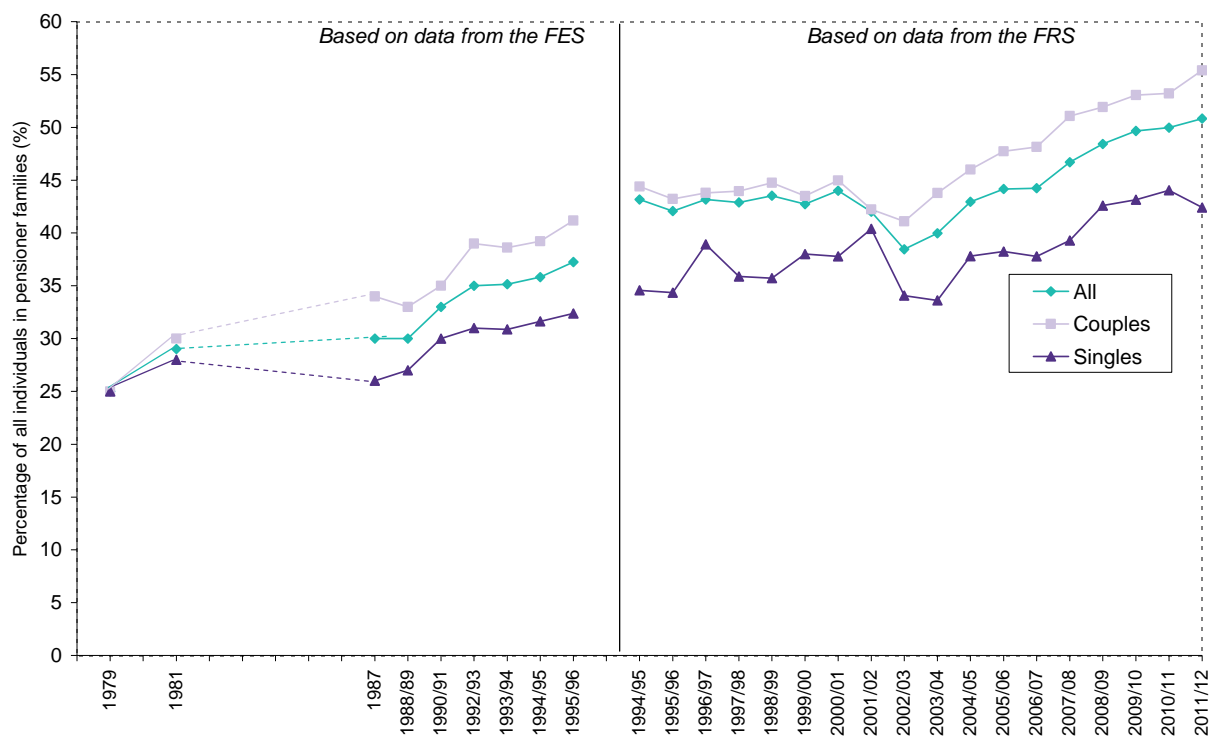
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1979						
All pensioners						
Before housing costs	44%	23%	14%	10%	9%	100%
After housing costs	43%	22%	14%	11%	11%	100%
Pensioner couples						
Before housing costs	40%	22%	16%	11%	11%	100%
After housing costs	41%	20%	15%	12%	12%	100%
Single pensioners						
Before housing costs	49%	24%	11%	8%	7%	100%
After housing costs	47%	23%	11%	9%	9%	100%
1998/99						
All pensioners						
Before housing costs	24%	28%	19%	16%	13%	100%
After housing costs	17%	28%	21%	17%	17%	100%
Pensioner couples						
Before housing costs	24%	27%	19%	16%	14%	100%
After housing costs	16%	28%	21%	18%	17%	100%
Single pensioners						
Before housing costs	27%	34%	20%	10%	8%	100%
After housing costs	22%	33%	19%	14%	12%	100%
2011/12						
All pensioners						
Before housing costs	21%	25%	21%	19%	14%	100%
After housing costs	13%	24%	24%	22%	17%	100%
Pensioner couples						
Before housing costs	18%	23%	21%	20%	19%	100%
After housing costs	11%	21%	24%	23%	21%	100%
Single pensioners						
Before housing costs	26%	30%	20%	16%	10%	100%
After housing costs	16%	29%	24%	20%	11%	100%

Note: Percentages may not add up to 100 exactly due to rounding.

The proportion of pensioners in the top half of the income distribution

Since 1979, the proportion of pensioners in the top half of the overall population income distribution has increased (**Figure 4.8**). Pensioners are more likely to own their own home outright than the rest of the population (Family Resources Survey, 2011/12), and so the proportion of pensioners in the top half of the distribution is higher on the After Housing Costs measure. According to this measure, 51 per cent of all pensioners were in the top half in 2011/12, comprising 55 per cent of individuals in pensioner couples and 42 per cent of single pensioners.

Figure 4.8: Proportion of individuals in pensioner families in the top half of the overall population net income (AHC) distribution, 1979 to 1995/96 and 1994/95 to 2011/12



Chapter 4: Distribution of Pensioners' Incomes

Table 4.7: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1996/97 to 2011/12

Quintiles based on equivalised household income

	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12
Net income before housing costs						
All pensioner units	38%	37%	40%	42%	42%	43%
Pensioner couples	39%	39%	45%	47%	46%	48%
Single pensioners	31%	27%	32%	32%	34%	33%
Net income after housing costs						
All pensioner units	43%	44%	48%	50%	50%	51%
Pensioner couples	44%	45%	52%	53%	53%	55%
Single pensioners	39%	36%	43%	43%	44%	42%

Chapter 5: Additional Analysis and Context

This chapter looks at areas of interest around pensioners' incomes that do not fit into other chapters of the publication or have a lower level of robustness so that results should be treated with caution. Differences in incomes between groups and changes over time may not be statistically significant.

