



Department  
for Work &  
Pensions



# The Pensioners' Incomes Series

United Kingdom, 2012/13

July 2014



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## 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. More details on the FRS can be found here: <https://www.gov.uk/government/collections/family-resources-survey--2>

### Contents

- **Chapter 1 (this chapter) 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 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 December 1953. For women born on or before 5th April 1950, SPa is 60. 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 2012/13 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. The results in this publication are based on unequivalised income, where the data are not adjusted for the size of the benefit unit/pension unit – unlike the Households Below Average Income publication, for example, in which income is equivalised to take account of different sized households.

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 five 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 2012/13, women aged between 61 and 65 are included in recently retired – as female SPa was 61 at the start of 2012/13 – provided 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, 2012/13**

|                                     | Recently<br>retired | Under 75  | 75 or over | All       |
|-------------------------------------|---------------------|-----------|------------|-----------|
| <b>All pensioner units</b>          | 2,200,000           | 4,950,000 | 3,750,000  | 8,700,000 |
| <i>of which</i>                     |                     |           |            |           |
| <b>Pensioner couples</b>            | 1,350,000           | 2,900,000 | 1,300,000  | 4,250,000 |
| <b>Single pensioners</b>            | 850,000             | 2,050,000 | 2,450,000  | 4,500,000 |
| <br>                                |                     |           |            |           |
| <b>Pensioner married couples</b>    | 1,250,000           | 2,800,000 | 1,300,000  | 4,050,000 |
| <b>Pensioner cohabiting couples</b> | 50,000              | 150,000   | 50,000     | 150,000   |
| <br>                                |                     |           |            |           |
| <b>Single male pensioners</b>       | 350,000             | 600,000   | 600,000    | 1,200,000 |
| <b>Single female pensioners</b>     | 500,000             | 1,450,000 | 1,850,000  | 3,250,000 |

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 2012/13 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.

In January 2013 the National Statistician announced, following a review and consultation, that the formula used to produce the Retail Prices Index (RPI) did not meet international standards, and recommended that a new index be published (RPIJ) using the Jevons<sup>1</sup> 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

<sup>1</sup> 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.

## **Chapter 1: Introduction & Summary of Main Results**

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Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. A full report can be found at:

[http://www.ons.gov.uk/ons/dcp29904\\_295002.pdf](http://www.ons.gov.uk/ons/dcp29904_295002.pdf)

In response to this announcement regarding the limitations of RPI, DWP set up an HBAI Technical Advisory Group, made up of external stakeholders and government analysts with an interest in DWP household and family income statistics. The Technical Advisory Group recommended that the RPI will continue to be used as the inflation measure in the 2012/13 publications. The use of RPI for another year was recommended because there are currently no suitable alternatives with appropriate before and after housing cost indices available.

Furthermore, the group thought it appropriate to keep monitoring the progress of the Paul Johnson inflation review (<http://www.statisticsauthority.gov.uk/news/statement---reviews-of-price-indices.pdf>), which is looking at the range of price indices, considering what changes are needed to the range of consumer price statistics produced for the UK to best meet current and future user needs. The review will report to the Board of the UK Statistics Authority and deliver a final report for publication by summer 2014. It was agreed that, once this review has been published, we will make a more informed decision on the most appropriate inflation measure to use in future publications.

Graphs showing long-term trends use the Family Expenditure Survey for 1979 to 1996/97 and the Family Resources Survey for 1994/95 to 2012/13 (the most recent year). FES estimates should not be directly compared with FRS estimates due to methodological differences in the surveys.

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 2012/13 do not contain data for all years. Complete tables for the period 1994/95 to 2012/13 can be found on the GOV.UK website at:

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

All official statistics from the Pensioners' Incomes Series for the UK and constituent countries in this publication are considered by the Department for Work and Pensions (DWP) as "Fully Comparable at level A\*" of the UK Countries Comparability Scale<sup>2</sup>.

For the 2012/13 FRS dataset, changes were made to use newly available 2011 Census data to derive grossing factors, which are used to weight the survey findings so that they are representative of the whole UK population. Revised grossing factors have also been produced for past data, back as far as the 2002/03 FRS dataset. The new grossing factors have resulted in minor changes to some results based on the FRS data. The Pensioners' Incomes Series dataset for 2012/13 incorporates the new grossing changes, as do the datasets for 2011/12 and 2010/11 (covering a three year period, to which many statistics in this publication relate). However, data from 2009/10 back to 2002/03 is currently based on the previous grossing regime. These datasets will be revised prior to next year's publication. In the interim period, data from these years should be treated with caution. The time series charts in this publication have been retained, due to their usefulness in illustrating long-term trends; users should take note about their interpretation of any specific data points during this period, however.

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<sup>2</sup> <https://gss.civilservice.gov.uk/wp-content/uploads/2014/02/Comparability-Report-Final.pdf>

In addition to the use of 2011 Census data, a number of minor methodological changes have also been implemented in the FRS dataset. These methodological changes were made on the recommendation of the ONS Methodological Advisory Service during an Initial Review of the FRS weighting scheme. The revised grossing regime is described in detail in the Methodology chapter of the report. A full report of the changes made to the grossing regime is also available at:

<https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>

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

Further details regarding the data sources and methods used within the Pensioners' Incomes Series 2012/13 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 37 per cent since 1998/99 compared with 32 per cent Before Housing Costs. Around three quarters of pensioners own their homes outright (Family Resources Survey, 2012/13), **so pensioners' incomes are most often presented on an After Housing Costs basis.**
- Pensioners' mean net income has grown faster than incomes for the whole population over the last fourteen years. **Net income After Housing Costs for pensioner units has grown by 37 per cent** between 1998/99 and 2012/13 in real terms, whereas mean incomes for the whole population 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 38 per cent between 1998/99 and 2012/13 and 47 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 remained the same and mean net income Before Housing Costs increased by 1 per cent between 2011/12 and 2012/13, whereas mean household incomes for the population as a whole decreased by 2 per cent between 2011/12 and 2012/13 in real terms. **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 3.1 per cent (based on the Retail Price Index [RPI]), and Bank of England interest rates remaining very low at 0.5 per cent.
- Between 2011/12 and 2012/13, gross mean income grew from £475 to £477, unchanged in percentage terms. Net mean income Before Housing Costs grew from £395 to £397, by 1 per cent, and net mean income After Housing Costs grew from £363 to £364, unchanged in percentage terms.

#### Trends in income sources

#### Chapter 2

- In 2012/13 **state benefits accounted for 44 per cent of pensioners' incomes**, occupational pensions made up 27 per cent, earnings 17 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 62 per cent in this time, and **personal pension income**, which has increased by over 250 per cent. Benefit income, which includes the State Pension, has increased by 27 per cent and occupational pension income by 41 per cent over the past 14 years. Investment income has decreased by 22 per cent in real terms since 1998/99.
- In the past year, benefit income increased by 2 per cent, **due to a range of factors, one being the uprating of benefits in April 2012 being higher than inflation during this period.** The Basic State Pension increased by 5.2 per cent and Pension Credit by 3.9 per cent compared with the 3.1 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. As 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 over two 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 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 2012/13, pensioner couples where the head was aged 75 or over had a (mean) net income of £429 a week After Housing Costs, compared with £536 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 £262 per week in 2012/13 compared with £223 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 2012/13, at an average of £133 a week for singles and £201 a week for couples.
- 28 per cent of pensioner units received at least one income-related benefit in 2012/13, such as Pension Credit, Housing Benefit or Council Tax Benefit.
- 22 per cent of pensioner units were in receipt of disability benefits. Pensioner couples received an average £88 a week from disability benefits in 2012/13 compared with £69 for single pensioners.
- In 2012/13, 62 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; half of those who had investment income received £6 a week or less.
- 61 per cent of pensioner units had income from an occupational pension at an average amount of £212 per week. 18 per cent had personal pension income in 2012/13.
- The proportion of pensioner units reporting income from occupational pensions rose from 40 per cent in 1979 to 59 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 70 per cent in 2012/13 (based on FRS data).

### Distribution of pensioners' incomes

### Chapter 4

- The pattern of relatively high **growth in median income** for the top fifth of incomes – and lower growth for the bottom fifth – was not repeated between 1998/99 and 2012/13, 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.

## **Chapter 1: Introduction & Summary of Main Results**

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- Median net income After Housing Costs increased by 19 per cent in the bottom fifth, 39 per cent in middle fifth and 23 per cent in top fifth of the **single pensioner distribution** between 1998-01 and 2010-13. Median net income growth of the **pensioner couple distribution** was 30 per cent in the bottom quintile, 31 per cent in the middle quintile and 22 per cent in the top quintile After Housing Costs between 1998-01 and 2010-13
- 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...   |
|--|---|
| <b>Gross</b>   | <ul style="list-style-type: none"> <li>interested in how much income pensioners receive before any taxes are applied</li> <li>interested in different sources of income</li> </ul>  |
| <b>Net</b>   | <ul style="list-style-type: none"> <li>interested in income available for pensioners to spend (excluding the income of other household members), either Before or After Housing Costs</li> </ul>  |
| <b>Mean</b>  | <ul style="list-style-type: none"> <li>interested in all income available to pensioner units in a particular group</li> <li>do not consider the influence of the highest incomes to be a major problem</li> <li>interested in breaking down income by source</li> </ul>       |
| <b>Median</b>  | <ul style="list-style-type: none"> <li>interested in the income of the 'typical' pensioner unit</li> <li>do not want the average distorted by a small number of high incomes</li> <li>looking at distributions of incomes</li> </ul>  |
| <b>Average (mean or median) for all</b>              | <ul style="list-style-type: none"> <li>interested in all income available to pensioner units in a particular group</li> <li>want to include those with no income from a particular source</li> </ul>  |
| <b>Average (mean or median) for those in receipt</b> | <ul style="list-style-type: none"> <li>interested in the average 'rate' at which people receive income from a particular source</li> <li>interested in an individual source of income</li> </ul>  |
| <b>All pensioner units</b>                           | <ul style="list-style-type: none"> <li>interested in broad trends in cash amounts for pensioners (both in couples and singles) as a whole</li> </ul>  |
| <b>Singles and couples separately</b>                | <ul style="list-style-type: none"> <li>comparing subgroups that contain different proportions of singles and couples</li> <li>looking at distributions of income</li> </ul>   |
| <b>After Housing Costs</b>                           | <ul style="list-style-type: none"> <li>interested in the income available for pensioners to spend after their housing costs have been met</li> <li>considering changes in this net income over time</li> <li>comparing pensioners incomes with working-age incomes</li> </ul> |
| <b>Before Housing Costs</b>                          | <ul style="list-style-type: none"> <li>interested in total net income</li> </ul>  |

## **Chapter 1: Introduction & Summary of Main Results**

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### **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 link:  
<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.
- This publication is based on survey data, hence is subject to sampling variation and other forms of error associated with a sample 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

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 6 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, total weekly household income and region.

- The DWP Tabulation Tool  
<https://www.gov.uk/government/collections/dwp-statistics-tabulation-tool>

The DWP 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 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-3/2010-2012/index.html>

WAS is a large scale longitudinal survey with three 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.

## Chapter 1: Introduction & Summary of Main Results

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- Occupational Pension Scheme Survey (OPSS)  
<http://www.ons.gov.uk/ons/rel/fi/occupational-pension-schemes-survey/index.html>

The OPSS is an annual survey, conducted by the Office for National Statistics (ONS). It covers occupational pension schemes from the public and private sector and samples at the level of the scheme. The OPSS provides the UK's longest consistent time series for estimates of pension scheme membership, with data from 1953, and it provides estimates of the number of schemes, scheme members, and their level of contributions.

- ONS Annual Survey of Hours and Earnings (ASHE)  
<http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/index.html>

The ASHE is published by the ONS. It has been in place since 1997, and 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. Due to the large sample size (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/may-2014/statistical-bulletin.html>

The LFS is a continuous household survey conducted in the UK. The LFS is a large sample survey in which 45,000 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.pensionprotectionfund.org.uk/Pages/ThePurpleBook.aspx>

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.
- Material deprivation for pensioners, an additional indicator for measuring living standards, has been included in the HBAI publication since 2009/10. This indicator is derived from a suite of questions in the FRS, 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](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/200717/technical_note_20110307.pdf)  
For the 2012/13 results on pensioner poverty / deprivation, see Chapter 6 of HBAI at:  
<https://www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2>

### **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 2012/13).
- 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 FRS (from which Pensioners Incomes data are derived), see the Methodology Chapter of the latest FRS report:  
<https://www.gov.uk/government/organisations/department-for-work-pensions/series/family-resources-survey--2>

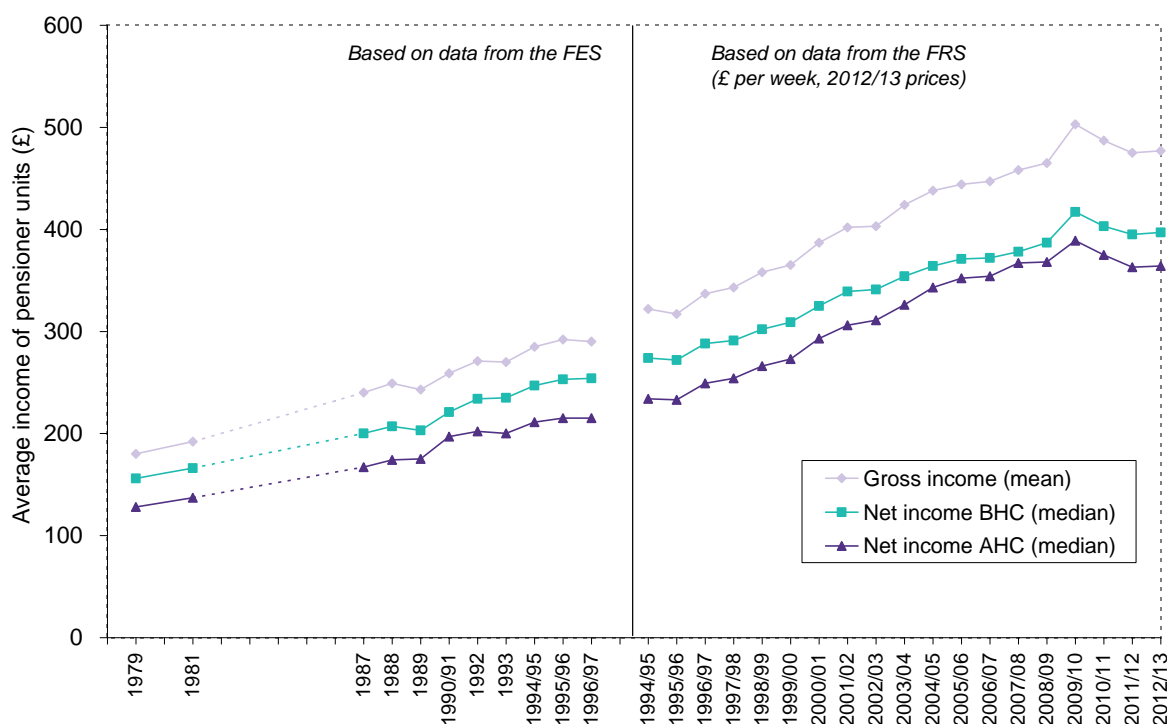
## Chapter 2: Pensioners' Incomes

### Trends in income for all pensioner units

On average, pensioner units received £477 a week in (mean) gross income in 2012/13 (**Table 2.1**). Using the same methodology for calculating incomes, working-age benefit units receive a (mean) average of £648 a week in gross income. After deduction of direct taxes, pensioner units received a (mean) average of £397 a week in net income, compared with £475 for the working-age population. After deduction of housing costs, (mean) average income was £364 a week, compared with £406 for working-age benefit units. The difference between pensioner and working-age benefit units is therefore 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 2012/13 was £351, compared with £455 for working-age benefit units. The median net income for pensioner units was £315 Before Housing Costs and £282 After Housing Costs. For working-age benefit units, the corresponding figures were £365 and £296.

Pensioner incomes have grown faster than average incomes for the population as a whole since 1998/99. Net mean income for pensioners has grown in real terms by 32 per cent (median 38 per cent) since 1998/99, compared to real mean incomes growth for the whole population of 12 per cent over the same period. Net income After Housing Costs has grown more quickly, increasing by 37 per cent in real terms since 1998/99 (47 per cent growth in median). This is partly due to pensioners being more likely to own their home outright now than they were in 1998/99<sup>3</sup>, and so have lower housing costs.

**Figure 2.1: Real income of pensioners, 1979-1996/97 and 1994/95-2012/13<sup>4</sup>**



<sup>3</sup> Family Resources Survey 2012/13

<sup>4</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution



In **Table 2.2** we give the central estimate of growth for each income component between 1996/97 and 2012/13, and between 1998/99 and 2012/13. We also give a 95 per cent confidence interval for the growth between 1996/97 and 2012/13. (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 2012/13, 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 2011/12 and 2012/13, gross mean income grew by £2, unchanged in percentage terms (**Table B1.2**). Net income Before Housing Costs grew by 1 per cent for the mean and by 1 per cent for the median. Net income After Housing Costs was unchanged in percentage terms (mean) and increased by 1 per cent (median). None of these changes in income between 2011/12 and 2012/13 were statistically significant. As for these summary measures, there were increases in some income sources and decreases in others. However, only the 2 per cent increase in benefit income is statistically significant.

Occupational and personal pension incomes increased slightly since last year. These changes were also not statistically significant. Users are advised to treat the latest year-on-year changes for specific income sources other than benefit income with caution.

The 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:

- Mean household incomes for the population as a whole decreased by 2 per cent between 2011/12 and 2012/13 in real terms.
- Average Weekly Earnings fell by 2 per cent from 2011/12 to 2012/13, using the same ONS measure for long-term trend in real average earnings (based on Average Weekly Earnings adjusted to real terms). There are a number of factors which could be influencing the recent trend of falling real earnings following the economic downturn, including: changes in hours worked, the impact of falling productivity and changes in the composition of the workforce<sup>5</sup>, and behavioural change in reaction to higher tax rate changes in April 2013<sup>6</sup>.
- The inflation rate in 2012/13 as measured by the Retail Price Index (RPI) was 3.1 per cent, and 2.6 per cent as measured by the Consumer Price Index (CPI).<sup>7</sup> For 2011/12, RPI was 4.8 per cent and CPI 4.3 per cent.
- Base interest rates were 0.5 per cent in 2012/13 and have remained unchanged since April 2009.

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<sup>5</sup> An examination of falling real wages, 2010-2013, ONS: <http://www.ons.gov.uk/ons/rel/elmr/an-examination-of-falling-real-wages/2010-to-2013/art-an-examination-of-falling-real-wages.html>

<sup>6</sup> See page 56, HMRC Income Tax Liabilities Statistics: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/306818/Income\\_Tax\\_Liabilities\\_Statistics\\_-\\_April\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306818/Income_Tax_Liabilities_Statistics_-_April_2014.pdf), and ONS Average weekly earnings bonus payments report: <http://www.ons.gov.uk/ons/rel/awe/average-weekly-earnings/bonus-payments-in-great-britain--2012-2013/index.html>.

<sup>7</sup> 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.

## **Chapter 2: Pensioners' Incomes**

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Since April 2011, the uprating of the Basic State Pension has been governed by a 'triple guarantee', where the increase is the highest of earnings, prices or 2.5%. In April 2012 the Basic State Pension was uprated by 5.2 per cent. In addition, the standard minimum income guarantee in Pension Credit was increased in April 2012 by the cash rise in a full Basic State Pension, to ensure the lowest income pensioners received the full value of the increase in their Basic State Pension. This was equivalent to a 3.9% rise in the amount of Pension Credit Guarantee Credit. Maximum levels of the Savings Credit in Pension Credit were reduced, however.

Uprating to most benefits in April 2012 therefore more than kept pace with the RPI inflation rate (of 3.1 per cent) for 2012/13, contributing to the overall rise in real incomes in that year.