Firstly, it looks at mixed status pensioner couples (where one member is above SPa and the other is below), highlighting the different income profile of these pensioners compared with couples where both members are over SPa.

In 2011/12 there were approximately 1.2 million mixed status pensioner couples, which account for around 30 per cent of all pensioner couples. In the last three years their income levels have remained between 20 and 25 per cent higher than all pensioner couples. These changes have largely been driven by changes in earnings and occupational pension receipt, and go some way to explaining changes for pensioners couples presented in Chapter 2.

Between April 2010 and November 2018 the SPa for women will increase from 60 to 65. From December 2018, the SPa for both men and women will start to increase to reach 66 by October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028. All changes increase the age at which the State Pension can be claimed. In preparation for the initial change, **Table 5.5** shows average incomes of pensioners aged 65 and over only.

Results are presented for pensioners broken down by their ethnicity. The sample size for minority ethnic groups is small so three years of data have been used to support more robust income component breakdowns. Results highlight differences in the income received from state and private pensions between the different groups.

Finally, this chapter presents married and cohabiting pensioner couples, highlighting the different income profiles of these pensioners. The sample size is small for cohabiting couples so three years of data have also been used.

Mixed status couples

All the tables in the publication so far have related to ‘pensioner units’ defined as single people over SPa and couples (married or cohabiting) where one or more adults are over SPa.

This section looks at summary results for mixed status couples, that is those couples where strictly one partner is above SPa and one below. Although same sex couples are included in the main tables as part of the definition of pensioner couples for 2011/12, the numbers are too small to provide a separate analysis of them in this section, and so they are excluded.

Figure 5.1 shows the mean income for mixed status couples and the sources of income for a number of pensioner groups, namely:

- Couples with the woman above SPa but the man below
- Couples with the man above SPa but the woman below
- Couples with both members above SPa
- Pensioner couples with at least one adult over SPa (as used in the main tables in this publication)

Figure 5.1: Sources of gross income for different types of pensioner couples, 2011/12

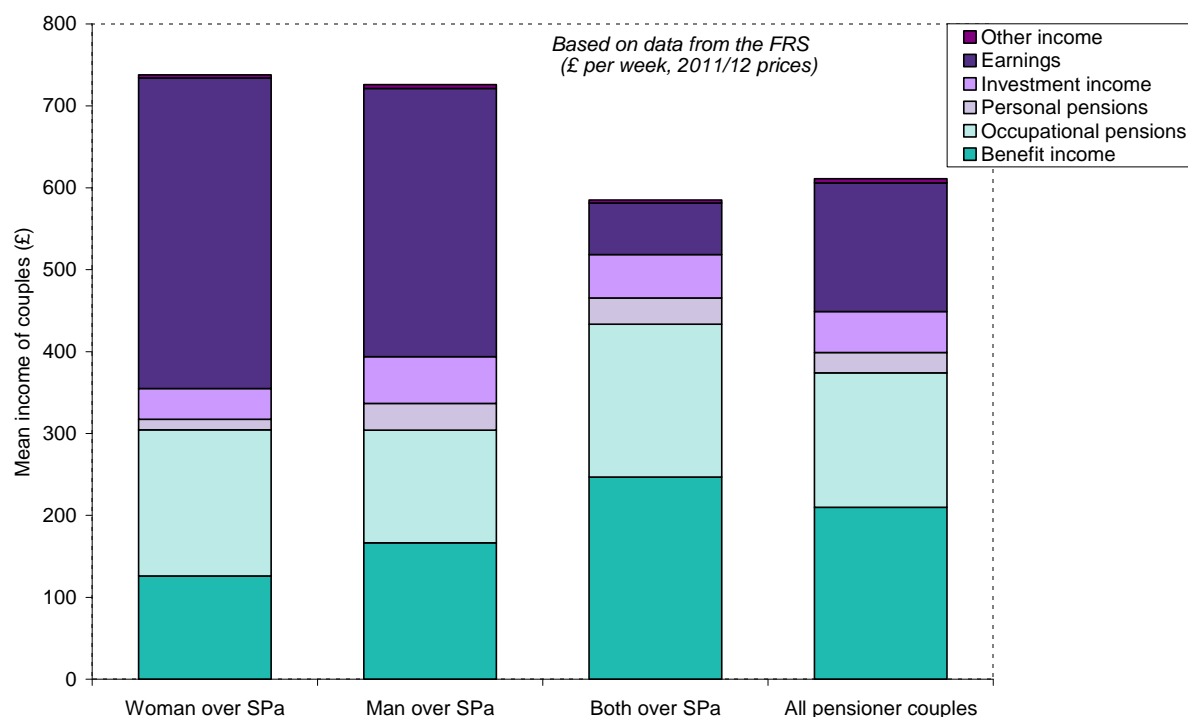


Figure 5.1 shows that pensioner couples with one member over SPa and one below have, on average, substantially higher earnings, and as a result a higher overall income.

From **Figure 5.1** we can see couples where one person is above SPa have greater income from earnings and tend to receive less income from benefits than couples where both are over SPa.

Table 5.1: The average incomes of couples where one partner is over state pension age but the other is not, 1996/97 to 2011/12

Incomes in £ per week, 2011/12 prices

	1996/97	1998/99	2008/9	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
Couples where one partner is over state pension age but the other is not							
Gross income	580	621	738	843	798	735	100%
<i>of which</i>							
Benefit income	115	120	129	141	140	137	18%
Occupational pension	136	150	151	171	148	167	19%
Personal pension income	7	8	20	24	18	18	2%
Investment income	61	58	60	57	54	43	7%
Earnings	257	281	369	446	433	365	54%
Other income	4	4	8	4	5	4	1%
Net income BHC							
Mean	457	486	565	634	604	564	76%
Median	355	387	488	499	477	460	
Net income AHC							
Mean	423	453	526	599	569	529	71%
Median	321	352	452	465	447	428	

Table 5.2 looks at the income from earnings for various groups of pensioner couples. A pensioner couple where the woman is over SPa but the man is under has the highest average amount of income from earnings. In contrast, couples with both members over SPa have the lowest amount of income from earnings. However, these sub-groups of pensioner couples in **Table 5.2** are based on a small sample of pensioner units and so the results are subject to some degree of uncertainty.

Table 5.2: The proportion of different groups of pensioner couples with income from earnings and the average amounts for those in receipt, 2011/12

Incomes in £ per week, 2011/12 prices

	Proportion in receipt of income from earnings (%)	Average amount of income from earnings for those in receipt (£pw)	
		Mean	Median
Published "Pensioner Income" results, 2011/12 (Table 3.10)	30%	492	370
Man over SPa, Woman under SPa	67%	490	362
Woman over SPa, Man under SPa	63%	599	452
Strictly one member over SPa, one under SPa	64%	569	430
Both members over SPa	17%	381	282

Average earnings are presented only for those in receipt of earnings and so are not directly comparable with average earnings shown in Table 5.1 which includes pensioner units with zero earnings

Retired people

The Pensioners' Incomes Series classifies people by age – either under or over SPa. Another way to approach this is to look at benefit units which report their employment status as retired. Here, retirement is self-reported and is defined as no longer economically active (i.e. no longer in employment or actively seeking work).

Table 5.3 shows the numbers of singles and couples who have retired and whether they are under or over SPa. Based on unrounded figures, this shows that:

- There are 200,000 singles that have retired under SPa and 300,000 couples where both are under SPa and at least one member has retired. These groups are not included in the results in earlier chapters of this report.
- 550,000 singles over SPa have not retired and 600,000 couples have at least one member over SPa and neither partner has retired. These are included in the results in earlier chapters of this report.

Table 5.3: The number of benefit units that have retired or not, by state pension age, 2011/12

	Under SPa		Over SPa		All
	Males	Females	Males	Females	
Singles					
Not retired	<i>6,800,000</i>	<i>5,950,000</i>	150,000	450,000	13,350,000
Retired	150,000	50,000	1,100,000	2,850,000	4,100,000
All	6,950,000	6,000,000	1,200,000	3,300,000	17,450,000
	Both under SPa	Female over SPa	Male over SPa	Both over SPa	All
Couples					
Neither retired	<i>11,050,000</i>	350,000	100,000	200,000	11,700,000
One retired	250,000	350,000	150,000	450,000	1,200,000
Both retired	100,000	150,000	50,000	2,350,000	2,650,000
All	11,400,000	850,000	300,000	3,000,000	15,550,000

1. Figures in italics denote individuals under SPa and not self-reported as retired whose income is not included in this report.

2. SPa refers to State Pension Age and takes account of changes to women's SPa in line with current policy.

Table 5.4, looking at the income components of single retired benefit units under SPa, gives an example of the characteristics of people who have retired early. The estimates provided need treating with some caution due to the sample size available. However, they do give a broad sense of the incomes available to those who have retired below SPa.

Table 5.4: The average incomes of single retired benefit units under state pension age, 2011/12

<i>Incomes in £ per week, in 2011/12 prices</i>		
Retired under SPA	Amount of income	Proportion in receipt
Gross income	257	
<i>of which</i>		
Benefit Income	67	66%
State Pension	3	3%
Income related benefits	42	27%
Disability benefits	8	13%
Occupational pension	135	62%
Personal pension income	14	14%
Investment income	32	60%
Earnings	*	*
Other income	9	6%
Net income BHC		
Mean	209	
Median	184	
Net income AHC		
Mean	177	
Median	140	

1. Estimates of less than 50p or 0.5 per cent are labelled *.

2. SPa refers to State Pension Age and takes account of changes to women's SPa in line with current policy.

The single benefit units retired below SPa (compared to those over SPa) show:

- High occupational pension
- Low benefit income from income-related benefits

The average gross income level of £257 for 2011/12 would place these retired singles in the top half of the singles pensioner income distribution (AHC). State Pension includes Widow's Pension and Widowed Parent's Allowance and would account for the 3 per cent of single people under SPa who are in receipt of a small weekly State Pension.

Pensioners 65 or over

In earlier chapters pensioner units are included in results if they are a single pensioner at SPa or over, or a couple one or more of which are at SPa or over. The SPa is 65 for men born before 6th April 1959. For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018. From December 2018, the SPa for both men and women will start to increase to reach 66 in October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028. For 2011/12 data, women are defined to have reached SPa based on their date of birth and the date of the interview. A pensioner is defined as a person of SPa or above.

Table 5.5 presents headline figures for pensioner units across all years defined as either:

- a single pensioner 65 years old or over (whether a man or a woman).
- or a pensioner couple one or more of which are 65 or over.

Hence **Table 5.5** presents headline results using the definition of SPa being 65 for both men and women, which is due to be achieved by November 2018. These estimates are in contrast with those in Table 2.1 which defines pensioner units based on current policy. Some female pensioners in Table 2.1 will therefore be under 65.