Table 2.1: The average incomes of pensioner units, 1996/97-2012/13

|                            | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |  |
|----------------------------|--|---------|---------|---------|---------|--|
|                            | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 | <b>As a % of gross<br/>income in 2012/13</b> |
| <b>All pensioner units</b> |  |         |         |         |         |  |
| <b>Gross income</b>        | 337  | 358     | 487     | 475     | 477     | 100%   |
| <i>of which</i>            |  |         |         |         |         |  |
| Benefit income             | 161  | 165     | 209     | 203     | 208     | 44%  |
| Occupational pension       | 86   | 92      | 125     | 129     | 130     | 27%  |
| Personal pension income    | 4  | 6       | 17      | 18      | 20      | 4%   |
| Investment income          | 39   | 42      | 36      | 34      | 33      | 7%   |
| Earnings                   | 46   | 51      | 96      | 87      | 83      | 17%  |
| Other income               | 2  | 3       | 4       | 4       | 3       | 1%   |
| <b>Net income BHC</b>      |  |         |         |         |         |  |
| Mean                       | 288  | 302     | 403     | 395     | 397     | 83%  |
| Median                     | 223  | 227     | 317     | 311     | 315     |  |
| <b>Net income AHC</b>      |  |         |         |         |         |  |
| Mean                       | 249  | 266     | 375     | 363     | 364     | 76%  |
| Median                     | 182  | 192     | 287     | 278     | 282     |  |
| <b>Pensioner couples</b>   |  |         |         |         |         |  |
| <b>Gross income</b>        | 483  | 513     | 660     | 642     | 652     | 100%   |
| <i>of which</i>            |  |         |         |         |         |  |
| Benefit income             | 184  | 185     | 228     | 224     | 234     | 36%  |
| Occupational pension       | 135  | 144     | 176     | 184     | 184     | 28%  |
| Personal pension income    | 7  | 11      | 27      | 29      | 34      | 5%   |
| Investment income          | 60   | 64      | 54      | 51      | 50      | 8%   |
| Earnings                   | 95   | 106     | 170     | 150     | 148     | 23%  |
| Other income               | 2  | 3       | 5       | 4       | 4       | 1%   |
| <b>Net income BHC</b>      |  |         |         |         |         |  |
| Mean                       | 407  | 424     | 533     | 524     | 530     | 81%  |
| Median                     | 319  | 328     | 429     | 427     | 432     |  |
| <b>Net income AHC</b>      |  |         |         |         |         |  |
| Mean                       | 366  | 390     | 510     | 495     | 502     | 77%  |
| Median                     | 280  | 300     | 406     | 401     | 404     |  |
| <b>Single pensioners</b>   |  |         |         |         |         |  |
| <b>Gross income</b>        | 226  | 243     | 318     | 305     | 312     | 100%   |
| <i>of which</i>            |  |         |         |         |         |  |
| Benefit income             | 143  | 150     | 190     | 182     | 184     | 59%  |
| Occupational pension       | 50   | 53      | 75      | 73      | 79      | 25%  |
| Personal pension income    | 1  | 2       | 7       | 7       | 7       | 2%   |
| Investment income          | 22   | 25      | 18      | 17      | 16      | 5%   |
| Earnings                   | 8  | 11      | 24      | 23      | 22      | 7%   |
| Other income               | 1  | 2       | 3       | 3       | 3       | 1%   |
| <b>Net income BHC</b>      |  |         |         |         |         |  |
| Mean                       | 199  | 211     | 276     | 264     | 271     | 87%  |
| Median                     | 171  | 177     | 242     | 232     | 238     |  |
| <b>Net income AHC</b>      |  |         |         |         |         |  |
| Mean                       | 160  | 174     | 242     | 229     | 234     | 75%  |
| Median                     | 121  | 132     | 204     | 192     | 195     |  |

## Chapter 2: Pensioners' Incomes

Table 2.2: Growth in average incomes of pensioner units, 1996/97-2012/13

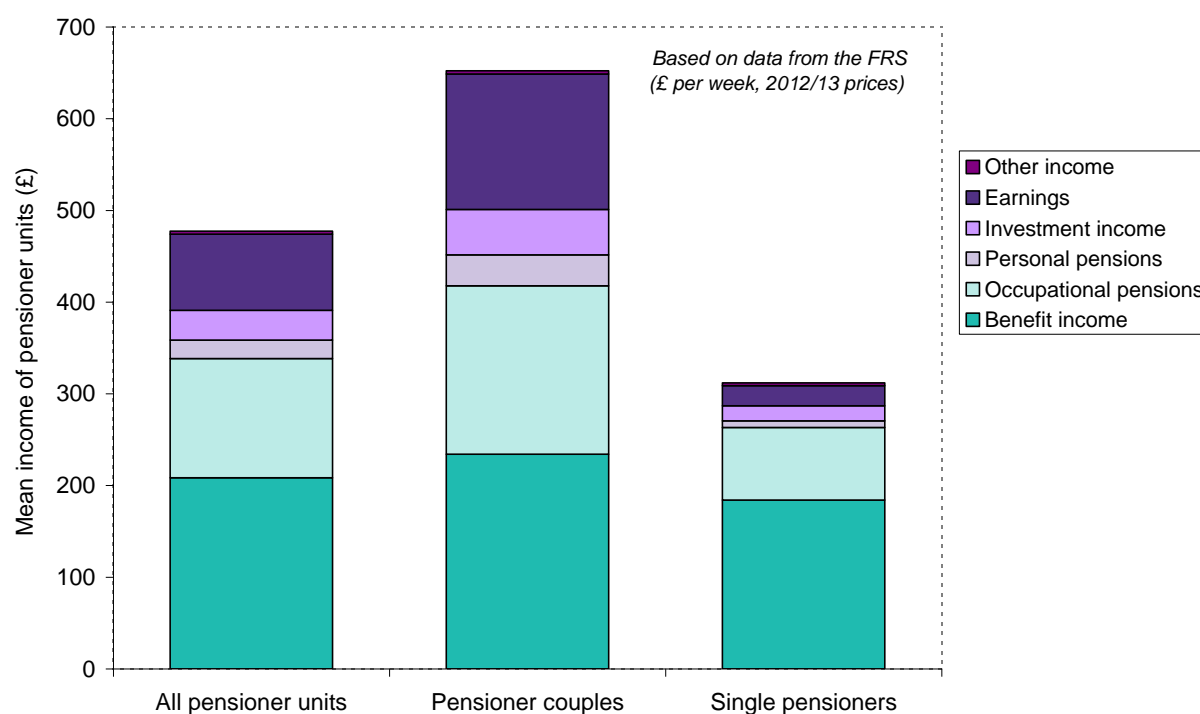
|                            | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |                                |                                |   |
|----------------------------|--|---------|---------|--------------------------------|--------------------------------|---|
|                            | 1996/97                                      | 1998/99 | 2012/13 | % growth<br>1996/97 to 2012/13 | % growth<br>1998/99 to 2012/13 | 95% confidence interval<br>1996/97 to 2012/13 |
| <b>All pensioner units</b> |  |         |         |                                |                                |   |
| <b>Gross income</b>        | 337  | 358     | 477     | 42%                            | 33%                            | 36% to 47%                                    |
| <i>of which</i>            |  |         |         |                                |                                |   |
| Benefit income             | 161  | 165     | 208     | 30%                            | 27%                            | 28% to 32%                                    |
| Occupational pension       | 86   | 92      | 130     | 51%                            | 41%                            | 42% to 59%                                    |
| Personal pension income    | 4  | 6       | 20      | 444%                           | 251%                           | 328% to 561%                                  |
| Investment income          | 39   | 42      | 33      | -16%                           | -22%                           | -28% to -4%                                   |
| Earnings                   | 46   | 51      | 83      | 81%                            | 62%                            | 54% to 109%                                   |
| Other income               | 2  | 3       | 3       | 89%                            | 26%                            | 24% to 154%                                   |
| <b>Net income BHC</b>      |  |         |         |                                |                                |   |
| Mean                       | 288  | 302     | 397     | 38%                            | 32%                            | 33% to 42%                                    |
| Median                     | 223  | 227     | 315     | 41%                            | 38%                            | 38% to 45%                                    |
| <b>Net income AHC</b>      |  |         |         |                                |                                |   |
| Mean                       | 249  | 266     | 364     | 47%                            | 37%                            | 42% to 52%                                    |
| Median                     | 182  | 192     | 282     | 55%                            | 47%                            | 50% to 60%                                    |
| <b>Pensioner couples</b>   |  |         |         |                                |                                |   |
| <b>Gross income</b>        | 483  | 513     | 652     | 35%                            | 27%                            | 31% to 39%                                    |
| <i>of which</i>            |  |         |         |                                |                                |   |
| Benefit income             | 184  | 185     | 234     | 27%                            | 27%                            | 25% to 30%                                    |
| Occupational pension       | 135  | 144     | 184     | 36%                            | 27%                            | 27% to 46%                                    |
| Personal pension income    | 7  | 11      | 34      | 381%                           | 215%                           | 266% to 497%                                  |
| Investment income          | 60   | 64      | 50      | -18%                           | -22%                           | -32% to -3%                                   |
| Earnings                   | 95   | 106     | 148     | 55%                            | 39%                            | 30% to 80%                                    |
| Other income               | 2  | 3       | 4       | 65%                            | 7%                             | -28% to 158%                                  |
| <b>Net income BHC</b>      |  |         |         |                                |                                |   |
| Mean                       | 407  | 424     | 530     | 30%                            | 25%                            | 25% to 36%                                    |
| Median                     | 319  | 328     | 432     | 36%                            | 32%                            | 32% to 39%                                    |
| <b>Net income AHC</b>      |  |         |         |                                |                                |   |
| Mean                       | 366  | 390     | 502     | 37%                            | 29%                            | 31% to 43%                                    |
| Median                     | 280  | 300     | 404     | 45%                            | 35%                            | 40% to 49%                                    |
| <b>Single pensioners</b>   |  |         |         |                                |                                |   |
| <b>Gross income</b>        | 226  | 243     | 312     | 38%                            | 28%                            | 33% to 43%                                    |
| <i>of which</i>            |  |         |         |                                |                                |   |
| Benefit income             | 143  | 150     | 184     | 28%                            | 23%                            | 26% to 31%                                    |
| Occupational pension       | 50   | 53      | 79      | 59%                            | 48%                            | 45% to 72%                                    |
| Personal pension income    | 1  | 2       | 7       | 506%                           | 250%                           | 193% to 820%                                  |
| Investment income          | 22   | 25      | 16      | -26%                           | -35%                           | -42% to -10%                                  |
| Earnings                   | 8  | 11      | 22      | 160%                           | 104%                           | 82% to 237%                                   |
| Other income               | 1  | 2       | 3       | 114%                           | 46%                            | 39% to 189%                                   |
| <b>Net income BHC</b>      |  |         |         |                                |                                |   |
| Mean                       | 199  | 211     | 271     | 36%                            | 28%                            | 32% to 40%                                    |
| Median                     | 171  | 177     | 238     | 39%                            | 35%                            | 36% to 42%                                    |
| <b>Net income AHC</b>      |  |         |         |                                |                                |   |
| Mean                       | 160  | 174     | 234     | 46%                            | 34%                            | 41% to 52%                                    |
| Median                     | 121  | 132     | 195     | 62%                            | 48%                            | 56% to 67%                                    |

## Trends in income sources for pensioner units

Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2012/13:

- 44 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 17 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, 2012/13**



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.

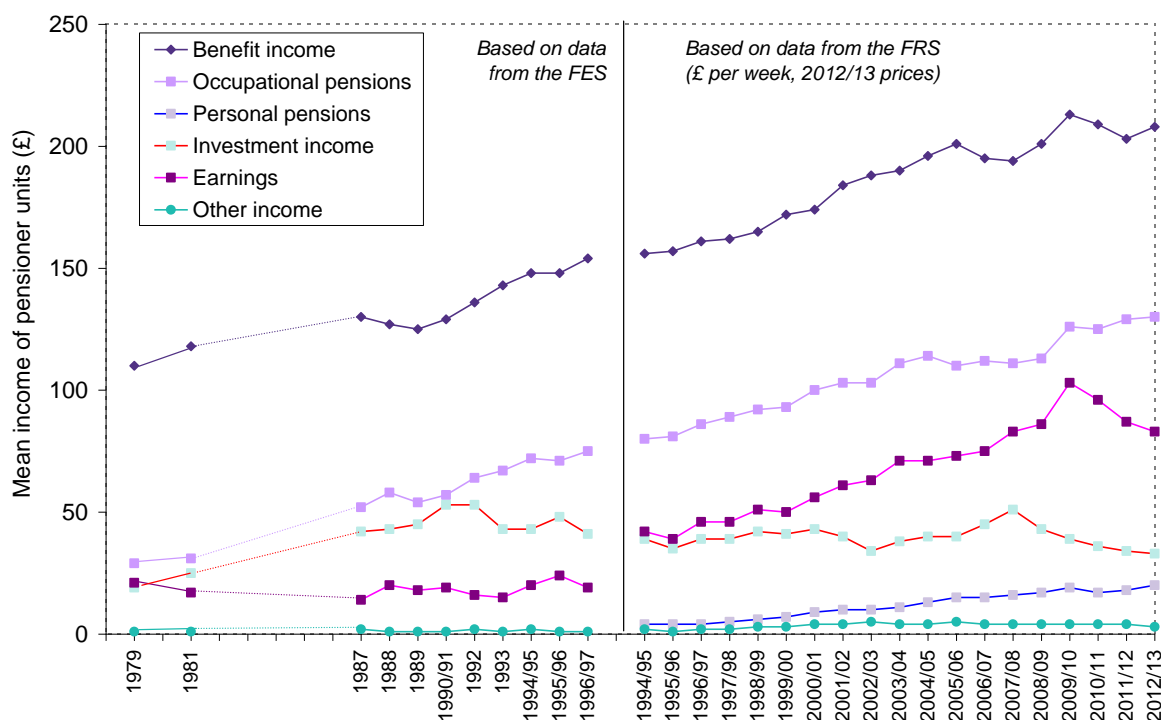
- **Pensioner Benefit income** has seen 27 per cent growth in real terms over the 14 years since 1998/99, to £208 per week in 2012/13.
- **Occupational pensions** increased by 84 per cent in real terms between 1979 and 1996/97. In more recent years, average incomes from occupational pensions have continued to grow, increasing by 41 per cent between 1998/99 and 2012/13, reaching £130 per week.
- **Personal pensions:** the average income received from this source has trebled in real terms to £20 per week (over 250 per cent growth) since 1998/99, although it is still only a minority (18 per cent) of pensioners who receive an income from personal pensions.

## Chapter 2: Pensioners' Incomes

- **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 35 per cent in the last five years to £33 per week. In real terms, the 2012/13 (mean) average investment income is lower than in 1998/99.
- **Earnings** increased between 1998/99 and 2012/13 from £51 to £83 per week in real terms, which equates to 62 per cent growth. However, this source of income has also seen a fall in more recent years, from over £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 1994/95-2012/13<sup>8</sup>**



### 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 over two 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 (over 25 per cent) where one partner is under SPa (see Chapter 5 for more information regarding mixed status couples).

<sup>8</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

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 2012/13, (mean) net income After Housing Costs increased by 29 per cent for pensioner couples, and by 34 per cent for singles. As pensioners are increasingly likely to own their home, these increases are smaller Before Housing Costs; 25 per cent for couples and 28 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 75s – recently retired pensioner units (single pensioner or head of pensioner couple less than five years over SPa). For couples, the age used is that of the head of the household.

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. 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 three 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. However, when these women do retire, they are likely to have higher entitlements. In addition, the reforms to the State Pension in 2010 are likely to increasingly boost outcomes for many lower paid people and women.
- **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<sup>9</sup>) 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.

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<sup>9</sup> Annuity Purchasing Behaviour report, 2010, Association of British Insurers (ABI): [http://www.optimisaresearch.com/reports/Annuities\\_purchasing\\_behaviour\\_report\\_final1.pdf](http://www.optimisaresearch.com/reports/Annuities_purchasing_behaviour_report_final1.pdf)

### 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. Half (50 per cent) of mean gross income for pensioner couples 75 or over is sourced from benefits, compared with 32 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, 2012/13**

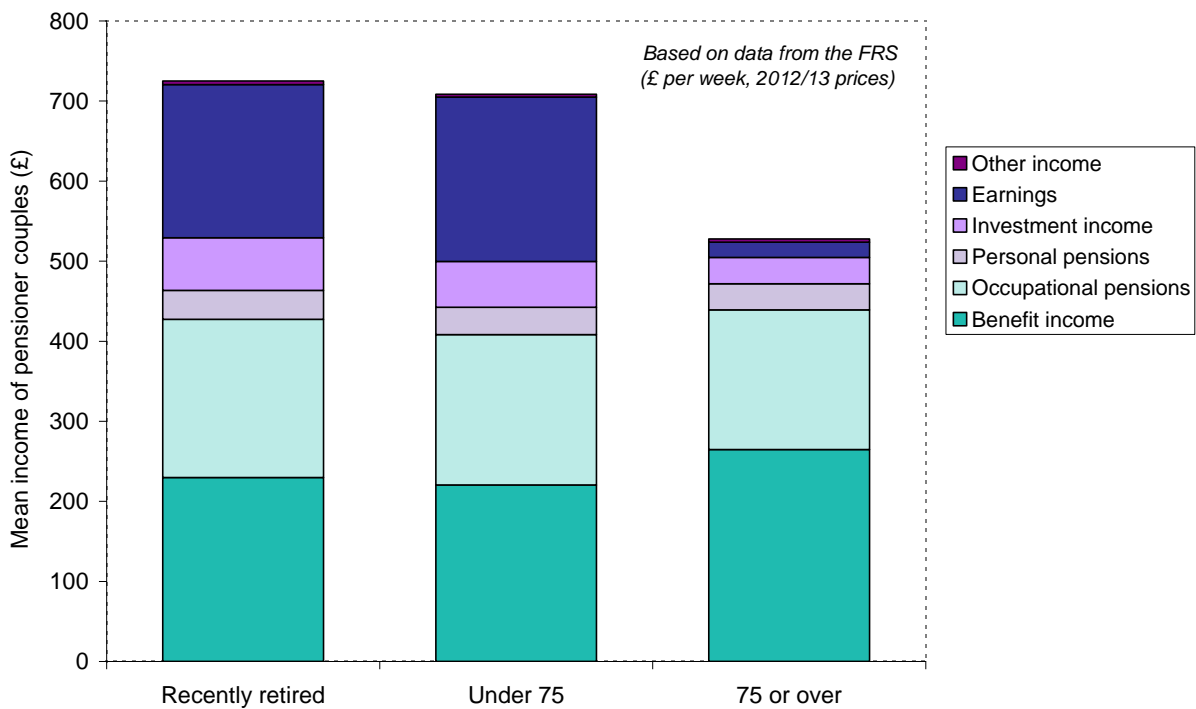


Table 2.3: The average incomes of pensioner couples by age, 1996/97-2012/13

Incomes in £ per week, 2012/13 prices

|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 | As a % of gross income in 2012/13 |
|---|---------|---------|---------|---------|---------|-----------------------------------|
| <b>Recently retired pensioner couples</b>             |         |         |         |         |         |                                   |
| <b>Gross income</b>                                   | 535     | 564     | 703     | 685     | 725     | 100%                              |
| <i>of which</i>                                       |         |         |         |         |         |                                   |
| Benefit income  | 197     | 202     | 228     | 225     | 230     | 32%                               |
| Occupational pension                                  | 160     | 161     | 193     | 189     | 198     | 27%                               |
| Personal pension income                               | 11      | 17      | 36      | 31      | 36      | 5%                                |
| Investment income                                     | 73      | 84      | 63      | 59      | 66      | 9%                                |
| Earnings  | 93      | 94      | 177     | 178     | 191     | 26%                               |
| Other income  | 2       | 7       | 6       | 4       | 4       | 1%                                |
| <b>Net income BHC</b>                                 |         |         |         |         |         |                                   |
| Mean  | 451     | 465     | 566     | 560     | 585     | 81%                               |
| Median  | 347     | 361     | 450     | 458     | 460     |                                   |
| <b>Net income AHC</b>                                 |         |         |         |         |         |                                   |
| Mean  | 411     | 433     | 543     | 531     | 557     | 77%                               |
| Median  | 314     | 332     | 430     | 429     | 435     |                                   |
| <b>Pensioner couples where the head is under 75</b>   |         |         |         |         |         |                                   |
| <b>Gross income</b>                                   | 518     | 551     | 710     | 677     | 708     | 100%                              |
| <i>of which</i>                                       |         |         |         |         |         |                                   |
| Benefit income  | 174     | 176     | 213     | 208     | 220     | 31%                               |
| Occupational pension                                  | 146     | 152     | 177     | 184     | 188     | 27%                               |
| Personal pension income                               | 8       | 12      | 29      | 29      | 34      | 5%                                |
| Investment income                                     | 64      | 68      | 57      | 51      | 57      | 8%                                |
| Earnings  | 124     | 139     | 229     | 202     | 205     | 29%                               |
| Other income  | 3       | 4       | 5       | 3       | 3       | 0%                                |
| <b>Net income BHC</b>                                 |         |         |         |         |         |                                   |
| Mean  | 431     | 449     | 565     | 545     | 565     | 80%                               |
| Median  | 335     | 348     | 449     | 442     | 453     |                                   |
| <b>Net income AHC</b>                                 |         |         |         |         |         |                                   |
| Mean  | 389     | 416     | 540     | 515     | 536     | 76%                               |
| Median  | 297     | 321     | 426     | 417     | 426     |                                   |
| <b>Pensioner couples where the head is 75 or over</b> |         |         |         |         |         |                                   |
| <b>Gross income</b>                                   | 383     | 412     | 540     | 560     | 528     | 100%                              |
| <i>of which</i>                                       |         |         |         |         |         |                                   |
| Benefit income  | 211     | 210     | 263     | 262     | 265     | 50%                               |
| Occupational pension                                  | 104     | 125     | 173     | 184     | 174     | 33%                               |
| Personal pension income                               | 3       | 7       | 23      | 28      | 33      | 6%                                |
| Investment income                                     | 51      | 52      | 46      | 51      | 33      | 6%                                |
| Earnings  | 13      | 18      | 29      | 30      | 19      | 4%                                |
| Other income  | 1       | 1       | 6       | 5       | 4       | 1%                                |
| <b>Net income BHC</b>                                 |         |         |         |         |         |                                   |
| Mean  | 339     | 355     | 457     | 473     | 453     | 86%                               |
| Median  | 284     | 281     | 386     | 387     | 387     |                                   |
| <b>Net income AHC</b>                                 |         |         |         |         |         |                                   |
| Mean  | 301     | 323     | 439     | 449     | 429     | 81%                               |
| Median  | 240     | 246     | 366     | 365     | 367     |                                   |