Table 5.5: The average incomes of pensioner units 65 or over, 1996/97 to 2011/12

Incomes in £ per week, 2011/12 prices

	1996/97	1998/99	2008/09	2009/10	2010/11	2011/12	As a % of gross income in 2011/12
All pensioner units							
Gross income	313	324	424	449	438	437	100%
<i>of which</i>							
Benefit income	162	166	207	219	212	205	47%
Occupational pension	81	85	109	121	122	125	29%
Personal pension income	4	6	17	18	17	18	4%
Investment income	38	39	41	36	33	33	8%
Earnings	27	26	46	51	49	53	12%
Other income	1	2	3	4	4	3	1%
Net income BHC							
Mean	271	278	360	381	369	369	84%
Median	211	215	288	307	298	291	
Net income AHC							
Mean	232	243	342	354	342	338	77%
Median	171	180	266	277	268	258	
Pensioner couples							
Gross income	452	464	590	610	597	601	100%
<i>of which</i>							
Benefit income	194	197	239	250	242	235	39%
Occupational pension	129	136	162	176	177	182	30%
Personal pension income	7	11	30	30	29	31	5%
Investment income	61	61	64	56	52	52	9%
Earnings	59	56	90	93	92	97	16%
Other income	1	3	4	4	6	4	1%
Net income BHC							
Mean	386	391	491	510	493	498	83%
Median	304	309	395	411	403	406	
Net income AHC							
Mean	347	359	482	490	472	472	79%
Median	265	280	384	392	380	383	
Single pensioners							
Gross income	217	230	300	309	303	295	100%
<i>of which</i>							
Benefit income	140	146	184	191	186	179	61%
Occupational pension	47	51	69	73	75	75	25%
Personal pension income	1	2	7	8	7	7	2%
Investment income	22	23	24	19	17	17	6%
Earnings	5	6	13	14	13	15	5%
Other income	1	2	3	3	3	3	1%
Net income BHC							
Mean	191	201	261	270	264	256	87%
Median	165	170	229	238	234	224	
Net income AHC							
Mean	153	165	236	237	233	222	75%
Median	116	126	197	200	198	187	

Ethnic minority groups

Ethnic minorities account for 4 per cent of all pensioner units in the UK according to the FRS (based on head of pensioner unit). The sample sizes for ethnic minority pensioner groups on the FRS are relatively small and so it is difficult to get robust estimates from the survey. Three years of data have been combined for these results and so comparisons with tables for single years in the main text are only indicative. Data are collected on pensioners in the 'Mixed' ethnic group, but sample sizes are too small to provide robust estimates, even when combining three years of data.

The Pensioners' Incomes Series 2011/12 publication has adopted the latest harmonised output standards for ethnic groups for the UK.

See further details in HBAI 2011/12 Appendix 2 page 268:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206838/appendix_2_hbai13.pdf

The results show that:

- Ethnic minority pensioners have lower overall income than their White counterparts (for example, median net income (AHC) of White pensioner units is £277 per week compared with £212 per week and £218 per week for Black and Asian pensioner units respectively).
- A large driver for this difference is the fact that ethnic minority pensioners are less likely to receive occupational or personal pensions. They are also less likely to receive income from the State Pension and thus receive lower mean amounts.

A low pension income partially reflects members of ethnic groups migrating to Great Britain in the middle of their working lives. This gave them a reduced chance to build up entitlement to state and private pension schemes. Migration from the Caribbean peaked in the early 1960s, and the Asian groups in the following two decades (those from India and Pakistan in the early 1970s; from Bangladesh in the early 1980s). More information can be found in *'Immigration, emigration and the ageing of the overseas-born population in the United Kingdom'* by Michael Rendall and Deborah Ball <http://www.ons.gov.uk/ons/rel/population-trends-rd/population-trends/no--116--summer-2004/population-trends.pdf>

Although overall benefit income is roughly equal across the groups, a breakdown shows differences in the types and amount of benefits received. A higher proportion of ethnic minority group pensioners are in receipt of income-related benefits compared to the White group.

Table 5.6: The components of mean gross income of pensioner units, and the proportion in receipt by ethnic group, 2009-12

Incomes in £ per week, in 2011/12 prices

Ethnic Minority groups	All	White	Asian / Asian British / Chinese	Black / African / Caribbean / Black British	Other*
Gross income	471	473	417	366	455
<i>of which</i>					
Benefit income	201	201	198	209	184
State Pension	152	153	122	126	132
Income related benefits	23	22	46	58	31
Disability benefits	17	17	19	16	13
Occupational pension	123	125	71	63	124
Personal pension income	17	17	22	3	20
Investment income	35	35	34	5	32
Earnings	91	91	86	81	90
Other income	4	4	6	5	6
Net income BHC					
Mean	390	392	342	312	367
Median	306	308	251	256	286
Net income AHC					
Mean	360	363	306	264	321
Median	275	277	218	212	233
Proportion of pensioners in receipt of:					
Benefit income	100%	100%	99%	100%	100%
State Pension	97%	97%	90%	91%	90%
Income related benefits	29%	29%	45%	53%	30%
Disability benefits	23%	23%	26%	24%	17%
Occupational pension	61%	62%	31%	46%	47%
Personal pension income	17%	17%	12%	8%	18%
Investment income	68%	69%	42%	38%	58%
Earnings	18%	18%	18%	14%	19%
Total population figures (rounded to 10,000)	8,630,000	8,300,000	170,000	90,000	70,000

Notes:

(1) Data based on the average of three years of FRS results from 2009/10, 2010/11 and 2011/12 uprated to 2011/12 prices

(2) Ethnic groups are not exactly comparable across the three survey years 2009/10 to 2011/12. For example from 2011/12, Chinese have been moved to the 'Asian' group, with Arab and Traveller added to the 'Other' group. This is in accordance with the FRS England and Wales questionnaire which has adopted the harmonised ethnic group question. See further details in HBAI 2011/12 Appendix 2 page 268: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206838/appendix_2_hbai13.pdf

* 'Other' includes Mixed/ Multiple ethnic groups and Other ethnic groups

Marital status of couples

In 2011/12, two per cent of all pensioner units were cohabiting couples and 49 per cent were married couples, with the remaining 49 per cent being single pensioners. The sample sizes for cohabiting pensioners on the FRS are small and so it is difficult to get robust estimates from the survey. For these results a three year average has been used and so comparisons with tables in the main text can only be indicative.

Results show that:

- Cohabiting pensioner couples have higher overall income than married pensioner couples (for example, median net income (AHC) of cohabiting pensioner couples is £418 per week compared with £397 per week for married pensioner couples)
- Higher overall income for cohabiting couples is mainly due to this group having a much higher level of earnings compared to married pensioner couples - the average level of earnings for cohabiting pensioner couples is £252 per week compared with £159 per week for married pensioner couples.
- Overall, cohabiting pensioner couples tend to be younger than married pensioner couples which might explain the higher level of earnings.
- Levels of benefit income and personal pension income are similar for both groups, while occupational income is higher for married couples.

Table 5.7: The components of mean gross income of married and cohabiting pensioner units, 2009-12

Incomes in £ per week, 2011/12 prices

Marital status of couples	All	Married pensioner couples	Cohabiting pensioner couples
Gross income	646	645	667
<i>of which</i>			
Benefit income	221	221	224
Occupational pension	177	179	123
Personal pension income	28	28	26
Investment income	53	54	40
Earnings	163	159	252
Other income	4	4	3
Net income BHC			
Mean	523	522	540
Median	420	418	455
Net income AHC			
Mean	499	499	502
Median	398	397	418

Notes:

(1) Data based on the average of three years of FRS results from 2009/10, 2010/11 and 2011/12 uprated to 2011/12 prices

Appendices

A Data Sources and Methods

B Reliability of Estimates

Appendix A: Data Sources and Methods

The Family Resources Survey (FRS) is the main underlying data source for the PI Series. While the FRS target achieved sample size for GB was reduced by 5,000 households from April 2011, it continues to be one of the largest cross-sectional household surveys in this country. The assessment is that this reduced sample will still allow the core outputs from the FRS to be produced (such as the individual measures of income in PI). More details on this assessment can be found at <https://www.gov.uk/government/organisations/department-for-work-pensions/series/family-resources-survey--2>

The PI series in 2011/12 is based on the Households Below Average Income (HBAI) dataset as sourced from the FRS. The HBAI publication makes an adjustment for households with very high incomes as the FRS under-records information about these households. This adjustment is based on data from the Survey of Personal Incomes (SPI) from HM Revenue and Customs (HMRC). FRS-based estimates are not available prior to 1994/95. Estimates for years between 1979 and 1996/97 are based on Family Expenditure Survey (FES) data. FES data are based on calendar years between 1979 and 1993, and financial years from 1996/97 onwards.

There are a number of differences between the FES and FRS. The FRS has a sample size of around 6,500 pensioner units which is more than twice the size of the FES. Consequently, FRS based results are subject to less sampling variability, particularly when looking at small subgroups of pensioners. The two surveys have different response rates and response profiles, and there are some definitional differences in the data that are collected. Because of these differences, direct comparisons between results from the FES and FRS should not be made.

Neither the FRS nor the FES collect information on people living in institutions and so they are not represented in the Pensioners' Incomes Series. These institutions include, for example, nursing homes, jails, and homeless people living rough or in bed and breakfast accommodation.

More information on data sources and methodology

Methodological papers on the Pensioners Income series can be found on this web page http://webarchive.nationalarchives.gov.uk/20130513214236/http://statistics.dwp.gov.uk/asd/index.php?page=pensioners_income_arc#PI_Meth. These include papers on negative incomes, personal pension income, and definitions of pensioner units. Any comments on these papers, sent to one of the contact points on page 6, would be welcome.

Information on design and response rates of the FRS can be found in Chapter 7 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206887/frs_2011_12_report.pdf

Information on the FES (which has now been superseded by the Living Costs and Food Survey) can be obtained from the Office of National Statistics (ONS) (<http://www.ons.gov.uk/ons/guide-method/surveys/list-of-surveys/survey.html?survey=Living+Costs+and+Food+Survey>)

The GOV.UK website holds analysis comparing FRS and FES data for the three years (1994/95 to 1996/97) of survey overlap (http://webarchive.nationalarchives.gov.uk/20130513214236/http://statistics.dwp.gov.uk/asd/index.php?page=hbai_arc#compare). A link to a more detailed paper on this topic published in the ONS Methodological Series (report number 18) can also be found on this web page (<http://webarchive.nationalarchives.gov.uk/20130513214236/http://statistics.dwp.gov.uk/asd/hbai/gssms18.pdf>).