**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, 2012/13**

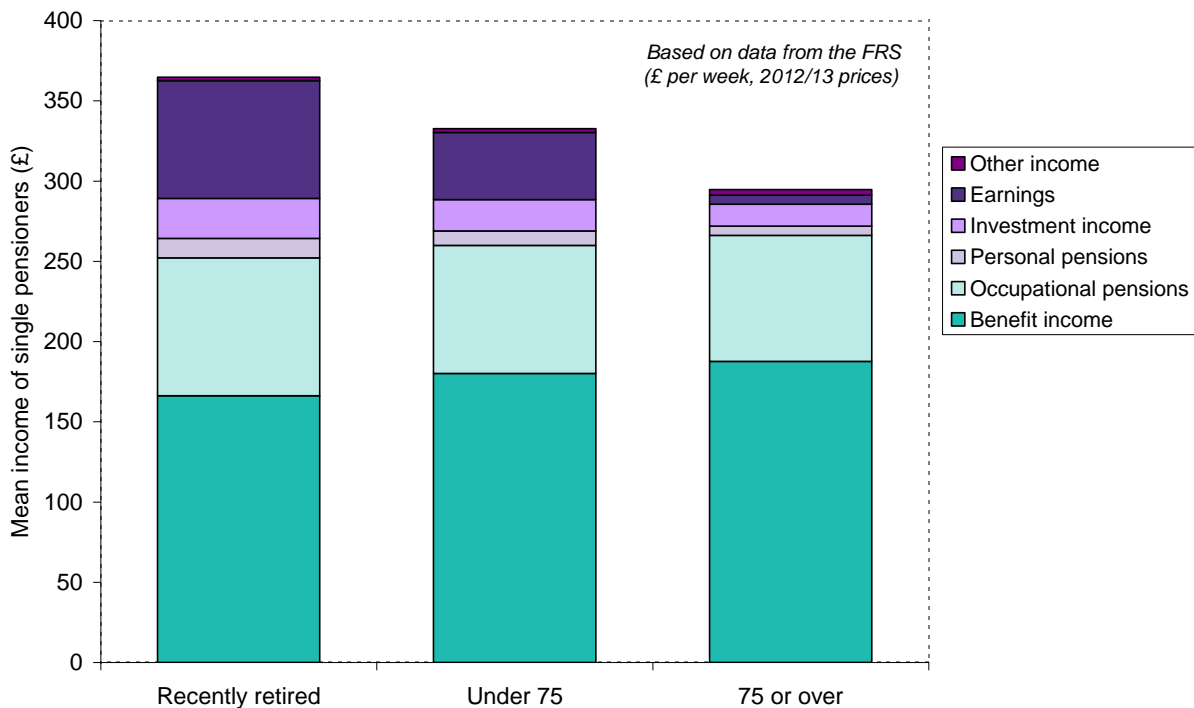




Table 2.4: The average incomes of single pensioners by age, 1996/97-2012/13

*Incomes in £ per week, 2012/13 prices*

|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 | As a % of gross<br>income in 2012/13 |
|---|---------|---------|---------|---------|---------|--------------------------------------|
| <b>Recently retired single pensioners</b> |         |         |         |         |         |                                      |
| <b>Gross income</b>                       | 265     | 300     | 401     | 349     | 365     | 100%                                 |
| <i>of which</i>                           |         |         |         |         |         |                                      |
| Benefit income                            | 140     | 143     | 170     | 161     | 166     | 46%                                  |
| Occupational pension                      | 68      | 69      | 88      | 80      | 86      | 24%                                  |
| Personal pension income                   | 2       | 4       | 11      | 9       | 12      | 3%                                   |
| Investment income                         | 23      | 33      | 34      | 19      | 25      | 7%                                   |
| Earnings                                  | 29      | 45      | 94      | 75      | 73      | 20%                                  |
| Other income                              | 3       | 6       | 4       | 4       | 2       | 1%                                   |
| <b>Net income BHC</b>                     |         |         |         |         |         |                                      |
| Mean                                      | 226     | 252     | 331     | 293     | 306     | 84%                                  |
| Median                                    | 191     | 194     | 266     | 248     | 254     |                                      |
| <b>Net income AHC</b>                     |         |         |         |         |         |                                      |
| Mean                                      | 181     | 212     | 293     | 251     | 262     | 72%                                  |
| Median                                    | 147     | 153     | 226     | 202     | 202     |                                      |
| <b>Single pensioners under 75</b>         |         |         |         |         |         |                                      |
| <b>Gross income</b>                       | 245     | 264     | 345     | 323     | 333     | 100%                                 |
| <i>of which</i>                           |         |         |         |         |         |                                      |
| Benefit income                            | 140     | 145     | 186     | 175     | 180     | 54%                                  |
| Occupational pension                      | 61      | 62      | 78      | 77      | 80      | 24%                                  |
| Personal pension income                   | 2       | 3       | 9       | 7       | 9       | 3%                                   |
| Investment income                         | 24      | 30      | 23      | 18      | 20      | 6%                                   |
| Earnings                                  | 16      | 21      | 47      | 43      | 42      | 13%                                  |
| Other income                              | 2       | 4       | 3       | 3       | 2       | 1%                                   |
| <b>Net income BHC</b>                     |         |         |         |         |         |                                      |
| Mean                                      | 212     | 225     | 294     | 276     | 285     | 86%                                  |
| Median                                    | 176     | 181     | 250     | 241     | 243     |                                      |
| <b>Net income AHC</b>                     |         |         |         |         |         |                                      |
| Mean                                      | 172     | 188     | 258     | 237     | 245     | 74%                                  |
| Median                                    | 128     | 136     | 208     | 197     | 197     |                                      |
| <b>Single pensioners 75 or over</b>       |         |         |         |         |         |                                      |
| <b>Gross income</b>                       | 209     | 224     | 294     | 290     | 295     | 100%                                 |
| <i>of which</i>                           |         |         |         |         |         |                                      |
| Benefit income                            | 146     | 154     | 194     | 188     | 188     | 64%                                  |
| Occupational pension                      | 39      | 46      | 72      | 71      | 79      | 27%                                  |
| Personal pension income                   | 1       | 1       | 6       | 7       | 6       | 2%                                   |
| Investment income                         | 20      | 21      | 14      | 16      | 14      | 5%                                   |
| Earnings                                  | 2       | 2       | 4       | 6       | 6       | 2%                                   |
| Other income                              | 1       | 1       | 4       | 3       | 4       | 1%                                   |
| <b>Net income BHC</b>                     |         |         |         |         |         |                                      |
| Mean                                      | 187     | 199     | 259     | 254     | 259     | 88%                                  |
| Median                                    | 168     | 173     | 240     | 223     | 232     |                                      |
| <b>Net income AHC</b>                     |         |         |         |         |         |                                      |
| Mean                                      | 148     | 162     | 229     | 223     | 225     | 76%                                  |
| Median                                    | 115     | 127     | 202     | 188     | 194     |                                      |

**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 57 per cent, compared with 35 per cent and 37 per cent for recently retired and under 75 groups respectively.

**Figure 2.6: Sources of gross income of all pensioner units by age of head, 2012/13**

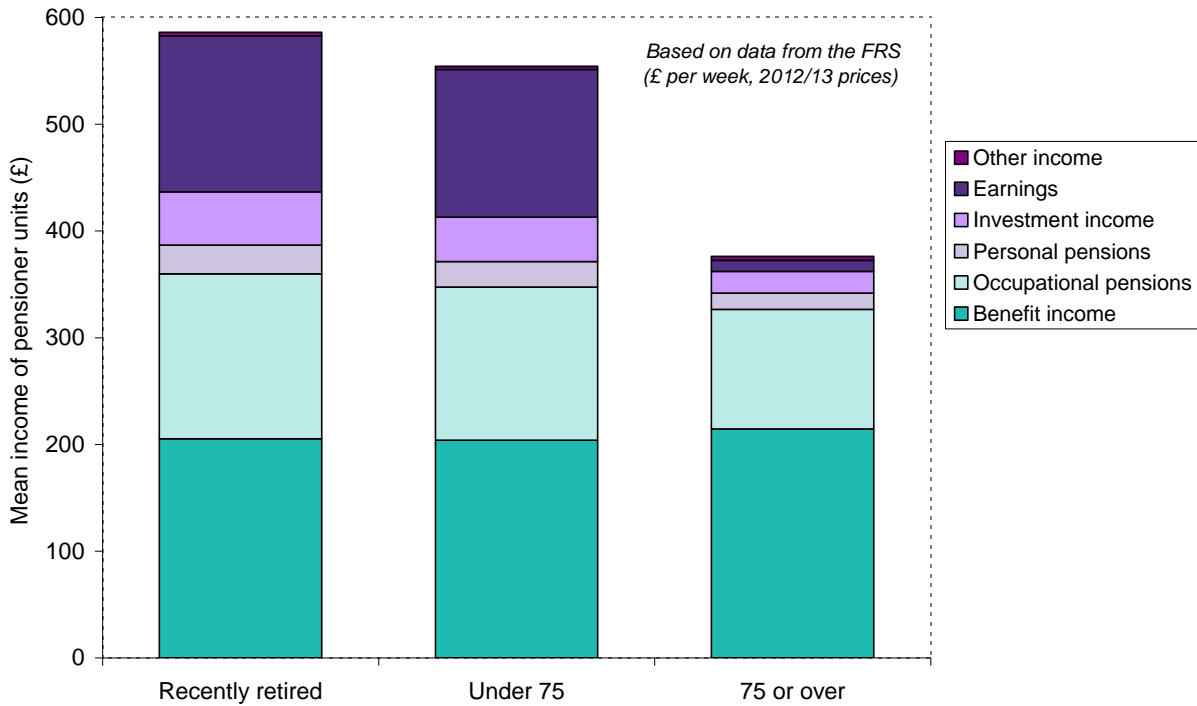


Table 2.5: The average incomes of pensioner units by age, 1996/97-2012/13

*Incomes in £ per week, 2012/13 prices*

|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 | As a % of gross income in 2012/13 |
|---|---------|---------|---------|---------|---------|-----------------------------------|
| <b>Recently retired pensioner units</b>             |         |         |         |         |         |                                   |
| <b>Gross income</b>                                 | 425     | 458     | 581     | 563     | 586     | 100%                              |
| <i>of which</i>                                     |         |         |         |         |         |                                   |
| Benefit income                                      | 173     | 178     | 205     | 202     | 205     | 35%                               |
| Occupational pension                                | 122     | 124     | 151     | 149     | 155     | 26%                               |
| Personal pension income                             | 8       | 11      | 26      | 23      | 27      | 5%                                |
| Investment income                                   | 53      | 63      | 52      | 45      | 50      | 9%                                |
| Earnings  | 67      | 74      | 143     | 140     | 146     | 25%                               |
| Other income  | 2       | 6       | 5       | 4       | 3       | 1%                                |
| <b>Net income BHC</b>                               |         |         |         |         |         |                                   |
| Mean  | 359     | 379     | 471     | 463     | 478     | 81%                               |
| Median  | 277     | 288     | 364     | 369     | 374     |                                   |
| <b>Net income AHC</b>                               |         |         |         |         |         |                                   |
| Mean  | 317     | 344     | 442     | 429     | 443     | 76%                               |
| Median  | 239     | 256     | 336     | 337     | 343     |                                   |
| <b>Pensioner units where the head is under 75</b>   |         |         |         |         |         |                                   |
| <b>Gross income</b>                                 | 392     | 417     | 564     | 541     | 554     | 100%                              |
| <i>of which</i>                                     |         |         |         |         |         |                                   |
| Benefit income                                      | 158     | 161     | 202     | 195     | 204     | 37%                               |
| Occupational pension                                | 106     | 110     | 137     | 143     | 144     | 26%                               |
| Personal pension income                             | 5       | 8       | 21      | 20      | 24      | 4%                                |
| Investment income                                   | 45      | 50      | 43      | 38      | 42      | 8%                                |
| Earnings  | 74      | 84      | 156     | 140     | 138     | 25%                               |
| Other income  | 2       | 4       | 4       | 3       | 3       | 1%                                |
| <b>Net income BHC</b>                               |         |         |         |         |         |                                   |
| Mean  | 329     | 345     | 456     | 442     | 450     | 81%                               |
| Median  | 250     | 259     | 356     | 351     | 352     |                                   |
| <b>Net income AHC</b>                               |         |         |         |         |         |                                   |
| Mean  | 289     | 309     | 426     | 408     | 416     | 75%                               |
| Median  | 212     | 223     | 325     | 319     | 317     |                                   |
| <b>Pensioner units where the head is 75 or over</b> |         |         |         |         |         |                                   |
| <b>Gross income</b>                                 | 257     | 276     | 380     | 386     | 376     | 100%                              |
| <i>of which</i>                                     |         |         |         |         |         |                                   |
| Benefit income                                      | 164     | 169     | 218     | 214     | 214     | 57%                               |
| Occupational pension                                | 57      | 68      | 107     | 111     | 112     | 30%                               |
| Personal pension income                             | 1       | 3       | 12      | 14      | 15      | 4%                                |
| Investment income                                   | 29      | 29      | 25      | 28      | 20      | 5%                                |
| Earnings  | 5       | 6       | 13      | 15      | 10      | 3%                                |
| Other income  | 1       | 1       | 4       | 4       | 4       | 1%                                |
| <b>Net income BHC</b>                               |         |         |         |         |         |                                   |
| Mean  | 229     | 242     | 328     | 332     | 327     | 87%                               |
| Median  | 189     | 195     | 277     | 269     | 278     |                                   |
| <b>Net income AHC</b>                               |         |         |         |         |         |                                   |
| Mean  | 190     | 206     | 302     | 303     | 296     | 79%                               |
| Median  | 152     | 163     | 248     | 242     | 245     |                                   |

**Differences by gender**

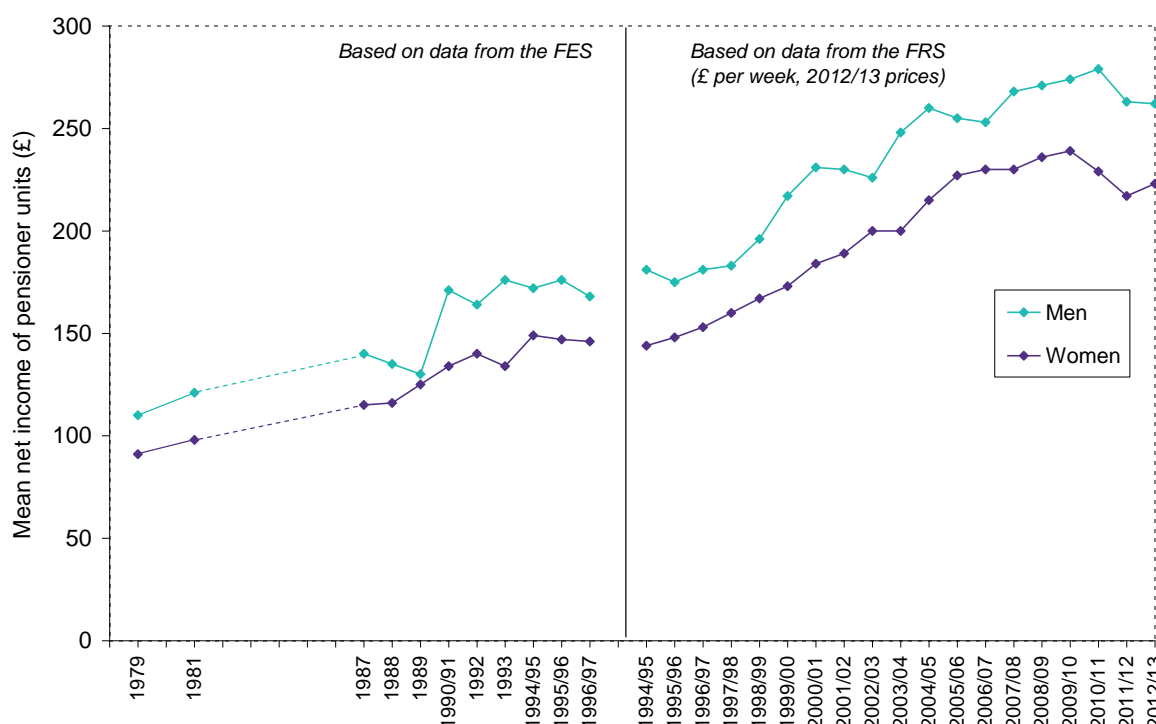
Average incomes of pensioners differ for men and women. **Table 2.6** gives components of income for single male and single female pensioners, with their different age distributions also likely to affect income levels. Estimates for pensioner couples by gender are not presented because income-related 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 £262 per week) than for single women (£223 per week) in 2012/13. **Figure 2.7** shows the growth in net incomes (AHC) over time. Net incomes measured Before Housing Costs follow a similar trend.

The main difference between the genders occurs for occupational pension income. In 2012/13, single men received £105 per week on average from this source, compared with £69 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 1994/95-2012/13<sup>10</sup>**



<sup>10</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

Table 2.6: The average incomes of single pensioners by gender, 1996/97-2012/13

*Incomes in £ per week, 2012/13 prices*

|  | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 | As a % of gross income in 2012/13 |
|--|---------|---------|---------|---------|---------|-----------------------------------|
| <b>Single male pensioners</b>              |         |         |         |         |         |                                   |
| <b>Gross income</b>                        | 258     | 272     | 370     | 356     | 350     | 100%                              |
| <i>of which</i>                            |         |         |         |         |         |                                   |
| Benefit income                             | 143     | 147     | 187     | 180     | 180     | 51%                               |
| Occupational pension                       | 74      | 76      | 106     | 104     | 105     | 30%                               |
| Personal pension income                    | 2       | 5       | 15      | 15      | 15      | 4%                                |
| Investment income                          | 30      | 31      | 30      | 27      | 22      | 6%                                |
| Earnings                                   | 7       | 11      | 28      | 27      | 25      | 7%                                |
| Other income                               | 1       | 2       | 4       | 3       | 3       | 1%                                |
| <b>Net income BHC</b>                      |         |         |         |         |         |                                   |
| Mean                                       | 222     | 234     | 314     | 300     | 301     | 86%                               |
| Median                                     | 184     | 187     | 259     | 242     | 253     |                                   |
| <b>Net income AHC</b>                      |         |         |         |         |         |                                   |
| Mean                                       | 181     | 196     | 279     | 263     | 262     | 75%                               |
| Median                                     | 141     | 143     | 225     | 207     | 207     |                                   |
| <b>Single female pensioners</b>            |         |         |         |         |         |                                   |
| <b>Gross income</b>                        | 217     | 234     | 300     | 288     | 298     | 100%                              |
| <i>of which</i>                            |         |         |         |         |         |                                   |
| Benefit income                             | 143     | 150     | 191     | 183     | 186     | 62%                               |
| Occupational pension                       | 43      | 46      | 64      | 63      | 69      | 23%                               |
| Personal pension income                    | 1       | 1       | 5       | 4       | 4       | 1%                                |
| Investment income                          | 20      | 23      | 14      | 14      | 14      | 5%                                |
| Earnings                                   | 9       | 11      | 23      | 21      | 21      | 7%                                |
| Other income                               | 2       | 2       | 3       | 3       | 3       | 1%                                |
| <b>Net income BHC</b>                      |         |         |         |         |         |                                   |
| Mean                                       | 192     | 204     | 262     | 252     | 260     | 87%                               |
| Median                                     | 168     | 174     | 239     | 226     | 232     |                                   |
| <b>Net income AHC</b>                      |         |         |         |         |         |                                   |
| Mean                                       | 153     | 167     | 229     | 217     | 223     | 75%                               |
| Median                                     | 116     | 128     | 197     | 188     | 189     |                                   |
| <b>Single male pensioners under 75</b>     |         |         |         |         |         |                                   |
| <b>Gross income</b>                        | 281     | 298     | 393     | 361     | 372     | 100%                              |
| Benefit income                             | 146     | 149     | 187     | 177     | 178     | 48%                               |
| <b>Mean Net Income BHC</b>                 | 239     | 252     | 331     | 304     | 316     | 85%                               |
| <b>Mean Net Income AHC</b>                 | 195     | 213     | 293     | 260     | 273     | 73%                               |
| <b>Single male pensioners 75 or over</b>   |         |         |         |         |         |                                   |
| <b>Gross income</b>                        | 234     | 248     | 348     | 352     | 329     | 100%                              |
| Benefit income                             | 140     | 146     | 188     | 182     | 182     | 55%                               |
| <b>Mean Net Income BHC</b>                 | 206     | 218     | 297     | 297     | 286     | 87%                               |
| <b>Mean Net Income AHC</b>                 | 167     | 181     | 266     | 265     | 252     | 77%                               |
| <b>Single female pensioners under 75</b>   |         |         |         |         |         |                                   |
| <b>Gross income</b>                        | 234     | 254     | 327     | 310     | 316     | 100%                              |
| Benefit income                             | 139     | 144     | 185     | 175     | 181     | 57%                               |
| <b>Mean Net Income BHC</b>                 | 204     | 217     | 281     | 266     | 272     | 86%                               |
| <b>Mean Net Income AHC</b>                 | 165     | 180     | 245     | 228     | 233     | 74%                               |
| <b>Single female pensioners 75 or over</b> |         |         |         |         |         |                                   |
| <b>Gross income</b>                        | 202     | 216     | 277     | 271     | 283     | 100%                              |
| Benefit income                             | 148     | 156     | 196     | 189     | 189     | 67%                               |
| <b>Mean Net Income BHC</b>                 | 182     | 193     | 247     | 241     | 250     | 88%                               |
| <b>Mean Net Income AHC</b>                 | 143     | 156     | 217     | 209     | 216     | 76%                               |

## Chapter 2: Pensioners' Incomes

### 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. 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, 2010-13**

*Incomes in £ per week, in 2012/13 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                  | 660               | 227            | 533            | 506            | 317               | 185            | 273            | 237            |
| North East               | 562               | 243            | 478            | 453            | 313               | 205            | 277            | 240            |
| North West               | 612               | 240            | 499            | 474            | 297               | 196            | 263            | 227            |
| Yorkshire and the Humber | 574               | 229            | 479            | 455            | 283               | 185            | 251            | 218            |
| East Midlands            | 588               | 229            | 487            | 466            | 284               | 187            | 250            | 217            |
| West Midlands            | 559               | 235            | 471            | 449            | 302               | 187            | 264            | 232            |
| East                     | 698               | 223            | 553            | 526            | 338               | 181            | 287            | 250            |
| London                   | 794               | 217            | 610            | 569            | 343               | 184            | 290            | 239            |
| South East               | 780               | 216            | 613            | 583            | 351               | 172            | 292            | 257            |
| South West               | 652               | 224            | 535            | 508            | 315               | 181            | 271            | 239            |
| Wales                    | 564               | 240            | 476            | 453            | 287               | 192            | 256            | 224            |
| Scotland                 | 646               | 234            | 532            | 508            | 291               | 186            | 259            | 229            |
| Northern Ireland         | 583               | 242            | 489            | 474            | 272               | 188            | 244            | 224            |
| Great Britain            | 653               | 229            | 530            | 503            | 313               | 185            | 271            | 235            |
| United Kingdom           | 651               | 229            | 529            | 503            | 312               | 185            | 270            | 235            |