National Statistics Quality Review of Income Statistics

In 2001, as part of the National Statistics Quality Review of Income Statistics, the DWP launched a joint review of the Pensioners' Incomes (PI) and Households Below Average Income (HBAI) statistical reports. Its purpose was to establish whether the PI and HBAI series continue to meet the needs of their users and, where they did not, how best to address those needs. It considered the definitions and methodology used and also the timeliness and accessibility of the statistics. Recommendations and consultation conclusions arising from the consideration of these issues were published in a report in early 2004 and are available on the web at

http://webarchive.nationalarchives.gov.uk/+http://www.dwp.gov.uk/asd/hbai/quality_review/quality_review.asp

Estimates for 1990/91

The PI Series gives single calendar year estimates up to the calendar year 1993, and single financial year estimates thereafter. However, in 1991 one quarter of the Family Expenditure Survey sample was omitted because of problems following the delayed issue of Community Charge bills in April 1991. This is explained fully in *'Households Below Average Income 1979-1990/1'* published by Her Majesty's Stationary Office. As a result the sample size in that year is too small to provide sufficiently reliable estimates of pensioners' incomes. For this reason the remaining data for 1991 has been combined with that for 1990 to produce estimates for the combined calendar years 1990 and 1991. These 1990/91 estimates are shown in selected Figures throughout the Pensioners' Incomes Series publication

Definitions of Gross and Net Income

Gross Income

Within the Pensioners' Incomes Series, gross income is generally separated into six components:

- **Income from benefits** – including tax credits

In Chapter 3, this is further divided into:

- **State Pension** – Basic and Additional State Pension, Widow's Pension and Widowed Parent's Allowance
- **Income-related benefits** – Pension Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants. It also includes tax credits
- **Disability benefits** – Disability Living Allowance, Attendance Allowance, Industrial Injuries Disablement Benefit and War Disablement Pension

These three benefit types are not exhaustive – there are benefits, such as Winter Fuel Payments and Carer's Allowance, which do not fit into any of these categories but are included in total benefit income.

- **Income from occupational pensions** – employee pensions associated with an employer and workplace
- **Income from personal pensions** – personal pensions, annuities bought with lump sums from personal pensions, trades union and friendly society pensions

- **Income from private pensions** – the sum of occupational and personal pensions
- **Income from investments** – including interest from Individual Savings Accounts (ISAs) and other savings accounts, unit trusts, bonds, stocks and shares.
- **Income from earnings** – including employee earnings and profit and loss from self-employment
- **Other income** – benefits from Friendly Societies, income from dependent children, maintenance payments and from November 2000 free TV licences for those aged 75 and over

Net Income

Net income Before Housing Costs (BHC) is gross income less:

- income tax payments
- National Insurance contributions
- contributions to occupational and private pension schemes
- local taxes, i.e. council tax/domestic rates
- maintenance and child support payments
- student loan repayments
- and parental contributions to students living away from home.

Net income After Housing Costs (AHC) is derived by deducting a measure of housing costs from the above income measure and is also net of:

- rent (gross of housing benefits)
- water rates, community water charges and council water charges
- structural insurance premiums (for owner occupiers)
- mortgage interest payments (net of any tax relief)
- and ground rent and service charges.

Income from Housing Benefit is included within gross income as an income-related benefit.

Differences between the FRS and FES

There are a number of small differences in what comprises FRS and FES estimates of gross and net income. These make little difference to estimates of pensioners' incomes.

	FRS based estimates	FES based estimates
Gross income	<ul style="list-style-type: none"> • Student loans included 	<ul style="list-style-type: none"> • Social Fund repayments deducted
Net income	<ul style="list-style-type: none"> • Pension contributions deducted • Maintenance and child support payments deducted • From 1997/8, parental contributions to students living away from home deducted 	

Negative Incomes

Negative incomes are not thought to be indicative of standards of living. Pensioner units with negative net income Before Housing Costs have their gross income components of income, and their net income Before Housing Costs, set to zero. Net income After Housing Costs is set to zero minus housing costs, and so for a small number of cases will be negative.

See the PI methodological paper no 2 for more information on negative incomes. This is available on the web at

http://webarchive.nationalarchives.gov.uk/20130513214236/http://statistics.dwp.gov.uk/asd/asd6/2_Negative_Incomes.pdf

Definition of head of pensioner unit

The PI Series presents analysis by age. Pensioner couples are categorised by the age of the head of the pensioner unit; this is either the **Household Reference Person** (the highest income householder without regard to gender) if the Household Reference Person belongs to the pensioner unit or, if not, it is the first person from the pensioner unit in the order they were named in the FRS interview process.

Households Below Average Income and the main Pensioners' Incomes Series

Tables 4.6 and 4.7 in the Pensioners' Incomes Series provide information on the position of pensioners within the overall income distribution. These tables define pensioners as adults in families where at least one member is over SPa, consistent with the rest of the PI publication. This is different to the definition used in the Households Below Average Income (HBAI) which defines pensioners as those over SPa. The count of 'pensioners' in PI is therefore about 10 per cent higher than in HBAI.

The full HBAI publication can be found on the GOV.UK website. Results from the two types of analysis should not be directly compared. The main differences between the HBAI and PI methods of analysis are:

Income components: The PI results include analysis of the components of pensioner unit income (benefit income, occupational pension etc). HBAI, with its broader span of interests, does not present detailed analysis of this sort.

Household or pensioner unit: The PI series is generally concerned with cash incomes directly received by pensioners. It measures the income of pensioner benefit units only, ignoring income received by any other members of the household. HBAI attempts to measure material living standards, so it takes account of all the income coming into the household where the pensioner lives. The underlying HBAI assumption being that total household income is shared amongst all household members.

Equivalisation: To allow comparison of living standards of different households, the HBAI 'equivalises' household income – that is adjusts it to take account of household size and composition. One of the main functions of the PI series is to provide information on the cash income of pensioner units, split by sources of income. This can only be done using unequivalised income. Indeed equivalisation is not necessary for most PI results, which are presented separately for pensioner couples and single pensioners. To avoid unnecessary complexity, the main PI results are presented in monetary terms, at constant 2011/12 prices, rather than equivalised income.

Equivalisation Scales: HBAI has historically used the McClements equivalisation scale. Following user consultation, the 2005/06 edition of HBAI and subsequent HBAI publications have used Modified OECD equivalisation scales. The same change has been made to **Tables 4.6** and **4.7** since the 2005/06 edition of the PI series. Information on the effect of the change can be found in Appendix B of the 2005/06 edition of the PI series.