Notes:

(1) Data based on the average of three years of results from 2010/11, 2011/12 and 2012/13 FRS data and updated to 2012/13 prices

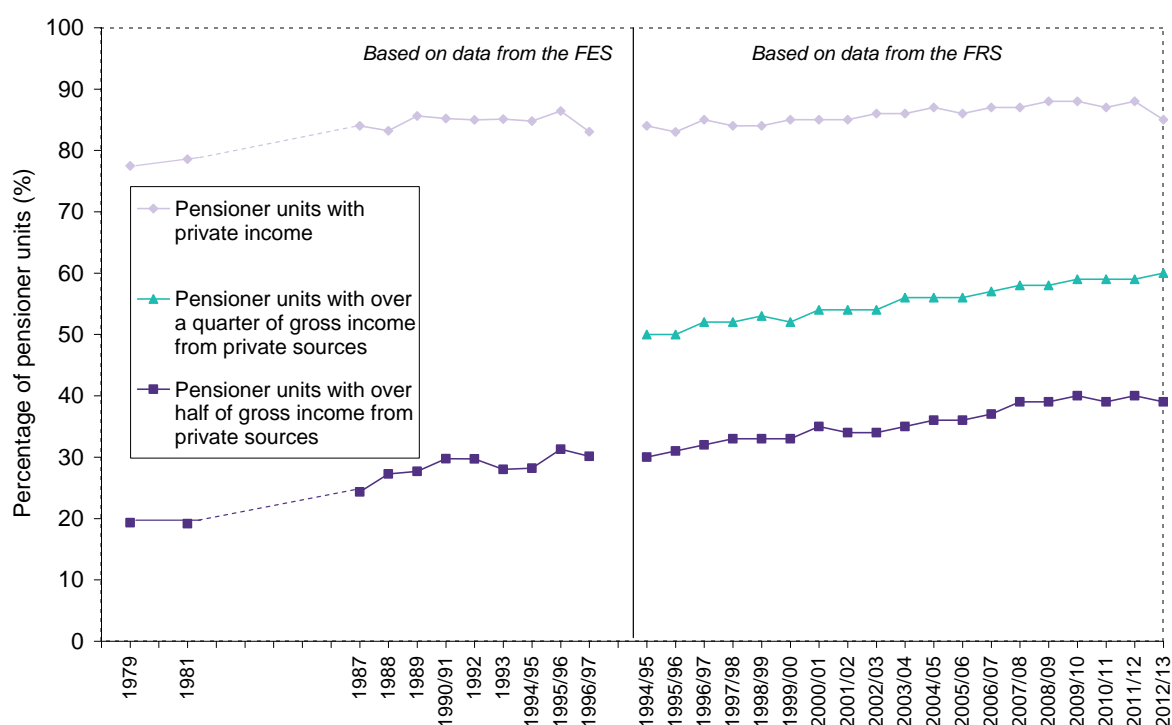
## Chapter 3: Sources of Pensioners' Incomes

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 2012/13, the vast majority of pensioner units had some private income on top of state benefits (93 per cent of pensioner couples and 78 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 and appeared to have levelled off in recent years, but has dropped in 2012/13 to stand at 85 per cent of pensioner units. This has been caused by a decrease in the proportion of pensioner units with investment income.

For two fifths (39 per cent) of pensioner units, more than half of their gross income came from private sources in 2012/13 (**Table 3.2**). This proportion was higher for couples (52 per cent) than singles (26 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 2012/13.

**Figure 3.1: Benefit and private income, 1979 to 1996/97 and 1994/95 to 2012/13<sup>11</sup>**



<sup>11</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

### Chapter 3: Sources of Pensioners' Incomes

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**Table 3.1: The proportion of pensioner units with income in addition to state benefits, 1996/97 to 2012/13**

|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
|---|---------|---------|---------|---------|---------|
| <b>All pensioner units</b>              |         |         |         |         |         |
| Total                                   | 85%     | 84%     | 87%     | 88%     | 85%     |
| Pensioner couples                       | 93%     | 92%     | 93%     | 94%     | 93%     |
| Single pensioners                       | 78%     | 78%     | 82%     | 81%     | 78%     |
| <b>Recently retired pensioner units</b> |         |         |         |         |         |
| Total                                   | 87%     | 86%     | 88%     | 88%     | 87%     |
| Pensioner couples                       | 93%     | 92%     | 93%     | 94%     | 94%     |
| Single pensioners                       | 79%     | 76%     | 81%     | 78%     | 77%     |

**Table 3.2: The proportion of pensioner units with more than 50 per cent of income from private sources, 1996/97 to 2012/13**

|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
|---|---------|---------|---------|---------|---------|
| <b>All pensioner units</b>              |         |         |         |         |         |
| Total                                   | 32%     | 33%     | 39%     | 40%     | 39%     |
| Pensioner couples                       | 46%     | 49%     | 53%     | 54%     | 52%     |
| Single pensioners                       | 22%     | 22%     | 26%     | 26%     | 26%     |
| <b>Recently retired pensioner units</b> |         |         |         |         |         |
| Total                                   | 43%     | 45%     | 51%     | 53%     | 51%     |
| Pensioner couples                       | 50%     | 52%     | 57%     | 59%     | 58%     |
| Single pensioners                       | 34%     | 35%     | 43%     | 43%     | 41%     |



### 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. This 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 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.

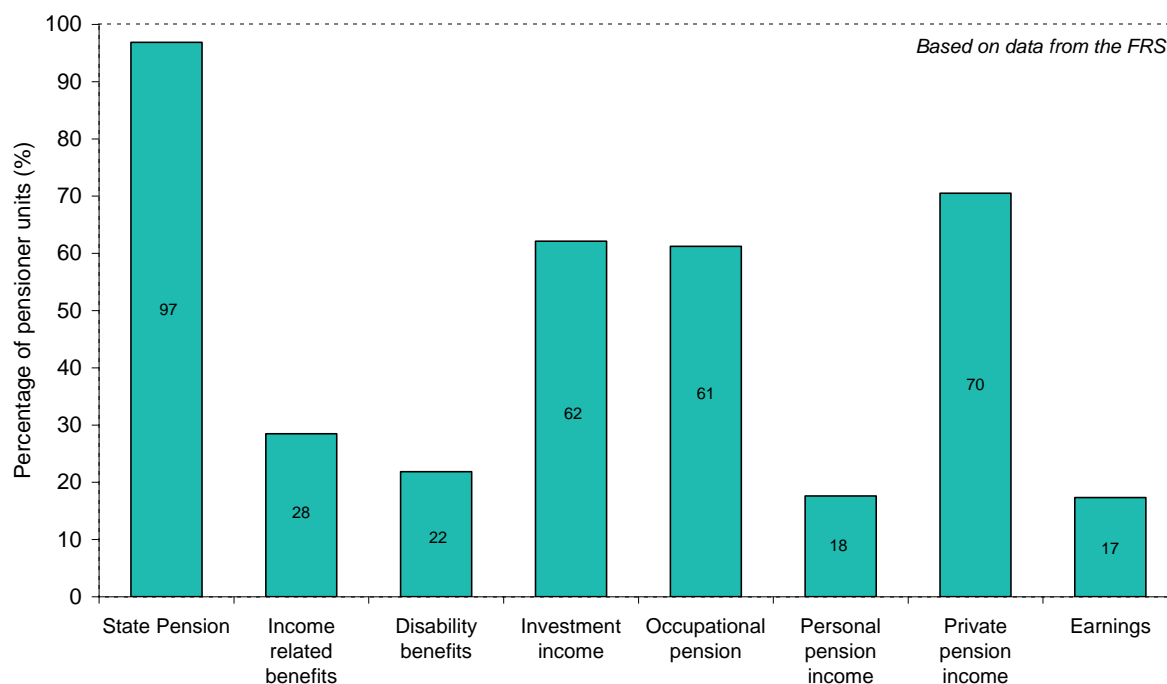
**Tables 3.6 to 3.10** show the proportion of pensioner units in receipt of non-benefit income, and the mean and median weekly amounts received. These non-benefit income sources are investments, non-state pensions or earnings.

**Table 3.11** shows average income from annual one-off 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, 70 per cent of pensioner units received private pension income, 61 per cent had occupational pension and 18 per cent a personal pension. Among other sources, 62 per cent of pensioner units received some investment income and 17 per cent earnings income.

**Figure 3.2:** The proportion of pensioner units in receipt of selected sources of income, 2012/13



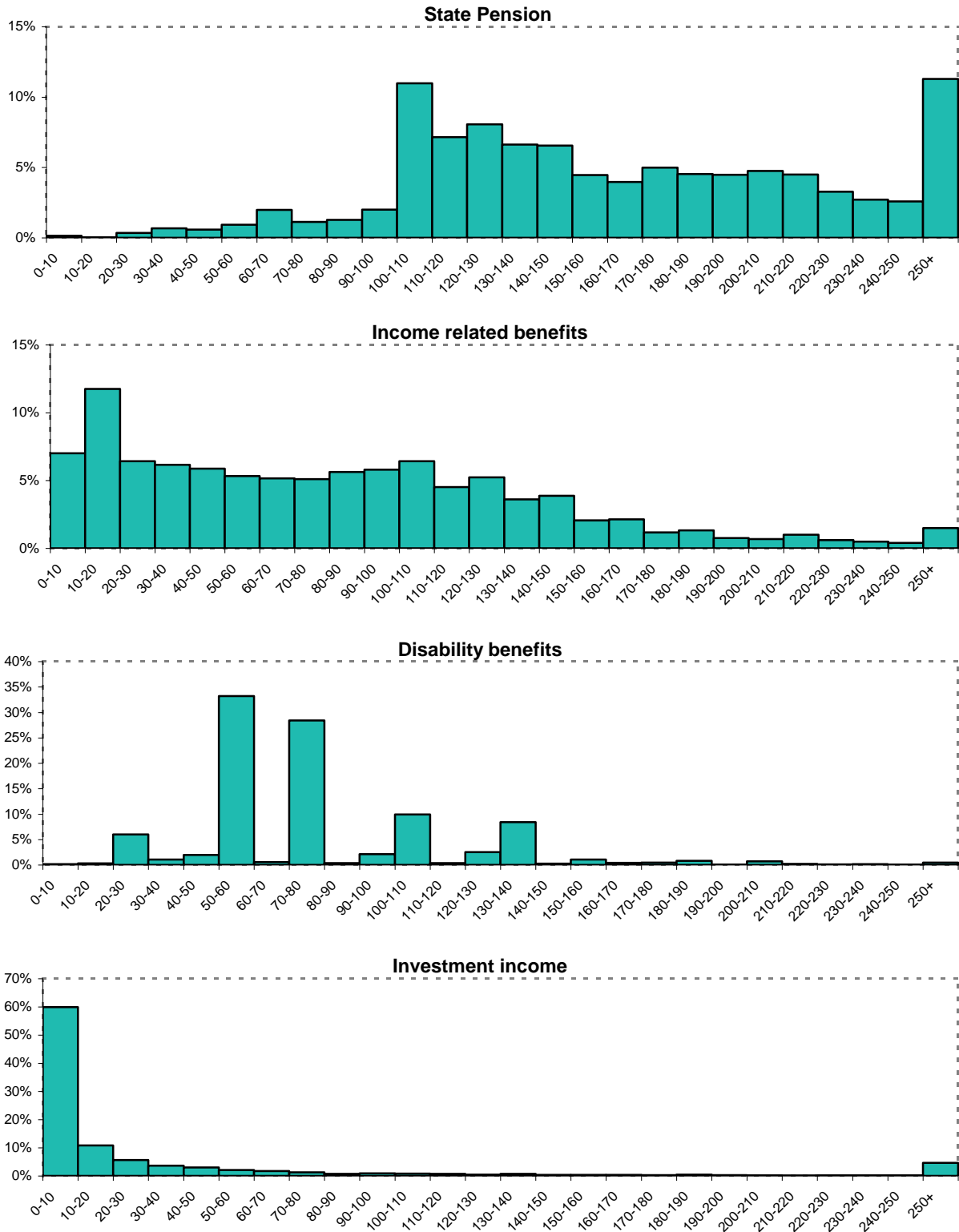
**Figure 3.3** shows the distribution of income that pensioners receive from various sources. For example, 11 per cent of pensioner units receive between £100 and £110 per week from their State Pension, with individuals eligible for the full Basic State Pension in 2012/13 receiving £107.45.

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 all pensioner units, for those in receipt, 2012/13**

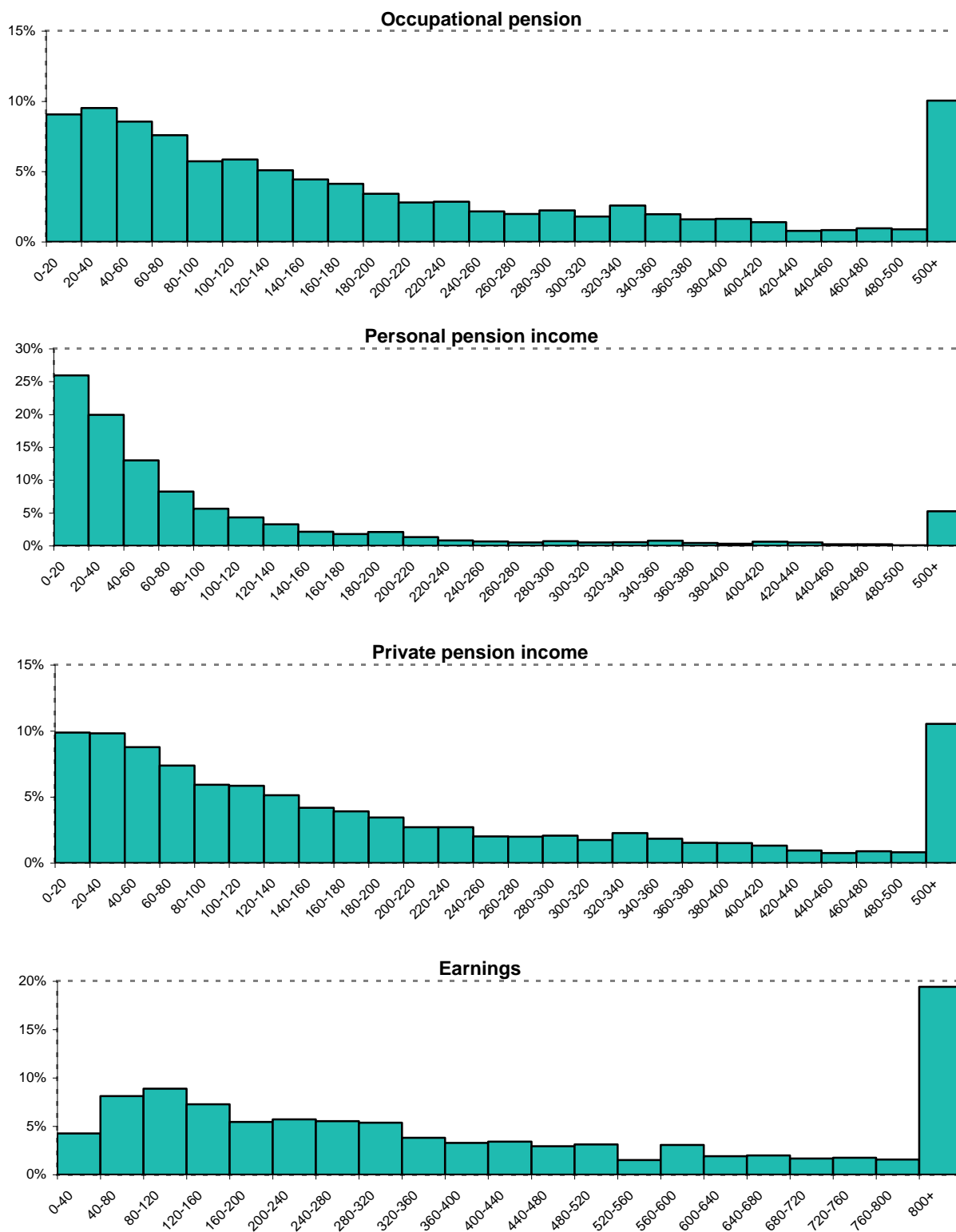
*Income received from each source (£ per week, 2012/13 prices)*



## Chapter 3: Sources of Pensioners' Incomes

**Figure 3.3 Part 2: Distribution of income from selected income sources for all pensioner units, for those in receipt, 2012/13**

*Income received from each source (£ per week, 2012/13 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 2012/13 (**Table 3.3**). This proportion was slightly lower for recently retired pensioners, which could reflect the fact that individuals can defer receiving their State Pension.

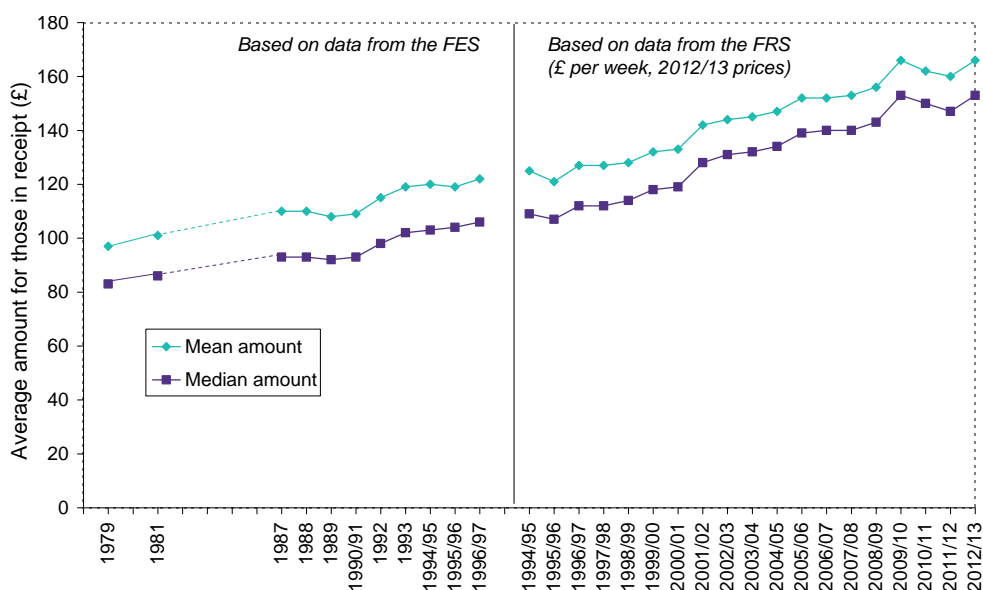
The average amount of reported total State Pension for all pensioner units in receipt was £166 per week in 2012/13 (£133 for singles and £201 for couples). Between 1998/99 and 2012/13, there was 34 per cent real terms growth in the median State Pension received (**Figure 3.4**). The maturing of earnings-related 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.

State Pension incomes may have risen in real terms partly because of the 'Triple Lock' uprating, meaning that in 2012/13 the increase in the Basic State Pension and Additional State Pension was 5.2 per cent. They have also risen due to the impact of the 2010 pension reforms feeding through into higher entitlements for people that would otherwise have had poorer State Pension awards – for example, low earners and women.

In addition, newly retired cohorts will tend to have better working records – and hence State Pension amounts – than older cohorts; some of these older women will also have elected to receive a reduced rate State Pension.

Couples have received higher increases in State Pension recently and over the longer term. They have benefited in the main from the improvements in female State Pension outcomes – attributed to greater labour market participation, the introduction of State Second Pension in 2002 (and with it a boost for low earners and carers), and from the reforms to state pensions in the Pensions Act 2007 which introduced measures that are of particular benefit to women.

**Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996/97 & 1994/95-2012/13<sup>12</sup>**



<sup>12</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.3: The proportion of pensioner units with income from State Pension and the average amount for those in receipt, 1996/97 to 2012/13**

|   | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|---|--|---------|---------|---------|---------|
|   | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of State Pension (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 94%  | 95%     | 97%     | 97%     | 97%     |
| Pensioner couples   | 91%  | 93%     | 96%     | 97%     | 96%     |
| Single pensioners   | 97%  | 97%     | 97%     | 97%     | 97%     |
| <b>Recently retired pensioner units</b>                           |  |         |         |         |         |
| Total   | 91%  | 95%     | 94%     | 94%     | 95%     |
| Pensioner couples   | 92%  | 97%     | 96%     | 95%     | 95%     |
| Single pensioners   | 88%  | 92%     | 91%     | 92%     | 93%     |
| <b>Average amount of State Pension for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 127  | 128     | 162     | 160     | 166     |
| Pensioner couples   | 154  | 158     | 191     | 190     | 201     |
| Single pensioners   | 107  | 107     | 134     | 130     | 133     |
| <b>Recently retired pensioner units</b>                           |  |         |         |         |         |
| Total   | 143  | 151     | 171     | 170     | 174     |
| Pensioner couples   | 164  | 176     | 198     | 194     | 202     |
| Single pensioners   | 111  | 113     | 129     | 125     | 128     |
| <b>Median amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 112  | 114     | 150     | 147     | 153     |
| Pensioner couples   | 167  | 168     | 197     | 196     | 205     |
| Single pensioners   | 103  | 103     | 128     | 125     | 129     |
| <b>Recently retired pensioner units</b>                           |  |         |         |         |         |
| Total   | 149  | 156     | 164     | 157     | 161     |
| Pensioner couples   | 169  | 172     | 201     | 200     | 205     |
| Single pensioners   | 109  | 108     | 123     | 123     | 125     |

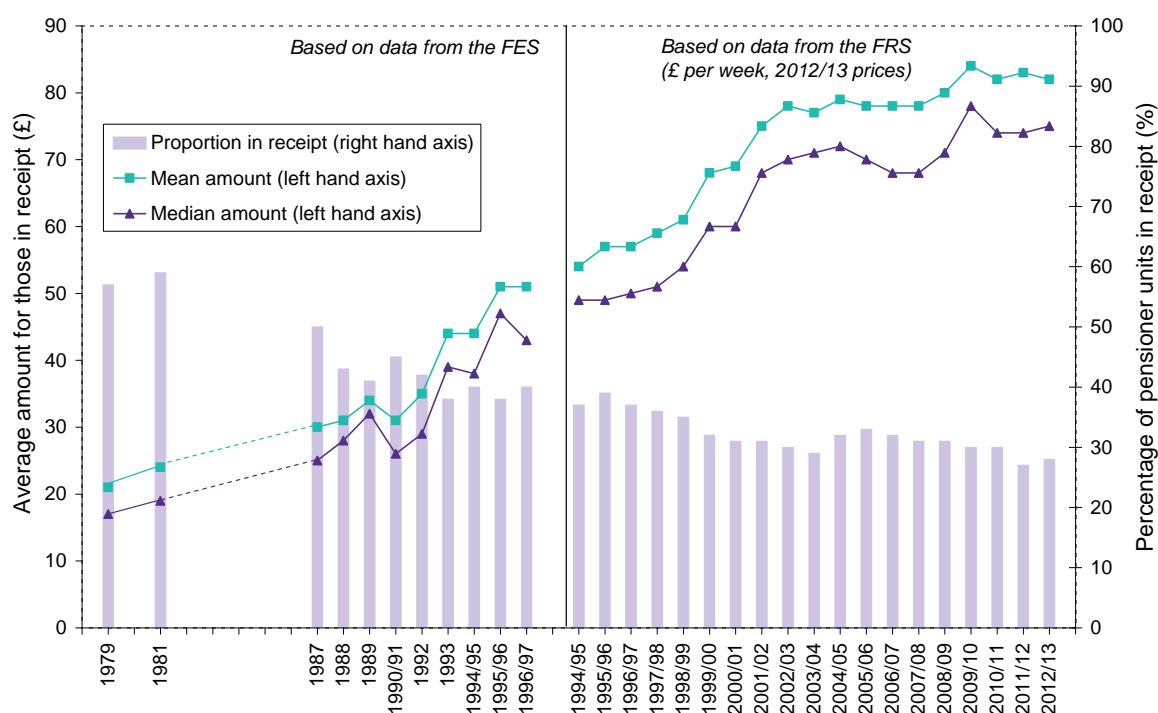
## Pensioners in receipt of income-related benefits

Income-related benefits in 2012/13 included Pension Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants. In previous years this has included Minimum Income Guarantee (MIG) and Income Support, the predecessors to Pension Credit.

Estimates are based on survey respondents' identification of different elements of benefit income and are therefore subject to misreporting. This is a particular problem for Pension Credit, which is under-reported by around a third on the FRS. More information about under-reporting can be found in Appendix B. In some cases amounts of Pension Credit may have been reported as part of State Pension payments.

Income-related benefits were less common than the State Pension, but were nevertheless received by over a quarter (28 per cent) of all pensioner units in 2012/13 (**Table 3.4**). This contrasts with 57 per cent of pensioner units reporting receipt in 1979. However, in 2012/13, income-related benefit receipt was still considerably more common among single pensioners (40 per cent) than pensioner couples (17 per cent).

**Figure 3.5: Pensioner units in receipt of income-related benefits, 1979 to 1996/97 and 1994/95 to 2012/13<sup>13</sup>**



<sup>13</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**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 2012/13**

|   | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|---|--|---------|---------|---------|---------|
|   | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of income related benefits (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 37%  | 35%     | 30%     | 27%     | 28%     |
| Pensioner couples   | 22%  | 19%     | 18%     | 16%     | 17%     |
| Single pensioners   | 48%  | 47%     | 42%     | 39%     | 40%     |
| <b>Recently retired pensioner units</b>                                     |  |         |         |         |         |
| Total   | 29%  | 25%     | 23%     | 22%     | 22%     |
| Pensioner couples   | 21%  | 15%     | 16%     | 15%     | 15%     |
| Single pensioners   | 41%  | 41%     | 34%     | 34%     | 35%     |
| <b>Average amount of income related benefits for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 57   | 61      | 82      | 83      | 82      |
| Pensioner couples   | 56   | 57      | 84      | 81      | 80      |
| Single pensioners   | 58   | 62      | 81      | 83      | 83      |
| <b>Recently retired pensioner units</b>                                     |  |         |         |         |         |
| Total   | 55   | 58      | 86      | 90      | 81      |
| Pensioner couples   | 48   | 49      | 83      | 91      | 74      |
| Single pensioners   | 61   | 62      | 88      | 89      | 85      |
| <b>Median amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 50   | 54      | 74      | 74      | 75      |
| Pensioner couples   | 36   | 35      | 67      | 65      | 66      |
| Single pensioners   | 53   | 58      | 77      | 79      | 78      |
| <b>Recently retired pensioner units</b>                                     |  |         |         |         |         |
| Total   | 40   | 51      | 82      | 82      | 79      |
| Pensioner couples   | 31   | 31      | 76      | 68      | 69      |
| Single pensioners   | 51   | 58      | 86      | 90      | 82      |

*Note:*

*Income related benefits since 2010/11 include Pension Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants. Pre 2010/11 this has included Minimum Income Guarantee and Income Support.*



## Pensioners in receipt of disability benefits

This income category covers a range of benefits paid to individuals as a result of their disability status. It does not include additional amounts within other benefits such as Pension Credit. Those most commonly received by pensioners in 2012/13 were Attendance Allowance and Disability Living Allowance (DLA).

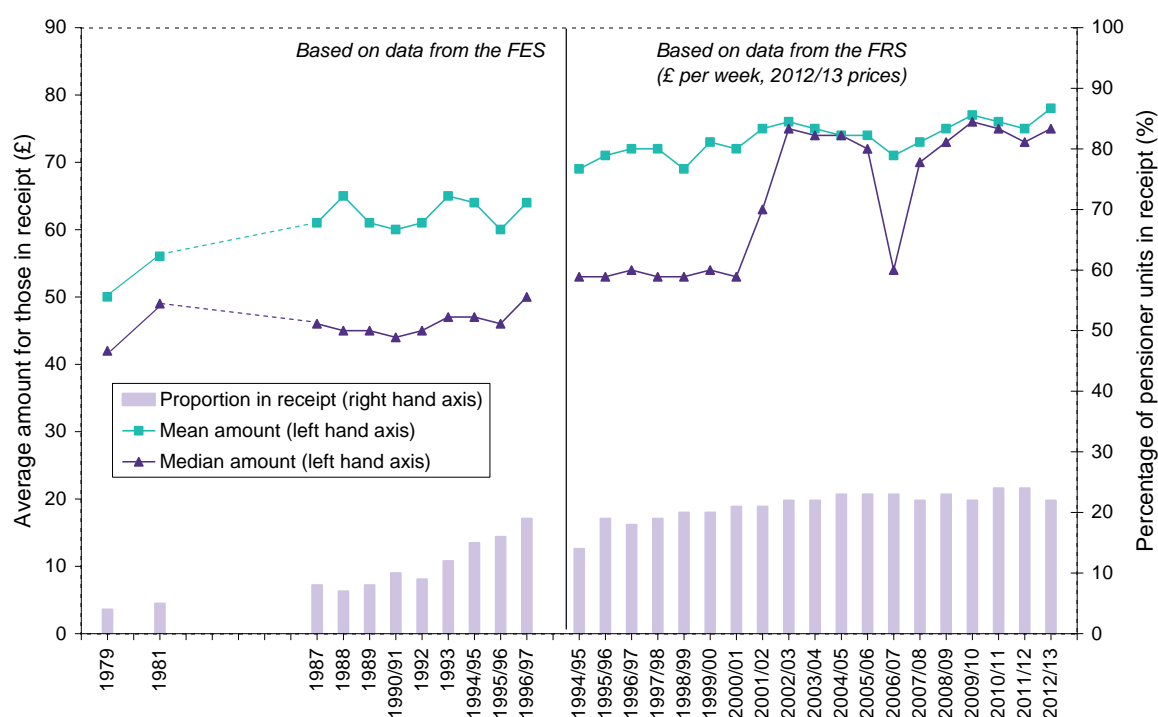
Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. For example, Attendance Allowance is under-reported on the FRS by over two-fifths. Amounts of Attendance Allowance may have been reported as State Pension.

More than one fifth (22 per cent) of all pensioner units received some form of disability benefit in 2012/13. **Figure 3.6** shows the increase in this proportion between 1979 and 1996/97, and that there has been little change in the late 1990s and early 2000s. Receipt of disability benefits was less common among recently retired pensioners, but if received were at similar levels to other pensioner groups.

The average amount for pensioner units in receipt was £78 a week in 2012/13. Results show that median income from disability benefits tends to fluctuate greatly. This is because disability benefits are usually paid at one of a number of rates. For example, Attendance Allowance was paid at either a lower rate (£51.85) or a higher rate (£77.45) in 2012/13; the median can suddenly move if the proportions on the lower and higher rate change.

The payment of disability benefits at one of a number of rates explains the shape of the distribution of incomes from disability benefits seen in **Figure 3.3**. The peaks in the distribution are around the two levels of Attendance Allowance, or two higher rates of Disability Living Allowance for singles.

**Figure 3.6: Pensioner units in receipt of disability benefits, 1979 to 1996/97 and 1994/95 to 2012/13<sup>14</sup>**



<sup>14</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1996/97 to 2012/13**

|   | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|---|--|---------|---------|---------|---------|
|   | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of disability benefits (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 18%  | 20%     | 24%     | 24%     | 22%     |
| Pensioner couples   | 22%  | 21%     | 23%     | 23%     | 22%     |
| Single pensioners   | 14%  | 20%     | 25%     | 24%     | 22%     |
| <b>Recently retired pensioner units</b>                                 |  |         |         |         |         |
| Total   | 17%  | 15%     | 17%     | 17%     | 18%     |
| Pensioner couples   | 21%  | 18%     | 18%     | 19%     | 18%     |
| Single pensioners   | 12%  | 12%     | 17%     | 14%     | 16%     |
| <b>Average amount of disability benefits for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 72   | 69      | 76      | 75      | 78      |
| Pensioner couples   | 78   | 76      | 85      | 84      | 88      |
| Single pensioners   | 64   | 64      | 68      | 66      | 69      |
| <b>Recently retired pensioner units</b>                                 |  |         |         |         |         |
| Total   | 75   | 69      | 82      | 84      | 84      |
| Pensioner couples   | 76   | 72      | 85      | 90      | 91      |
| Single pensioners   | 71   | 63      | 77      | 71      | 73      |
| <b>Median amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 54   | 53      | 75      | 73      | 75      |
| Pensioner couples   | 74   | 73      | 76      | 76      | 77      |
| Single pensioners   | 51   | 51      | 55      | 54      | 55      |
| <b>Recently retired pensioner units</b>                                 |  |         |         |         |         |
| Total   | 73   | 53      | 75      | 73      | 76      |
| Pensioner couples   | 74   | 65      | 76      | 76      | 86      |
| Single pensioners   | 72   | 53      | 74      | 72      | 74      |

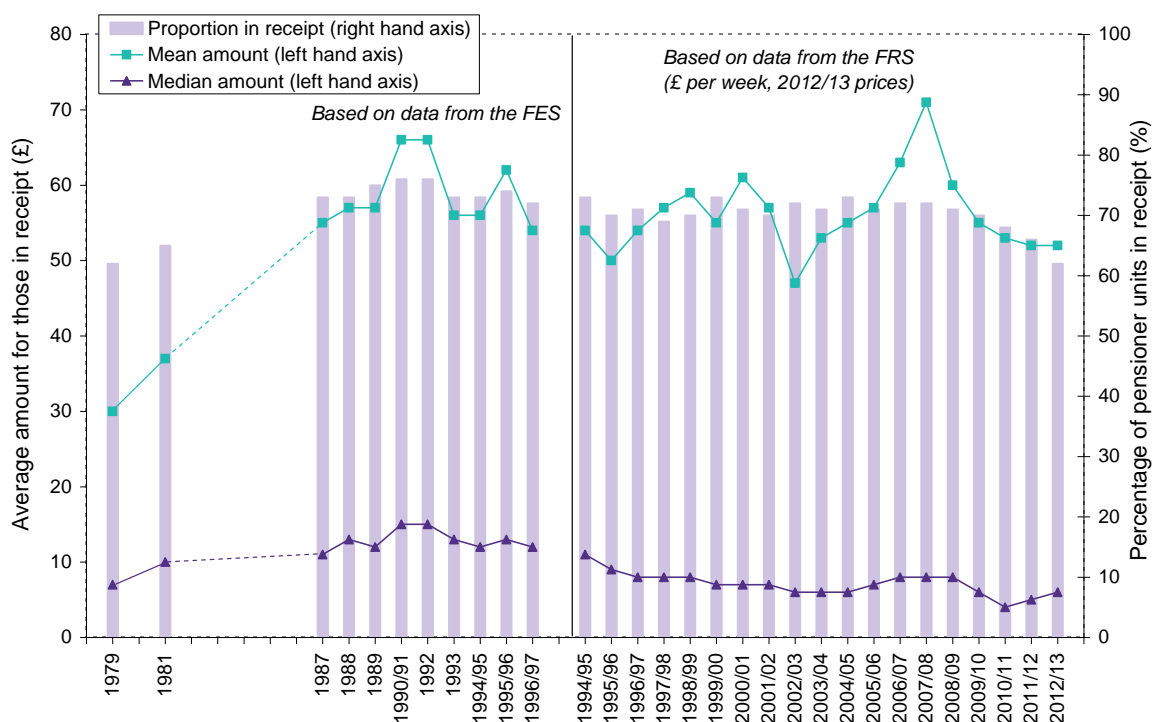
## Pensioners in receipt of investment income

Investment income includes interest from Individual Savings Allowance (ISAs) and other savings accounts, unit trusts, bonds, stocks and shares. Investment income was the third most common source of income, received by 62 per cent of all pensioner units in 2012/13 (**Table 3.6**), although the proportion with investment income is at the lowest level since the beginning of the FRS series in 1994/95. As **Figure 3.3** shows, large numbers of people receive small amounts of investment income, with three in five pensioner units receiving investment income receiving £10 a week or less. There are a small number of pensioners who receive very large amounts of investment income; the mean amount for those in receipt is £52 per week.

After the rises seen between 2002/03 and 2007/08 in the average amounts of investment income received by pensioners, investment income has fallen over the last five years. This fall is likely to be influenced by the reduced interest rates over this period. Average (mean) amounts stabilised in 2012/13, however, with median amounts increasing from a low point in 2010/11. Chapter 4 gives more detail on the distribution of incomes and investment income by quintile.

Note that there are some methodological differences in FRS based estimates of investment income compared to FES based estimates. In particular, FES estimates include personal pension income whereas the FRS estimates do not. More information on the components of income and the differences between FRS and FES based estimates can be found in Appendix A.

**Figure 3.7: Pensioner units in receipt of investment income, 1979 to 1996/97 and 1994/95 to 2012/13<sup>15</sup>**



<sup>15</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1996/97 to 2012/13**

|   | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|---|--|---------|---------|---------|---------|
|   | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of investment income (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 71%  | 70%     | 68%     | 66%     | 62%     |
| Pensioner couples   | 79%  | 79%     | 74%     | 72%     | 69%     |
| Single pensioners   | 65%  | 64%     | 62%     | 59%     | 56%     |
| <b>Recently retired pensioner units</b>                               |  |         |         |         |         |
| Total   | 72%  | 71%     | 69%     | 66%     | 65%     |
| Pensioner couples   | 78%  | 79%     | 74%     | 72%     | 70%     |
| Single pensioners   | 63%  | 59%     | 62%     | 56%     | 57%     |
| <b>Average amount of investment income for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 54   | 59      | 53      | 52      | 52      |
| Pensioner couples   | 76   | 81      | 73      | 70      | 72      |
| Single pensioners   | 34   | 39      | 29      | 29      | 29      |
| <b>Recently retired pensioner units</b>                               |  |         |         |         |         |
| Total   | 73   | 89      | 75      | 68      | 77      |
| Pensioner couples   | 93   | 106     | 86      | 82      | 93      |
| Single pensioners   | 37   | 56      | 56      | 35      | 44      |
| <b>Median amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 8  | 8       | 4       | 5       | 6       |
| Pensioner couples   | 15   | 15      | 7       | 8       | 8       |
| Single pensioners   | 5  | 4       | 2       | 2       | 3       |
| <b>Recently retired pensioner units</b>                               |  |         |         |         |         |
| Total   | 11   | 12      | 6       | 6       | 8       |
| Pensioner couples   | 17   | 18      | 8       | 8       | 10      |
| Single pensioners   | 6  | 6       | 3       | 4       | 5       |

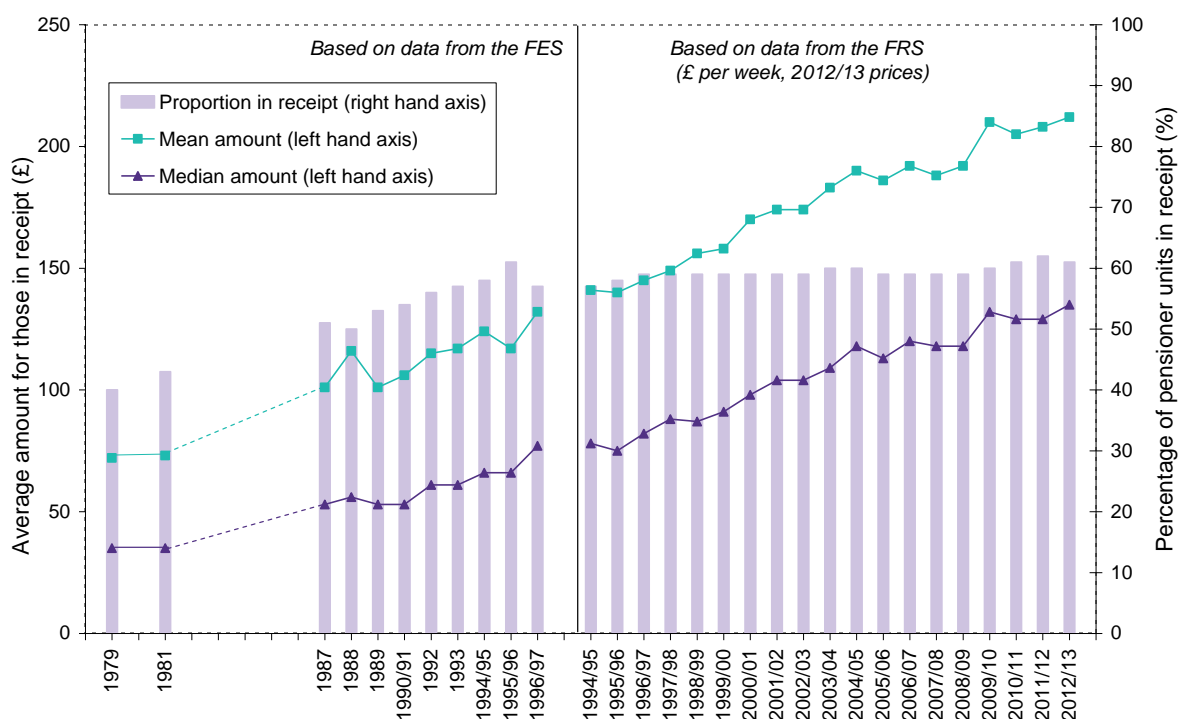
## Pensioners in receipt of occupational pension income

Receipt of income from occupational pensions has become increasingly common since 1979, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s. Occupational pensions provided income for 61 per cent of pensioner units in 2012/13, compared to 40 per cent in 1979 (**Figure 3.8**). Since 2009/10, occupational pension income has flattened to a mean average of a little over £200 a week (**Table 3.7**).

The average amount of occupational pension income for those in receipt has been increasing over time, for a number of reasons. For individuals who joined an occupational pension scheme in the 1950s, the more recently retired pensioners will have been able to make contributions over a longer period than pensioners retiring in earlier decades, and were therefore entitled to higher pensions. In addition, real growth in earnings has meant that final salaries (on which defined benefit occupational pension income is often based) have generally been higher for those retiring more recently.

The number of defined benefit occupational pension schemes has declined since the late 1960s, with an acceleration in decline after 1995. Schemes are typically closed to new members, with many schemes allowing existing members to accrue further rights. Many older workers therefore still have defined benefit rights in the private sector, but that will change over time. For the 1.91m private sector workers accruing defined benefit rights, only 0.82m are in schemes still open to new members<sup>16</sup>. Since 1997, there has been a general growth of workplace defined contribution pensions, building on the introduction of personal pensions in 1988. Currently, individuals will not have been able to contribute to a defined contribution scheme throughout their lifetime<sup>17</sup>.