Appendix B: Reliability of Estimates in the Pensioners' Incomes Series

The analyses in this publication are based on household surveys, so no estimate should be treated as exact as there are several reasons for uncertainty in the estimates. These include potential reporting errors, systematic bias in the sample and random sampling errors. Caution should therefore be taken when interpreting these estimates and they should only be used as indicators of broad patterns and trends.

Sources of uncertainty

Reporting errors: Imperfect recall and respondents choosing to deliberately give incorrect answers are examples of reporting error. If these errors are systematic they may lead to bias in both the survey estimates of average income and proportions in receipt. There is evidence, for example, that a downward bias exists in survey estimates for amounts and proportions in receipt of Pension Credit and Attendance Allowance.

Under-reporting: The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. Such respondent reliance leads to under-reporting in receipt for many benefits. The discrepancies between FRS and administrative data are particularly pronounced for Attendance Allowance and Pension Credit. More information on under-reporting can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206887/frs_2011_12_report.pdf on page 108 in Chapter 7 of the current year's FRS.

Systematic bias in the sample arises if certain groups are less likely to respond to a survey than others. This is corrected to some extent in the FRS by weighting to match subgroups of the population by age, gender, family status, tenure, council tax band and broad geographic region. Nevertheless, it is impossible to account for all possible bias so some results are still affected.

Random sampling errors occur in a survey because survey estimates are based on a subset of the population and this subset will not be identical to the remaining population who have not been interviewed. More information on sampling errors can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206887/frs_2011_12_report.pdf from page 112 in chapter 7 of the current year's FRS.

The existence of the above sources of uncertainty mean the PI series will not be the most accurate source of estimates for some income sources. For example, administrative data mainly avoids the above four sources of uncertainty and is likely to give a more accurate estimate for some average amounts than survey-based PI estimates. However, PI both offers a view across all income sources and insight into the makeup of the pensioner unit in the household for which administrative data is limited. Overall however, uncertainty in sampling estimates means that caution should be exercised in drawing conclusions from two results where the difference may be due to the errors or biases mentioned above and not to a statistically significant change.

Estimating sampling error

The sampling error around an estimate can be measured by the size of its 'standard error'. The standard error of an estimate is typically calculated under the assumption of simple random sampling (that is, where every member of the population has an equal and independent chance of selection). However, the design of the FRS survey from which PI datasets are derived is more complicated, typically leading to a larger standard error. The effect of the design of the survey on the standard error of a given estimate can be measured

by its '**design factor**', which is equal to the standard error calculated under the survey design in question, divided by the standard error calculated under simple random sampling.

The standard error can be converted into a 'confidence interval' which gives an indication of the degree of uncertainty surrounding the estimate, by giving a range that the true mean is likely to be within. For example, if mean income is £301 a week, with a 95 per cent confidence interval of +/- £4, then it means that in 95 per cent of all possible survey samples that we could have taken, we would expect the estimated mean to fall within the range £297 to £305. In other words we can be 95 per cent confident that the true mean lies within that range.

The wider a confidence interval is, the more uncertainty there is, and the less we can infer about the true mean. The two main factors affecting the size of confidence intervals are the sample size and how much the income measure in question varies from pensioner unit to pensioner unit.

The smaller the **sample size** on which a population estimate is based means there will be fewer people to inform that estimate. The confidence interval will usually therefore be wider signifying more uncertainty when we make claims about the whole population. There will also be a wider confidence interval around the mean income estimates of smaller sub-groups such as single male pensioners, when compared with all pensioner units.

The more **variability** in any measure, the wider the confidence interval is likely to be. For example, if there is a wide range of incomes in the population, there is more risk of choosing a survey sample that includes incomes that are very different from the true mean. Estimates of mean benefit income are likely to have smaller confidence intervals than estimates of investment income, as the range of possible values of benefit income is much narrower.

Assessing the reliability of an estimate depends not only on the absolute size of its confidence interval, but also on how large the confidence interval is relative to the estimate itself. For example, an estimate of £100 +/- £10 gives a confidence interval of [£90, £110], while an estimate of £10 +/- £10 gives a confidence interval of [£0, £20]. Clearly we may want to treat these two estimates differently when advising on their reliability. The simplest way of capturing this effect is to look at the **relative confidence interval**, which is the width of the confidence interval calculated as a percentage of the estimate itself. The examples above give relative confidence intervals of 10 per cent and 100 per cent respectively.

Table B1.1 gives some examples of standard errors and confidence intervals that have been calculated for estimates of pensioners' average incomes in 2011/12. The table shows that while there is a degree of uncertainty about the estimates it does not affect the broad conclusions drawn, such as the relative importance of different types of income, or the fact that single men on average have higher incomes than single women.

Where uncertainty restricts some conclusions that can be reliably drawn from comparisons, users are advised to look at the results over several years for more evidence of the true pattern. For example, if group A had substantially higher income than group B in each of the four preceding years (and there is no reason to suspect that the current year should be any different), then there is more evidence that group A genuinely has a higher average income.

Over short time periods it is likely that an income measure will not change dramatically, and so any uncertainty is likely to be large compared with the change itself. Users should not draw firm conclusions from looking at year-on-year changes. **Table B1.2** shows the growth in sources of income between 1998/99 and 2011/12 and between 2010/11 and 2011/12. When compared with growth estimates between 1998/99 and 2011/12, the size of the confidence interval around the estimate of growth between 2010/11 and 2011/12 is large compared with the estimate itself. This is particularly true for the smaller components of income.

Appendix B: Reliability of Estimates in the Pensioners' Incomes Series

The results in **Table B1.1** illustrate that longer-term changes also need to be interpreted with care. For example, consistent FRS data are available from the mid 1990s, and estimates of growth can now be based on a period of around seventeen years. However, even over this period, uncertainty around change is greater than for point-in-time estimates. For example, for growth estimates since 1996/97, the relative 95 per cent confidence interval around average income growth of pensioner couples is a sixth of the size of the estimate itself. For this group this compares with a smaller relative interval width around point in time estimates for a particular year. Growth estimates for smaller subgroups of pensioners are even more uncertain.

For some estimates, standard errors and confidence intervals have been calculated using simple random sampling assumptions. In most cases this means that the uncertainty surrounding the estimates of recent growth, as published in **Table 2.2**, will be somewhat understated.

Appendix B: Reliability of Estimates in the Pensioners' Incomes Series

Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2011/12

	Estimate £pw	Standard error	95% confidence interval		
			Interval width +/-	Relative width	Interval range
All pensioner units					
Gross income	456	7	14	3%	[441, 470]
<i>of which:</i>					
Benefit income	195	1	2	1%	[193, 197]
Occupational pension	125	3	6	4%	[120, 131]
Personal pension income	17	1	2	11%	[15, 19]
Investment income	33	2	4	11%	[29, 36]
Earnings	82	4	9	11%	[73, 90]
Other Income	3	0	1	15%	[3, 4]
Mean net income					
Before housing costs	379	5	9	2%	[369, 388]
After housing costs	348	5	9	3%	[339, 357]
Subgroups of pensioners					
Mean net income BHC					
Pensioner couples	510	8	16	3%	[494, 527]
Single pensioners	258	4	7	3%	[251, 265]
Recently retired head	443	9	18	4%	[425, 462]
Head under 75 years	422	7	13	3%	[409, 435]
Head over 75 years	317	6	12	4%	[304, 329]
Single male pensioners	292	9	18	6%	[274, 309]
Single female pensioners	246	3	7	3%	[239, 252]
Growth estimates since 1996/97 <i>(% increase 1996/97 to 2011/12)</i>					
Mean net income BHC					
All pensioner units	36%	2	4	12%	[34%, 43%]
Pensioner couples	30%	3	5	18%	[26%, 36%]
Single pensioners	34%	2	4	13%	[35%, 44%]

Appendix B: Reliability of Estimates in the Pensioners' Incomes Series

Table B1.2: Growth in average incomes of pensioner units, 1998/99 to 2011/12, and 2010/11 to 2011/12

	<i>Incomes in £ per week, 2011/12 prices</i>			% growth 1998/99 to 2011/12	% growth 2010/11 to 2011/12	95% confidence interval 1998/99 to 2011/12	95% confidence interval 2010/11 to 2011/12
	1998/99	2010/11	2011/12				
All pensioner units							
Gross income	347	468	456	31%	-3%	26% to 37%	-7% to 2%
<i>of which</i>							
Benefit income	159	201	195	23%	-3%	21% to 24%	-4% to -1%
Occupational pension	89	121	125	40%	4%	32% to 49%	-2% to 10%
Personal pension income	6	17	17	207%	3%	147% to 267%	-12% to 18%
Investment income	40	35	33	-18%	-5%	-30% to -7%	-18% to 8%
Earnings	50	91	82	65%	-10%	42% to 87%	-24% to 4%
Other income	3	4	3	39%	-17%	0% to 78%	-34% to 1%
Net income BHC							
Mean	292	387	379	30%	-2%	25% to 34%	-6% to 1%
Median	220	305	297	35%	-3%	32% to 38%	-5% to 0%
Net income AHC							
Mean	257	359	348	35%	-3%	30% to 40%	-7% to 1%
Median	186	276	265	43%	-4%	37% to 48%	-7% to -1%
Pensioner couples							
Gross income	497	641	626	26%	-2%	19% to 33%	-8% to 4%
<i>of which</i>							
Benefit income	179	220	217	21%	-2%	18% to 23%	-4% to 0%
Occupational pension	140	172	182	30%	5%	20% to 40%	-2% to 13%
Personal pension income	10	27	28	172%	6%	113% to 231%	-13% to 24%
Investment income	62	52	50	-19%	-4%	-33% to -5%	-20% to 11%
Earnings	103	164	146	42%	-11%	21% to 63%	-27% to 5%
Other income	3	5	4	15%	-27%	-32% to 62%	-50% to -4%
Net income BHC							
Mean	411	517	510	24%	-1%	19% to 30%	-6% to 3%
Median	318	416	415	30%	0%	25% to 36%	-3% to 3%
Net income AHC							
Mean	378	495	483	28%	-2%	22% to 34%	-7% to 3%
Median	290	394	390	35%	-1%	28% to 41%	-4% to 2%
Single pensioners							
Gross income	235	311	299	27%	-4%	24% to 30%	-6% to -2%
<i>of which</i>							
Benefit income	145	183	176	21%	-4%	19% to 24%	-6% to -2%
Occupational pension	52	74	73	42%	-1%	30% to 54%	-10% to 8%
Personal pension income	2	8	7	239%	-9%	82% to 396%	-34% to 16%
Investment income	24	18	17	-30%	-8%	-46% to -15%	-28% to 12%
Earnings	10	24	22	115%	-8%	60% to 170%	-29% to 13%
Other income	2	3	3	65%	-3%	5% to 125%	-31% to 25%
Net income BHC							
Mean	205	269	258	26%	-4%	22% to 30%	-7% to -1%
Median	171	236	226	32%	-4%	29% to 35%	-7% to -2%
Net income AHC							
Mean	168	237	224	33%	-5%	28% to 38%	-9% to -2%
Median	127	199	188	48%	-6%	36% to 59%	-9% to -2%

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