**Figure 3.8: Pensioner units in receipt of occupational pension income, 1979 to 1996/97 and 1994/95 to 2012/13<sup>18</sup>**



<sup>16</sup> The Purple Book, The Pensions Regulator and Pension Protection Fund:

[http://www.pensionprotectionfund.org.uk/Documents/purple\\_book\\_2013\\_chapter3.pdf](http://www.pensionprotectionfund.org.uk/Documents/purple_book_2013_chapter3.pdf)

<sup>17</sup> Annual Survey of Hours and Earnings, ONS:

<http://www.ons.gov.uk/ons/rel/ash/annual-survey-of-hours-and-earnings-pension-tables/2013-provisional-results/stb--2013-annual-survey-of-hours-and-earnings--summary-of-pensions-results.html>

<sup>18</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.7: The proportion of pensioner units with occupational pension income and the average amount for those in receipt, 1996/97 to 2012/13**

|   | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|---|--|---------|---------|---------|---------|
|   | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of occupational pension income (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 59%  | 59%     | 61%     | 62%     | 61%     |
| Pensioner couples   | 71%  | 70%     | 67%     | 69%     | 68%     |
| Single pensioners   | 51%  | 51%     | 55%     | 55%     | 55%     |
| <b>Recently retired pensioner units</b>   |  |         |         |         |         |
| Total   | 66%  | 65%     | 59%     | 59%     | 60%     |
| Pensioner couples   | 76%  | 74%     | 67%     | 67%     | 68%     |
| Single pensioners   | 53%  | 52%     | 46%     | 46%     | 48%     |
| <b>Average amount of occupational pension income for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 145  | 156     | 205     | 208     | 212     |
| Pensioner couples   | 191  | 205     | 263     | 267     | 270     |
| Single pensioners   | 98   | 105     | 136     | 134     | 144     |
| <b>Recently retired pensioner units</b>   |  |         |         |         |         |
| Total   | 184  | 189     | 256     | 251     | 257     |
| Pensioner couples   | 211  | 217     | 287     | 283     | 293     |
| Single pensioners   | 128  | 131     | 190     | 172     | 177     |
| <b>Median amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 82   | 87      | 129     | 129     | 135     |
| Pensioner couples   | 120  | 134     | 185     | 181     | 186     |
| Single pensioners   | 58   | 62      | 85      | 84      | 95      |
| <b>Recently retired pensioner units</b>   |  |         |         |         |         |
| Total   | 116  | 122     | 171     | 164     | 172     |
| Pensioner couples   | 138  | 149     | 199     | 190     | 201     |
| Single pensioners   | 87   | 84      | 121     | 118     | 118     |

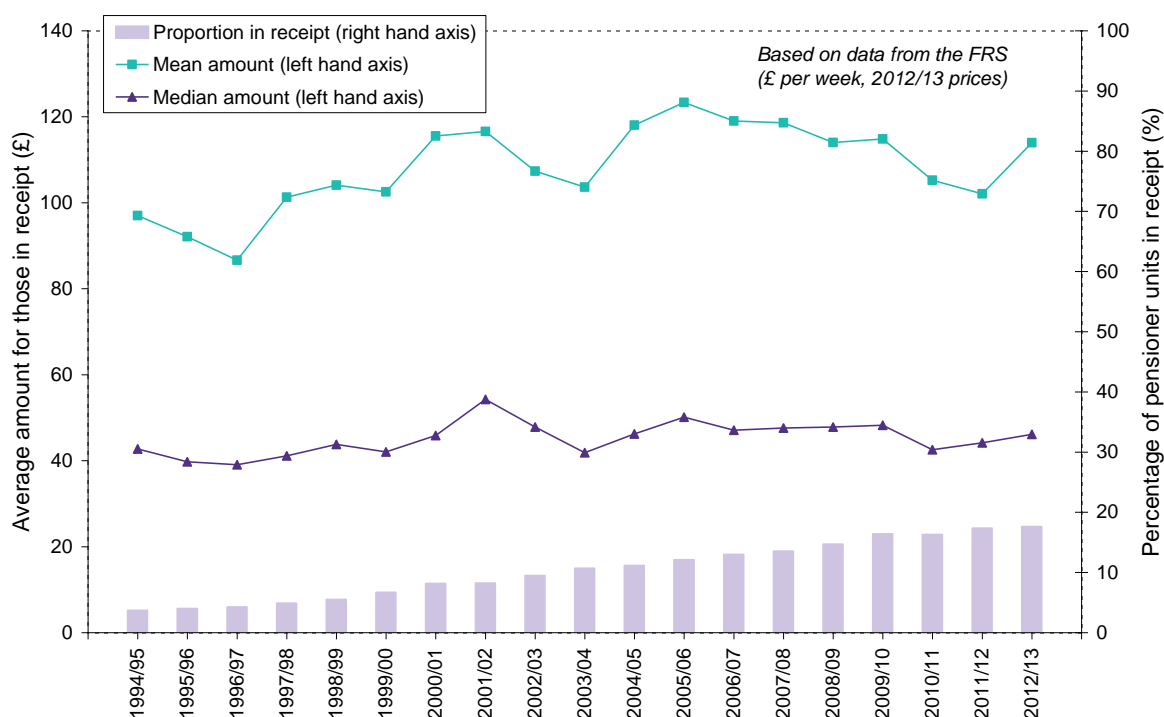
## Pensioners in receipt of personal pension income

This component of income includes personal pensions and annuities bought with lump sums from personal pensions, trades union and friendly society pensions.

Personal pensions provide income to a relatively small group of pensioners, although the proportion of pensioners in receipt of personal pension income has increased during the period from 1994/95 (**Figure 3.9**). Results based on FES data for the period from 1979 to 1996/97 are not separately available for personal pension income. Indeed, personal pensions in their current form were only introduced in 1988.

In 2012/13, 18 per cent of pensioner units were in receipt of income from personal pensions, with couples much more likely to be in receipt than single pensioners (**Table 3.8**). Recently retired pensioner units were more likely to be in receipt than older pensioners, which reflects the relatively recent expansion in the numbers contributing to personal pensions. The average amount of income from personal pensions for those in receipt was £114 per week in 2012/13, although half of all recipients had £46 per week or less.

**Figure 3.9: Pensioner units in receipt of personal pension income, 1994/95 to 2012/13<sup>19</sup>**



<sup>19</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.8: The proportion of pensioner units with personal pension income and the average amount for those in receipt, 1996/97 to 2012/13**

|   | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|---|--|---------|---------|---------|---------|
|   | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of personal pension income (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 4%   | 5%      | 16%     | 17%     | 18%     |
| Pensioner couples   | 7%   | 9%      | 23%     | 25%     | 25%     |
| Single pensioners   | 2%   | 3%      | 10%     | 10%     | 10%     |
| <b>Recently retired pensioner units</b>                                     |  |         |         |         |         |
| Total   | 7%   | 10%     | 22%     | 23%     | 23%     |
| Pensioner couples   | 10%  | 13%     | 27%     | 28%     | 29%     |
| Single pensioners   | 3%   | 6%      | 14%     | 14%     | 14%     |
| <b>Average amount of personal pension income for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 87   | 104     | 105     | 102     | 114     |
| Pensioner couples   | 95   | 115     | 117     | 116     | 133     |
| Single pensioners   | 63   | 77      | 78      | 67      | 70      |
| <b>Recently retired pensioner units</b>                                     |  |         |         |         |         |
| Total   | 105  | 112     | 116     | 99      | 116     |
| Pensioner couples   | 112  | 126     | 130     | 109     | 125     |
| Single pensioners   | 74   | 68      | 77      | 63      | 86      |
| <b>Median amounts</b>   |  |         |         |         |         |
| <b>All pensioner units</b>  |  |         |         |         |         |
| Total   | 39   | 44      | 43      | 44      | 46      |
| Pensioner couples   | 43   | 51      | 45      | 48      | 56      |
| Single pensioners   | 32   | 29      | 36      | 30      | 31      |
| <b>Recently retired pensioner units</b>                                     |  |         |         |         |         |
| Total   | 49   | 45      | 42      | 45      | 50      |
| Pensioner couples   | 51   | 54      | 44      | 48      | 56      |
| Single pensioners   | 39   | 26      | 40      | 30      | 38      |



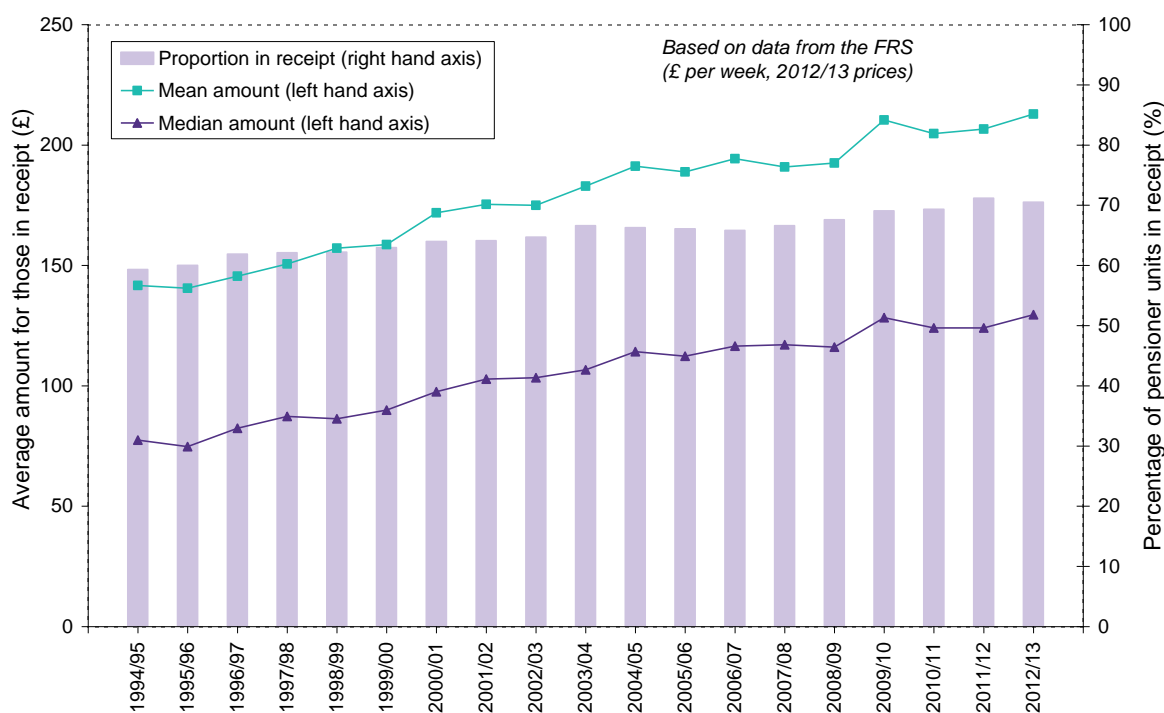
## Pensioners in receipt of private pension income

Private pension income is the sum of occupational and personal pension income. Occupational pensions are more common than personal pensions, and hence tend to dominate aggregated results for private pensions. There has been a gradual increase in both the proportion of pensioners receiving income from private pensions and in the amount that they receive since 1994/95 (**Figure 3.10**).

In 2012/13, 70 per cent of pensioner units were in receipt of private pension income, with couples more likely to be in receipt than single pensioners (**Table 3.9**).

The average amount of income from private pensions for pensioner units in receipt has increased in recent years, with the mean amount being received in 2012/13 of £213. Half of all recipients received less than £129 per week in 2012/13. Recently retired pensioner units in receipt of private pension income on average receive more income from this source compared with older pensioner units.

**Figure 3.10: Pensioner units in receipt of private pension income, 1994/95 to 2012/13<sup>20</sup>**



<sup>20</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.9: The proportion of pensioner units with private pension income and the average amount for those in receipt, 1996/97 to 2012/13**

|  | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|--|--|---------|---------|---------|---------|
|  | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of private pension income (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>   |  |         |         |         |         |
| Total  | 62%  | 62%     | 69%     | 71%     | 70%     |
| Pensioner couples  | 74%  | 75%     | 78%     | 81%     | 80%     |
| Single pensioners  | 52%  | 53%     | 60%     | 61%     | 61%     |
| <b>Recently retired pensioner units</b>                                    |  |         |         |         |         |
| Total  | 70%  | 71%     | 70%     | 71%     | 72%     |
| Pensioner couples  | 80%  | 81%     | 80%     | 80%     | 81%     |
| Single pensioners  | 55%  | 56%     | 54%     | 55%     | 57%     |
| <b>Average amount of private pension income for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>  |  |         |         |         |         |
| <b>All pensioner units</b>   |  |         |         |         |         |
| Total  | 145  | 157     | 205     | 207     | 213     |
| Pensioner couples  | 190  | 206     | 259     | 263     | 271     |
| Single pensioners  | 97   | 105     | 136     | 131     | 141     |
| <b>Recently retired pensioner units</b>                                    |  |         |         |         |         |
| Total  | 186  | 191     | 253     | 243     | 254     |
| Pensioner couples  | 214  | 220     | 285     | 275     | 290     |
| Single pensioners  | 127  | 129     | 183     | 161     | 171     |
| <b>Median amounts</b>  |  |         |         |         |         |
| <b>All pensioner units</b>   |  |         |         |         |         |
| Total  | 82   | 86      | 124     | 124     | 129     |
| Pensioner couples  | 118  | 133     | 173     | 169     | 181     |
| Single pensioners  | 57   | 61      | 82      | 81      | 87      |
| <b>Recently retired pensioner units</b>                                    |  |         |         |         |         |
| Total  | 116  | 122     | 157     | 151     | 162     |
| Pensioner couples  | 139  | 150     | 187     | 171     | 193     |
| Single pensioners  | 86   | 81      | 112     | 105     | 98      |

## Pensioners in receipt of income from earnings

Income from earnings refers to gross earnings from employment and self-employment. The proportion of pensioners in receipt of income from earnings has increased substantially from 1996/97, but levelled off in recent years and has declined slightly to 17 per cent for all pensioner units in 2012/13 (**Table 3.10**). Recently retired groups were the most likely to be earning compared to all pensioner units, with 33 per cent reporting earnings as a source of income. This compares with 28 per cent of all pensioner couples and 7 per cent of all single pensioners with earnings as part of their income.

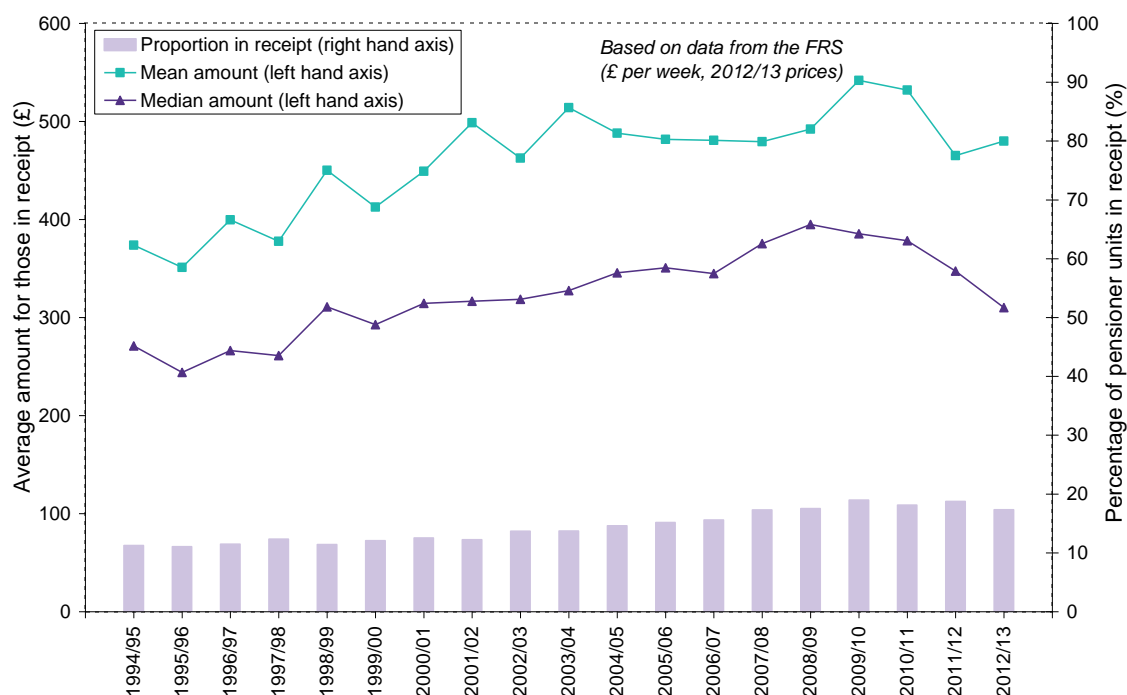
Pensioner couples include couples where one member is below SPa but the other is over. As such, some of the results include earnings from people under SPa. The effects of these mixed status couples, particularly with regards to earnings, are explored further in Chapter 5 (**Tables 5.1 and 5.2**).

As recently retired pensioners are much more likely to be in receipt of earnings, these figures may be affected by the equalisation of female SPa; this may in part explain the drop in the percentage in receipt of earnings and in the median levels of earnings. An alternative source for information on earnings, based on a larger number of records, is ASHE<sup>21</sup>.

**Figure 3.11** shows that there was an increase in the mean compared to 2011/12, although the median decreased further, to the lowest level since 2000. The average (mean) amount of income from earnings in 2012/13 for those in receipt was £480 per week, with half of all pensioner units with earnings receiving more than £310 per week.

**Figure 3.3** shows that the distribution for those in receipt of earnings for 2012/13 was similar to that seen for 2011/12, though with a slight downwards shift (as there also was the previous year)<sup>22</sup>, peaking at 9 per cent for £80-£120 per week.

**Figure 3.11: Pensioner units in receipt of income from earnings, 1994/95 to 2012/13<sup>23</sup>**



<sup>21</sup> <http://www.ons.gov.uk/ons/rel/ashes/annual-survey-of-hours-and-earnings/index.html>

<sup>22</sup> An adjustment to very high income households is made to the FRS survey results based on the tax records reported in the Survey of Personal Incomes (SPI). This replaces values from the survey with an average amount from SPI, therefore weekly earnings above £720 per week are combined in the chart.

<sup>23</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.10: The proportion of pensioner units with income from earnings and the average amount for those in receipt, 1996/97 to 2012/13**

|  | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |
|--|--|---------|---------|---------|---------|
|  | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Proportion in receipt of income from earnings (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>   |  |         |         |         |         |
| Total  | 11%  | 11%     | 18%     | 19%     | 17%     |
| Pensioner couples  | 22%  | 22%     | 29%     | 30%     | 28%     |
| Single pensioners  | 4%   | 4%      | 7%      | 8%      | 7%      |
| <b>Recently retired pensioner units</b>                                  |  |         |         |         |         |
| Total  | 20%  | 20%     | 32%     | 34%     | 33%     |
| Pensioner couples  | 26%  | 23%     | 36%     | 40%     | 40%     |
| Single pensioners  | 12%  | 16%     | 25%     | 24%     | 23%     |
| <b>Average amount of income from earnings for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>  |  |         |         |         |         |
| <b>All pensioner units</b>   |  |         |         |         |         |
| Total  | 400  | 450     | 532     | 465     | 480     |
| Pensioner couples  | 443  | 486     | 584     | 506     | 527     |
| Single pensioners  | 218  | 293     | 330     | 300     | 307     |
| <b>Recently retired pensioner units</b>                                  |  |         |         |         |         |
| Total  | 333  | 366     | 450     | 408     | 437     |
| Pensioner couples  | 364  | 402     | 488     | 440     | 477     |
| Single pensioners  | 237  | 286     | 370     | 313     | 324     |
| <b>Median amounts</b>  |  |         |         |         |         |
| <b>All pensioner units</b>   |  |         |         |         |         |
| Total  | 266  | 311     | 378     | 347     | 310     |
| Pensioner couples  | 320  | 341     | 424     | 381     | 356     |
| Single pensioners  | 117  | 196     | 246     | 231     | 214     |
| <b>Recently retired pensioner units</b>                                  |  |         |         |         |         |
| Total  | 226  | 258     | 343     | 322     | 302     |
| Pensioner couples  | 240  | 272     | 367     | 348     | 343     |
| Single pensioners  | 204  | 231     | 321     | 276     | 234     |

## Pensioners in receipt of income from annual one-off payments

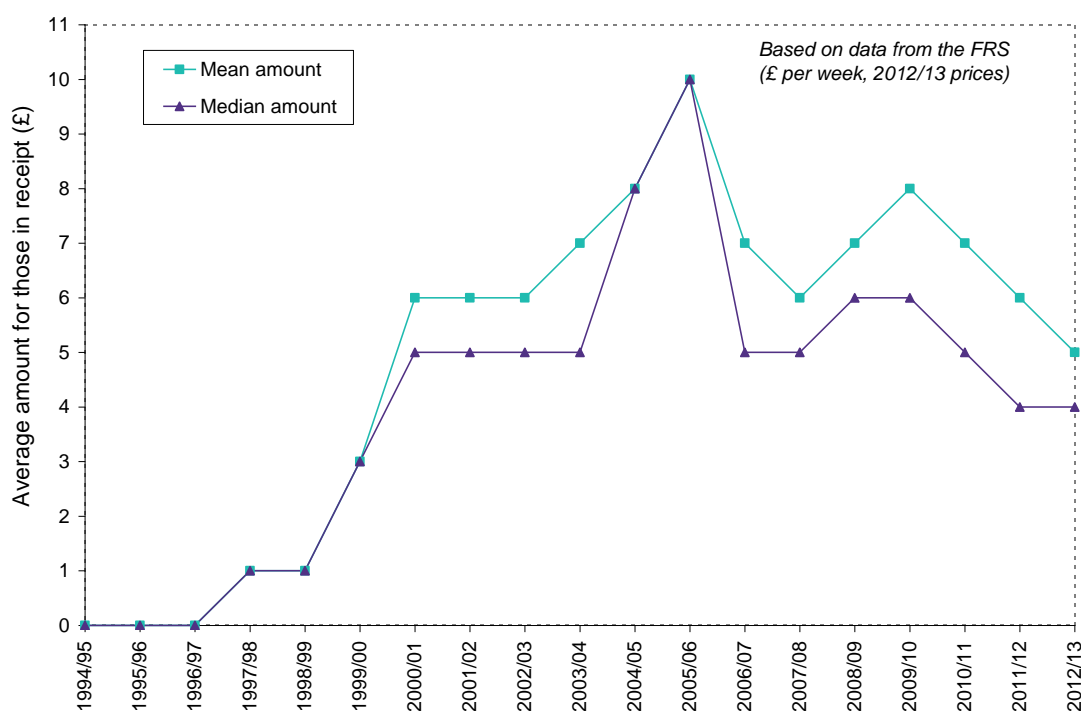
Income from annual one-off payments refers to amounts that a pensioner may receive once a year. Winter Fuel Payments, free TV licences for the over-75s and the Christmas bonus are all paid as annual one-off payments. These payments are typically paid in full at a certain time of year, so for this analysis the amount has been converted into a weekly equivalent.

A Winter Fuel Payment of £20 was introduced in 1997-98, and free TV licences for the over-75s were introduced in November 2000. Since then, fluctuations in the average amount are due to changes in the amount of the Winter Fuel Payment and any age-related payments. The peak in 2005-06 is due to the age-related payments in 2004-05, increased in 2005-06 but not repeated in later years.

The increase in one-off payments seen in 2008/09 is largely due to the Christmas bonus temporarily increasing from £10 to £70, and additional increases to Winter Fuel Payments for the winters of 2008/09 through to 2010/11<sup>24</sup>. Increases were not applied to any of these one-off payments in 2011/12 or 2012/13, leading to a reduction in mean and median amounts.

In 2012/13 the average (mean) amount from annual one-off payments received by pensioner units was £5 per week (**Table 3.11**).

**Figure 3.12: Pensioner units in receipt of income from annual one-off payments, 1994/95 to 2012/13<sup>25</sup>**



<sup>24</sup> The policy for Winter Fuel Payments in 2012/13 was a £200 payment to households that included someone who had reached women's SPa and was under 80, and a £300 payment to households that included someone aged 80 and over. An additional payment of £50 was paid in 2008/09, 2009/10 and 2010/11 to households that included someone who had reached women's SPa and was under 80, and a £100 payment for households that included someone aged 80 and over.

<sup>25</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## Chapter 3: Sources of Pensioners' Incomes

**Table 3.11: The average amounts of income from annual one-off payments for those in receipt, 1996/97 to 2012/13**

| <i>Incomes in £ per week, 2012/13 prices</i>                                    |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
| <b>Average amount of income from annual payments for those in receipt (£pw)</b> |         |         |         |         |         |
| <b>Mean amounts</b>   |         |         |         |         |         |
| <b>All pensioner units</b>  |         |         |         |         |         |
| Total   | *       | 1       | 7       | 6       | 5       |
| Pensioner couples   | *       | 1       | 7       | 5       | 5       |
| Single pensioners   | *       | 1       | 8       | 6       | 6       |
| <b>Recently retired pensioner units</b>   |         |         |         |         |         |
| Total   | *       | 1       | 5       | 4       | 4       |
| Pensioner couples   | *       | 1       | 5       | 4       | 4       |
| Single pensioners   | *       | 1       | 5       | 4       | 4       |
| <b>Median amounts</b>   |         |         |         |         |         |
| <b>All pensioner units</b>  |         |         |         |         |         |
| Total   | *       | 1       | 5       | 4       | 4       |
| Pensioner couples   | *       | 1       | 5       | 4       | 4       |
| Single pensioners   | *       | 1       | 7       | 6       | 5       |
| <b>Recently retired pensioner units</b>   |         |         |         |         |         |
| Total   | *       | 1       | 5       | 4       | 4       |
| Pensioner couples   | *       | 1       | 5       | 4       | 4       |
| Single pensioners   | *       | 1       | 5       | 4       | 4       |

*Note:*

*Estimates of less than 50p are labelled \**

## 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 2010 to 2013, the median net income of the top fifth was more than three and a half times that of the bottom fifth Before Housing Costs, and nearly four times 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 and 2010-13 (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 2010-13 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 25 per cent between 1998-01 and 2010-13, while incomes in the middle quintile grew by nearly 40 per cent (**Table 4.1**). However, as the top quintile is starting at a higher base level, an increase of less than 25 per cent still equates to increases of £17 in the bottom quintile and £72 in the top quintile.

## Chapter 4: Distribution of Pensioners' Incomes

**Table 4.1: The median net income of pensioner units by quintile of the net income distribution, 1998-01 and 2010-13**

*Incomes in £ per week, 2012/13 prices*

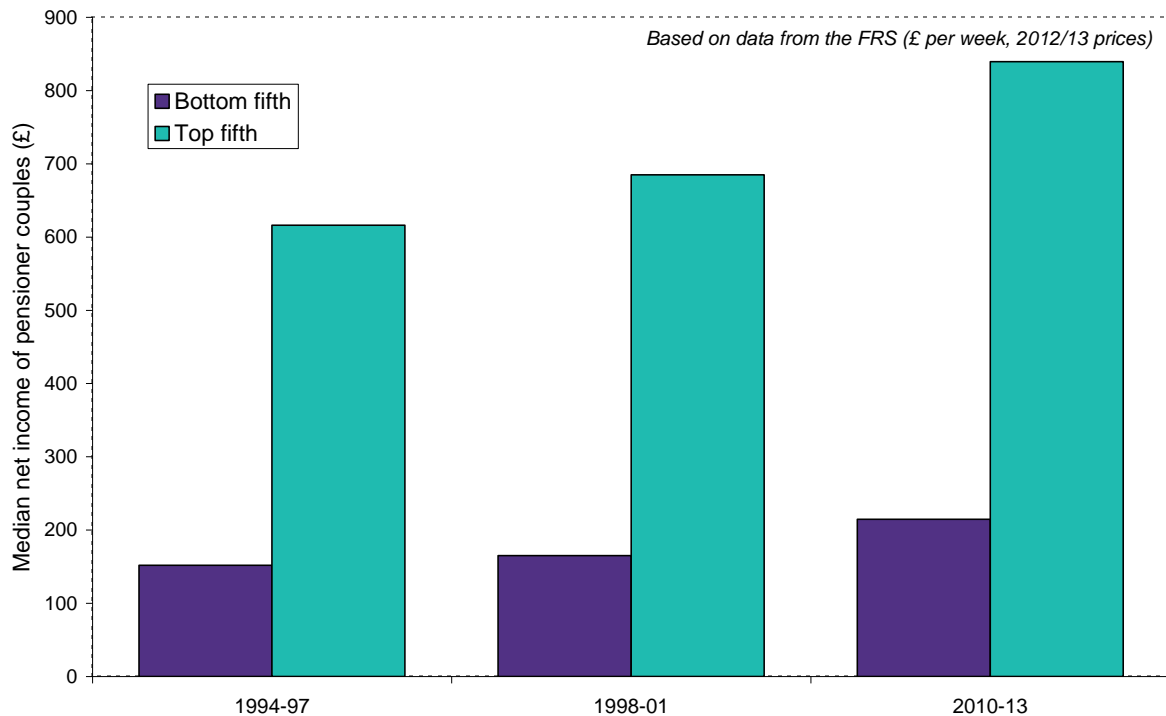
|  | Quintiles of the income distribution |            |              |            |           | Overall Mean |
|--|--------------------------------------|------------|--------------|------------|-----------|--------------|
|  | Bottom fifth                         | Next fifth | Middle fifth | Next fifth | Top fifth |              |
| <b>Medians</b>                         |                                      |            |              |            |           |              |
| <b>Pensioner couples</b>               |                                      |            |              |            |           |              |
| <b>Net income before housing costs</b> |                                      |            |              |            |           |              |
| 1998-01                                | 196                                  | 267        | 338          | 448        | 716       | 433          |
| 2010-13                                | 243                                  | 336        | 429          | 555        | 859       | 530          |
| % growth 1998-01 to 2010-13            | 24%                                  | 26%        | 27%          | 24%        | 20%       | 22%          |
| <b>Net income after housing costs</b>  |                                      |            |              |            |           |              |
| 1998-01                                | 165                                  | 233        | 309          | 422        | 685       | 401          |
| 2010-13                                | 215                                  | 309        | 404          | 533        | 839       | 504          |
| % growth 1998-01 to 2010-13            | 30%                                  | 33%        | 31%          | 26%        | 22%       | 26%          |
| <b>Medians</b>                         |                                      |            |              |            |           |              |
| <b>Single pensioners</b>               |                                      |            |              |            |           |              |
| <b>Net income before housing costs</b> |                                      |            |              |            |           |              |
| 1998-01                                | 111                                  | 154        | 185          | 232        | 342       | 220          |
| 2010-13                                | 135                                  | 191        | 237          | 296        | 412       | 272          |
| % growth 1998-01 to 2010-13            | 22%                                  | 24%        | 28%          | 28%        | 20%       | 24%          |
| <b>Net income after housing costs</b>  |                                      |            |              |            |           |              |
| 1998-01                                | 88                                   | 111        | 142          | 198        | 310       | 184          |
| 2010-13                                | 105                                  | 153        | 197          | 259        | 382       | 237          |
| % growth 1998-01 to 2010-13            | 19%                                  | 38%        | 39%          | 31%        | 23%       | 29%          |

*Notes:*

(1) Estimates show medians of unequivalised net income for each quintile of the unequivalised net income distribution. Real growth figures for individual quintiles show the growth in the quintile median income.



Figure 4.1: Net income (AHC) of pensioner couples by position in the income distribution, 1994-97, 1998-01 and 2010-13



## Age and gender in the income distribution

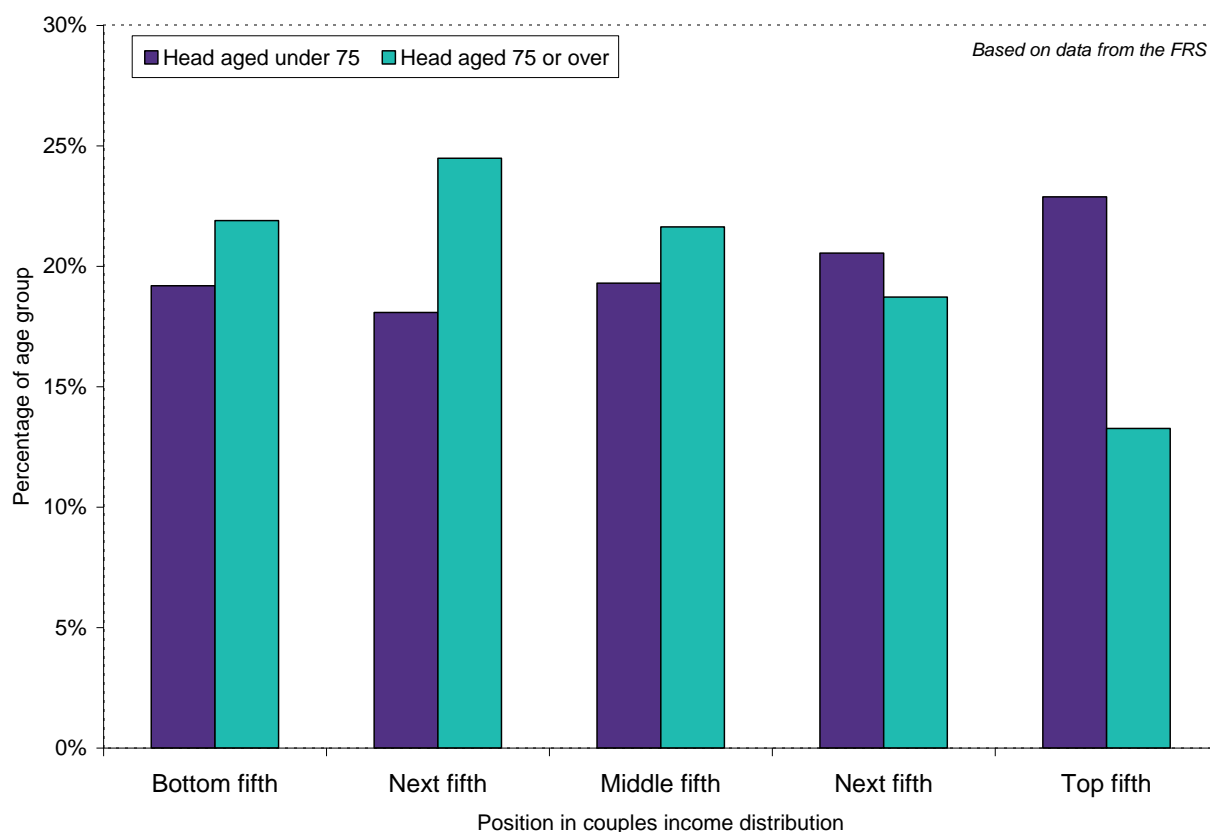
**Table 4.2** shows the proportions of different groups of pensioners within each quintile in 2012/13. Around three quarters of pensioners own their own home outright (Family Resources Survey 2012/13), and so tend to have relatively low housing costs (Households Below Average Income: An analysis of the income distribution 1994/95 – 2012/13). Net income after deducting housing costs better reflects homeowners' living standards compared with others who do not own their own home outright than net income Before Housing Costs. Points of note include:

- **Older pensioner couples are more likely to be in the bottom fifth** of the pensioner couples' income distribution (both Before and After Housing Costs) than younger pensioner couples. After Housing Costs, 23 per cent of pensioner couples with the head 75 or over are in the bottom fifth, compared with 19 per cent of pensioner couples whose head is under 75. There is a similar pattern in the net Before Housing Costs income distribution.
- **Older single pensioners are slightly more likely to be in the bottom fifth** of the single pensioners' incomes distribution (Before Housing Costs) than younger single pensioners. 22 per cent of single pensioners 75 and over are in the bottom fifth, compared to 17 per cent of single pensioners under 75, while on incomes After Housing Costs, the same proportion (20 per cent) of single pensioners under 75 and over 75 are in the bottom fifth.
- **Single females are more likely to be in the bottom fifth** of the single pensioners' incomes distribution (both Before and After Housing Costs) than single males. After Housing Costs, 21 per cent of single females are in the bottom fifth, compared to 17 per cent of men. There is a similar (but more pronounced) pattern in the net Before Housing Costs income distribution.

## Chapter 4: Distribution of Pensioners' Incomes

This analysis takes no account of income sharing which may occur when a pensioner unit shares a household with others – for example, sharing with their adult children who may be earning, or where two single pensioners share a house. A pensioner with low personal income living with their high earning adult child would be shown in a low income quintile, but may enjoy a high standard of living. This failure to take account of all incomes in a household is not the case in Households Below Average Income (HBAI) analysis, which displays results based on an individuals' household income level.

**Figure 4.2: Pensioner couples by age and position in the net income (AHC) distribution, 2012/13**



**Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2012/13**

|  | Quintile of the income distribution |            |              |            |           | All  |
|--|-------------------------------------|------------|--------------|------------|-----------|------|
|  | Bottom fifth                        | Next fifth | Middle fifth | Next fifth | Top fifth |      |
| <b>Pensioner couples' net income Before housing costs distribution</b> |                                     |            |              |            |           |      |
| <b>All pensioner couples</b>   | 20%                                 | 20%        | 20%          | 20%        | 20%       | 100% |
| Recently retired   | 16%                                 | 18%        | 20%          | 20%        | 26%       | 100% |
| Head aged under 75   | 18%                                 | 18%        | 19%          | 20%        | 24%       | 100% |
| Head aged 75 and over  | 24%                                 | 24%        | 21%          | 19%        | 12%       | 100% |
| <b>Pensioner couples' net income After housing costs distribution</b>  |                                     |            |              |            |           |      |
| <b>All pensioner couples</b>   | 20%                                 | 20%        | 20%          | 20%        | 20%       | 100% |
| Recently retired   | 17%                                 | 18%        | 19%          | 20%        | 26%       | 100% |
| Head aged under 75   | 19%                                 | 19%        | 19%          | 20%        | 24%       | 100% |
| Head aged 75 and over  | 23%                                 | 23%        | 22%          | 19%        | 12%       | 100% |
| <b>Single pensioners' net income Before housing costs distribution</b> |                                     |            |              |            |           |      |
| <b>All single pensioners</b>   | 20%                                 | 20%        | 20%          | 20%        | 20%       | 100% |
| Single males   | 15%                                 | 21%        | 18%          | 21%        | 26%       | 100% |
| Single females   | 22%                                 | 20%        | 21%          | 20%        | 18%       | 100% |
| Recently retired   | 16%                                 | 20%        | 17%          | 19%        | 28%       | 100% |
| Aged under 75  | 17%                                 | 19%        | 21%          | 20%        | 23%       | 100% |
| Aged 75 and over   | 22%                                 | 21%        | 19%          | 20%        | 18%       | 100% |
| <b>Single pensioners' net income After housing costs distribution</b>  |                                     |            |              |            |           |      |
| <b>All single pensioners</b>   | 20%                                 | 20%        | 20%          | 20%        | 20%       | 100% |
| Single males   | 17%                                 | 18%        | 19%          | 21%        | 25%       | 100% |
| Single females   | 21%                                 | 21%        | 20%          | 20%        | 18%       | 100% |
| Recently retired   | 21%                                 | 18%        | 17%          | 17%        | 28%       | 100% |
| Aged under 75  | 20%                                 | 21%        | 19%          | 19%        | 23%       | 100% |
| Aged 75 and over   | 20%                                 | 19%        | 21%          | 21%        | 18%       | 100% |

## The distribution of different sources of income by position in the net income (BHC) distribution

**Table 4.3** shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (BHC) distribution. As with all averages, a small number of pensioners with very high gross incomes will skew the results. This is particularly true for estimates in the top fifth of the distribution.

Income from state benefits in 2010-13 is fairly even across the distribution of pensioner couples (**Figure 4.3**) but increases as we move up the distribution for single pensioners (**Figure 4.4**). The bottom fifth for both groups received small proportions of their income from other sources, with benefits accounting for 75 per cent and 87 per cent of gross income for pensioner couples and singles respectively. Occupational pension income increases as we move up the distribution, reaching a weekly average of £440 and £212 for the top fifth of pensioner couples and singles respectively. Income from investments and earnings also increases steeply as we move up the income distribution for both pensioner couples and single pensioners.

**Figure 4.3: Sources of gross income of pensioner couples by quintile in the net income (BHC) distribution, 2010-13**

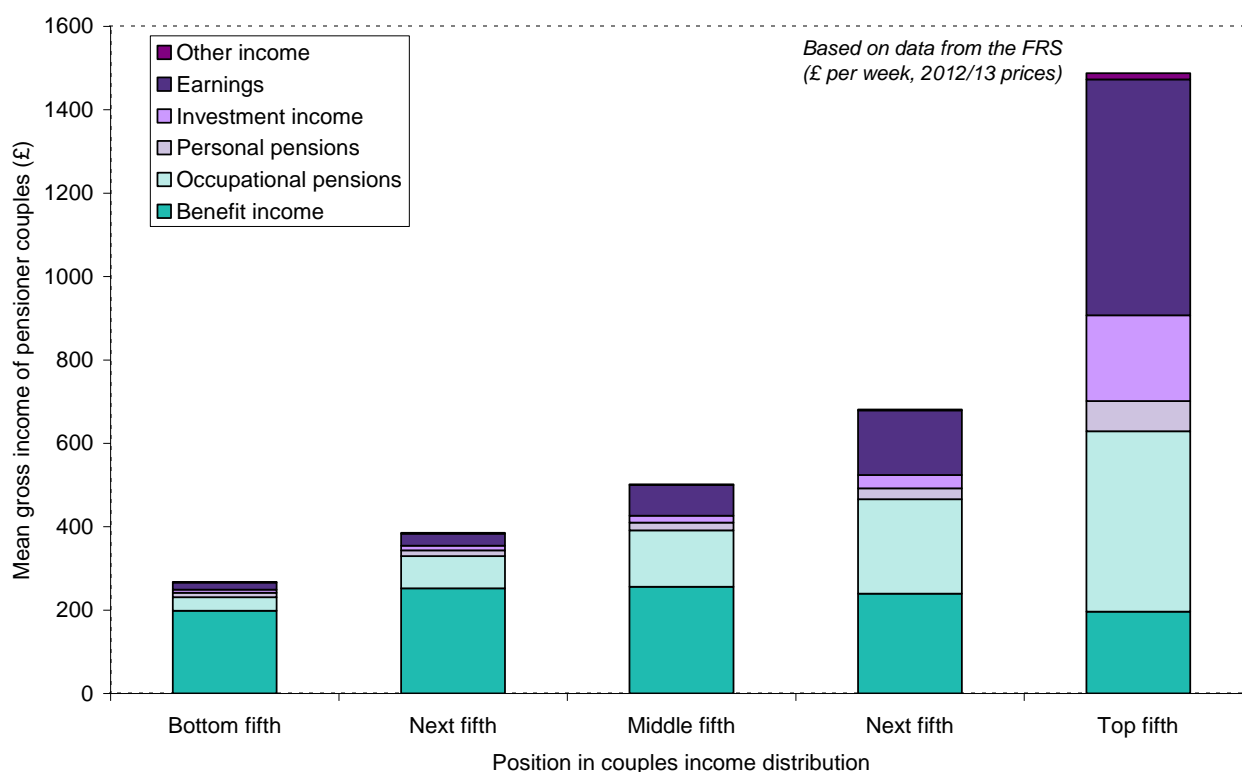
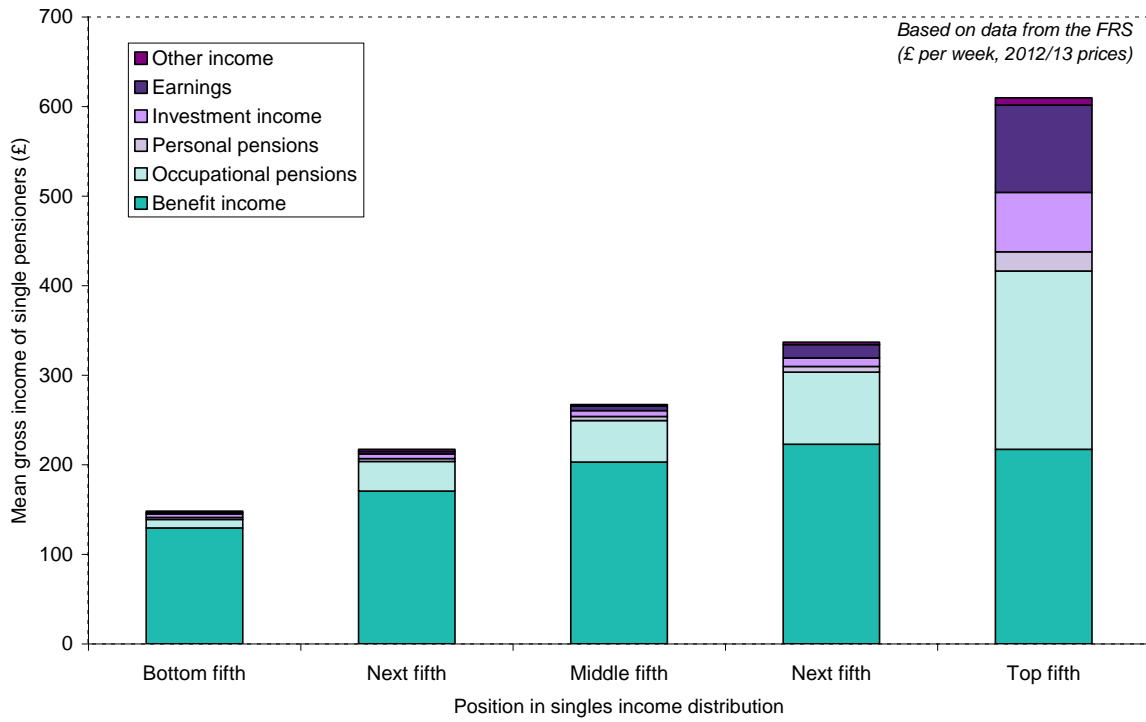


Figure 4.4: Sources of gross income of single pensioners by quintile in the net income (BHC) distribution, 2010-13



## Chapter 4: Distribution of Pensioners' Incomes

**Table 4.3: Components of mean gross income of pensioner units by quintile of the net (BHC) income distribution, 1998-01 and 2010-13**

*Incomes in £ per week, 2012/13 prices*

|                          | Quintiles of the income distribution |            |              |            |           | Overall Mean |
|--------------------------|--------------------------------------|------------|--------------|------------|-----------|--------------|
|                          | Bottom fifth                         | Next fifth | Middle fifth | Next fifth | Top fifth |              |
| <b>1998-01 Means</b>     |                                      |            |              |            |           |              |
| <b>Pensioner couples</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 214                                  | 296        | 385          | 534        | 1198      | 525          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 169                                  | 210        | 218          | 193        | 167       | 191          |
| Occupational pension     | 23                                   | 52         | 98           | 188        | 373       | 147          |
| Personal pension income  | 4                                    | 5          | 7            | 11         | 41        | 14           |
| Investment income        | 10                                   | 12         | 22           | 43         | 232       | 64           |
| Earnings                 | 8                                    | 17         | 40           | 98         | 369       | 106          |
| Other income             | 1                                    | 1          | 1            | 2          | 15        | 4            |
| <b>Single pensioners</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 121                                  | 169        | 203          | 261        | 512       | 253          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 109                                  | 139        | 162          | 176        | 186       | 154          |
| Occupational pension     | 6                                    | 20         | 30           | 62         | 165       | 57           |
| Personal pension income  | *                                    | 1          | 1            | 2          | 9         | 3            |
| Investment income        | 5                                    | 7          | 7            | 16         | 91        | 25           |
| Earnings                 | *                                    | 1          | 2            | 4          | 53        | 12           |
| Other income             | *                                    | 1          | 1            | 2          | 8         | 2            |
| <b>2010-13 Means</b>     |                                      |            |              |            |           |              |
| <b>Pensioner couples</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 263                                  | 381        | 494          | 669        | 1450      | 651          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 197                                  | 251        | 256          | 240        | 200       | 229          |
| Occupational pension     | 33                                   | 75         | 134          | 229        | 435       | 181          |
| Personal pension income  | 11                                   | 15         | 19           | 28         | 77        | 30           |
| Investment income        | 7                                    | 10         | 16           | 29         | 195       | 51           |
| Earnings                 | 14                                   | 29         | 67           | 141        | 529       | 156          |
| Other income             | 2                                    | 2          | 2            | 2          | 14        | 4            |
| <b>Single pensioners</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 143                                  | 213        | 263          | 332        | 606       | 312          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 125                                  | 168        | 199          | 220        | 216       | 185          |
| Occupational pension     | 9                                    | 32         | 47           | 80         | 210       | 76           |
| Personal pension income  | 2                                    | 4          | 4            | 6          | 20        | 7            |
| Investment income        | 4                                    | 5          | 6            | 9          | 61        | 17           |
| Earnings                 | 1                                    | 3          | 5            | 15         | 92        | 23           |
| Other income             | 2                                    | 2          | 2            | 2          | 8         | 3            |

*Note:*

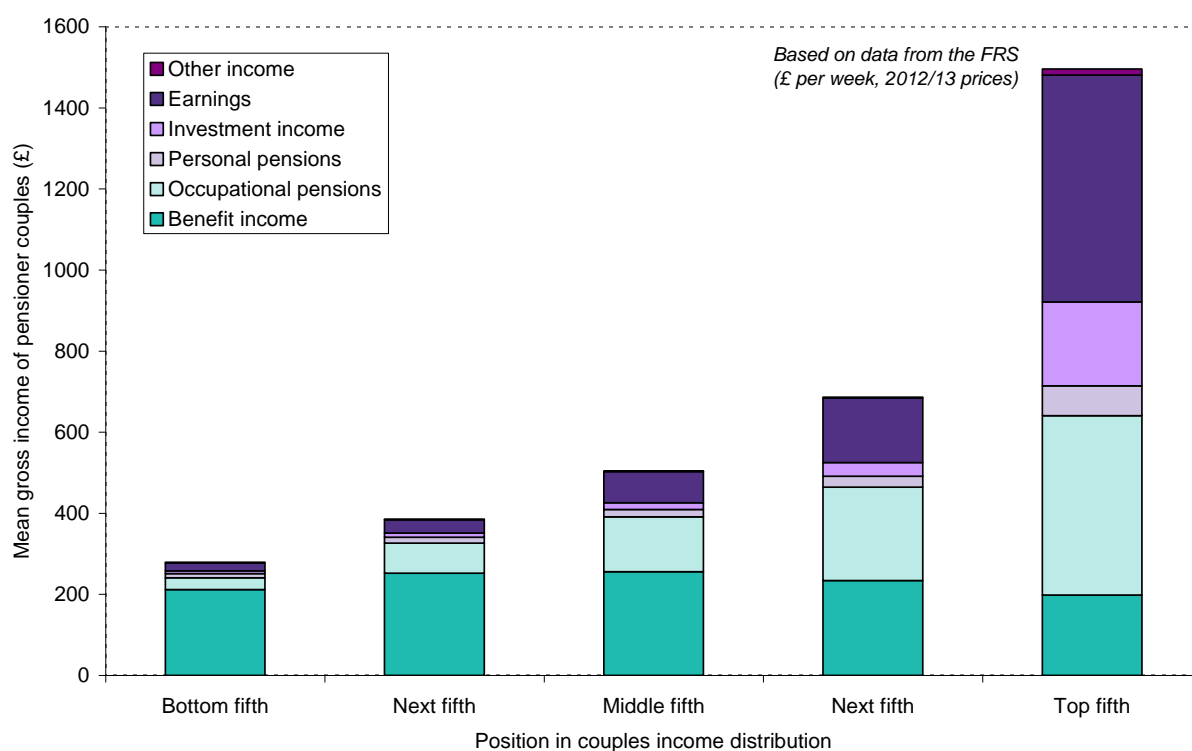
*Estimates of less than 50p are labelled \**

## The distribution of different sources of income by position in the net income (AHC) distribution

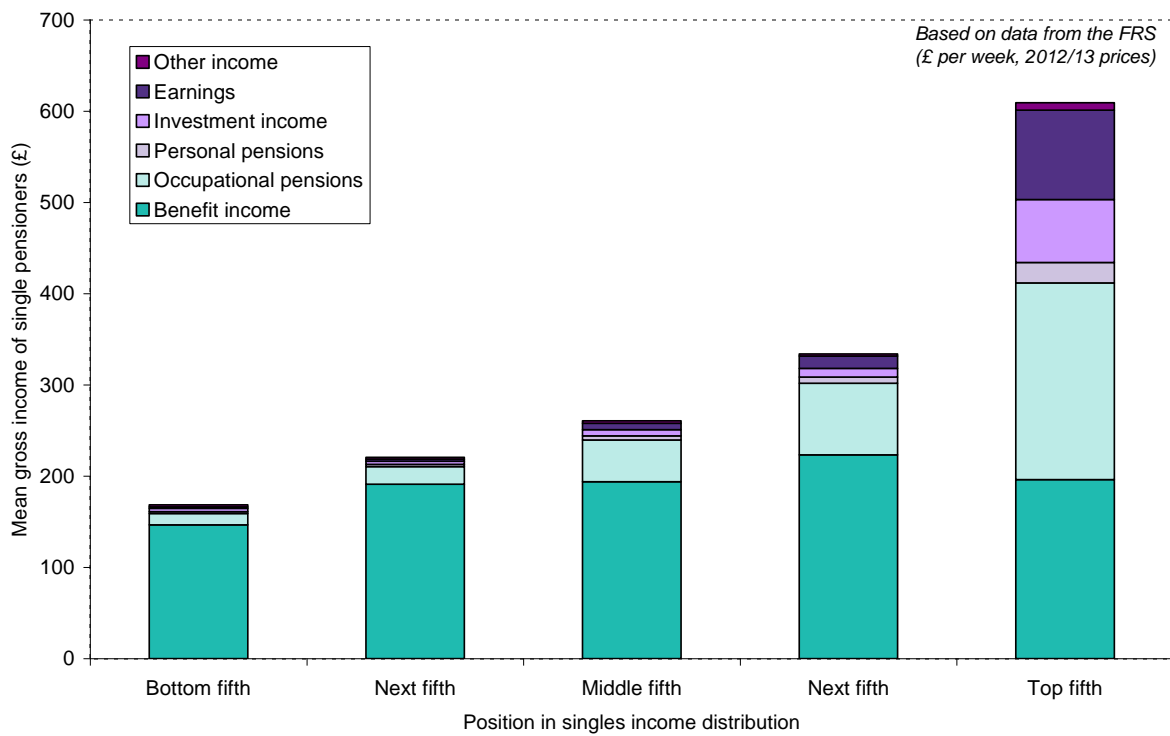
**Table 4.4** shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (AHC) distribution. As with all averages, a small number of pensioners with very high gross incomes will skew the results. This is particularly true for estimates in the top fifth of the distribution.

As with their BHC equivalents seen earlier, income from state benefits in 2010-13 is fairly even across the distribution of pensioner couples (Figure 4.5) but generally increases as we move up the distribution for single pensioners (Figure 4.6). The two lowest fifths of single pensioners received only a small proportion of their income from other sources, with benefits accounting for over 85 per cent of gross income in both cases. Occupational pension income increases as we move up the distribution, reaching an average of £443 for the top fifth of pensioner couples and £225 for the top fifth of single pensioners. Income from investments and earnings also increases steeply as we move up the income distribution for both pensioner couples and single pensioners.

**Figure 4.5: Sources of gross income of pensioner couples by quintile in the net income (AHC) distribution, 2010-13**



**Figure 4.6: Sources of gross income of single pensioners by quintile in the net income (AHC) distribution, 2010-13**





## Chapter 4: Distribution of Pensioners' Incomes

**Table 4.4: Components of mean gross income of pensioner units by quintile of the net (AHC) income distribution, 1998-01 and 2010-13**

*Incomes in £ per week, 2012/13 prices*

|                          | Quintiles of the income distribution |            |              |            |           | Overall Mean |
|--------------------------|--------------------------------------|------------|--------------|------------|-----------|--------------|
|                          | Bottom fifth                         | Next fifth | Middle fifth | Next fifth | Top fifth |              |
| <b>1998-01 Means</b>     |                                      |            |              |            |           |              |
| <b>Pensioner couples</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 220                                  | 290        | 379          | 529        | 1184      | 520          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 180                                  | 208        | 208          | 186        | 166       | 190          |
| Occupational pension     | 20                                   | 49         | 96           | 188        | 372       | 145          |
| Personal pension income  | 3                                    | 5          | 7            | 11         | 42        | 13           |
| Investment income        | 8                                    | 12         | 21           | 43         | 232       | 63           |
| Earnings                 | 8                                    | 15         | 46           | 99         | 358       | 105          |
| Other income             | 1                                    | 1          | 1            | 2          | 15        | 4            |
| <b>Single pensioners</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 140                                  | 169        | 190          | 252        | 503       | 251          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 125                                  | 154        | 103          | 176        | 165       | 144          |
| Occupational pension     | 9                                    | 11         | 22           | 53         | 175       | 54           |
| Personal pension income  | *                                    | *          | 4            | 1          | 10        | 3            |
| Investment income        | 5                                    | 3          | 8            | 15         | 93        | 25           |
| Earnings                 | *                                    | *          | 2            | 5          | 52        | 12           |
| Other income             | 1                                    | 1          | 1            | 2          | 7         | 2            |
| <b>2010-13 Means</b>     |                                      |            |              |            |           |              |
| <b>Pensioner couples</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 274                                  | 379        | 497          | 669        | 1451      | 654          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 210                                  | 250        | 254          | 236        | 199       | 230          |
| Occupational pension     | 29                                   | 72         | 134          | 231        | 443       | 182          |
| Personal pension income  | 10                                   | 15         | 19           | 27         | 77        | 30           |
| Investment income        | 7                                    | 10         | 16           | 30         | 196       | 52           |
| Earnings                 | 16                                   | 31         | 72           | 143        | 521       | 157          |
| Other income             | 2                                    | 2          | 1            | 2          | 14        | 4            |
| <b>Single pensioners</b> |                                      |            |              |            |           |              |
| <b>Gross income</b>      | 162                                  | 216        | 256          | 327        | 603       | 313          |
| <i>of which</i>          |                                      |            |              |            |           |              |
| Benefit income           | 141                                  | 186        | 191          | 219        | 193       | 186          |
| Occupational pension     | 12                                   | 18         | 46           | 78         | 225       | 76           |
| Personal pension income  | 2                                    | 3          | 4            | 7          | 20        | 7            |
| Investment income        | 4                                    | 3          | 6            | 9          | 64        | 17           |
| Earnings                 | 2                                    | 3          | 6            | 12         | 93        | 23           |
| Other income             | 2                                    | 2          | 2            | 3          | 7         | 3            |

*Note:*

*Estimates of less than 50p are labelled \**

### 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 45 per cent in the bottom fifth of the distribution to 79 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, 51 per cent of single pensioners in the middle quintile are in receipt of such benefits, compared with 19 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 third, fourth and fifth 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, 2012/13**

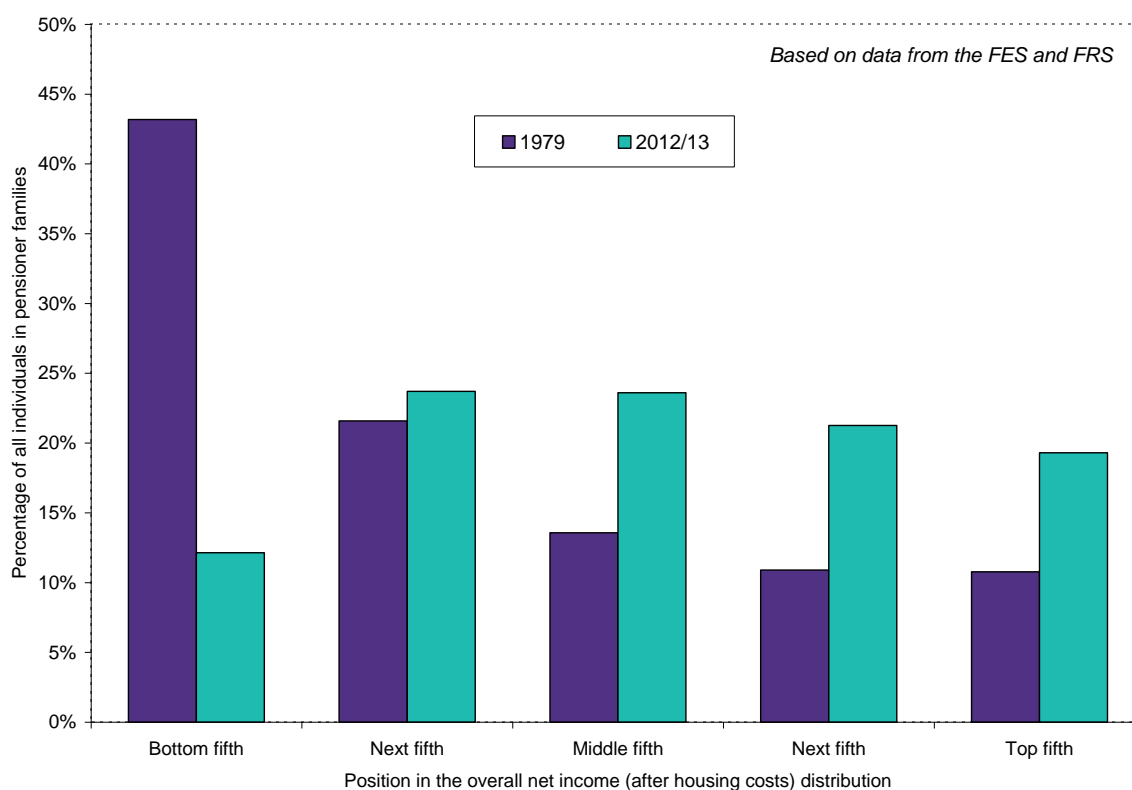
|   | Quintile of the income distribution |            |              |            |           | All |
|---|-------------------------------------|------------|--------------|------------|-----------|-----|
|   | Bottom fifth                        | Next fifth | Middle fifth | Next fifth | Top fifth |     |
| <b>Pensioner couples' net income</b>              |                                     |            |              |            |           |     |
| <b>Before housing costs distribution</b>          |                                     |            |              |            |           |     |
| <b>Proportion of each quintile in receipt of:</b> |                                     |            |              |            |           |     |
| State Pension                                     | 94%                                 | 99%        | 99%          | 96%        | 95%       | 96% |
| Income related benefits                           | 26%                                 | 27%        | 19%          | 8%         | 2%        | 17% |
| Disability benefits                               | 13%                                 | 29%        | 34%          | 24%        | 9%        | 22% |
| Investment income                                 | 53%                                 | 59%        | 68%          | 77%        | 87%       | 69% |
| Occupational pension                              | 45%                                 | 64%        | 73%          | 79%        | 79%       | 68% |
| Personal Pension income                           | 21%                                 | 24%        | 25%          | 24%        | 31%       | 25% |
| Earnings  | 11%                                 | 15%        | 21%          | 34%        | 59%       | 28% |
| <b>Pensioner couples' net income</b>              |                                     |            |              |            |           |     |
| <b>After housing costs distribution</b>           |                                     |            |              |            |           |     |
| <b>Proportion of each quintile in receipt of:</b> |                                     |            |              |            |           |     |
| State Pension                                     | 94%                                 | 99%        | 98%          | 96%        | 94%       | 96% |
| Income related benefits                           | 33%                                 | 27%        | 15%          | 6%         | 2%        | 17% |
| Disability benefits                               | 12%                                 | 33%        | 32%          | 22%        | 8%        | 22% |
| Investment income                                 | 51%                                 | 57%        | 69%          | 79%        | 88%       | 69% |
| Occupational pension                              | 42%                                 | 62%        | 76%          | 80%        | 80%       | 68% |
| Personal Pension income                           | 20%                                 | 24%        | 27%          | 24%        | 31%       | 25% |
| Earnings  | 12%                                 | 15%        | 21%          | 36%        | 57%       | 28% |
| <b>Single pensioners' net income</b>              |                                     |            |              |            |           |     |
| <b>Before housing costs distribution</b>          |                                     |            |              |            |           |     |
| <b>Proportion of each quintile in receipt of:</b> |                                     |            |              |            |           |     |
| State Pension                                     | 93%                                 | 99%        | 99%          | 99%        | 97%       | 97% |
| Income related benefits                           | 34%                                 | 45%        | 51%          | 45%        | 22%       | 40% |
| Disability benefits                               | 6%                                  | 13%        | 19%          | 40%        | 31%       | 22% |
| Investment income                                 | 45%                                 | 55%        | 48%          | 57%        | 74%       | 56% |
| Occupational pension                              | 28%                                 | 53%        | 57%          | 62%        | 74%       | 55% |
| Personal Pension income                           | 8%                                  | 12%        | 9%           | 10%        | 13%       | 10% |
| Earnings  | 1%                                  | 3%         | 5%           | 7%         | 20%       | 7%  |
| <b>Single pensioners' net income</b>              |                                     |            |              |            |           |     |
| <b>After housing costs distribution</b>           |                                     |            |              |            |           |     |
| <b>Proportion of each quintile in receipt of:</b> |                                     |            |              |            |           |     |
| State Pension                                     | 92%                                 | 98%        | 100%         | 99%        | 98%       | 97% |
| Income related benefits                           | 38%                                 | 68%        | 45%          | 34%        | 14%       | 40% |
| Disability benefits                               | 9%                                  | 8%         | 28%          | 42%        | 24%       | 22% |
| Investment income                                 | 47%                                 | 41%        | 51%          | 61%        | 79%       | 56% |
| Occupational pension                              | 30%                                 | 36%        | 61%          | 66%        | 80%       | 55% |
| Personal Pension income                           | 9%                                  | 10%        | 8%           | 11%        | 13%       | 10% |
| Earnings  | 1%                                  | 3%         | 5%           | 7%         | 20%       | 7%  |

## 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 2012/13 is shown in **Figure 4.7**. In 1979, 44 per cent of all pensioners were in the bottom fifth Before Housing Costs, and by 2012/13 this proportion had more than halved to 20 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 12 per cent in 2012/13. 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 2012/13**



## 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 2012/13**

*Quintiles based on equivalised household income*

*Results based upon data from the FES (for 1979) and the FRS (for 1998/99 and 2012/13)*

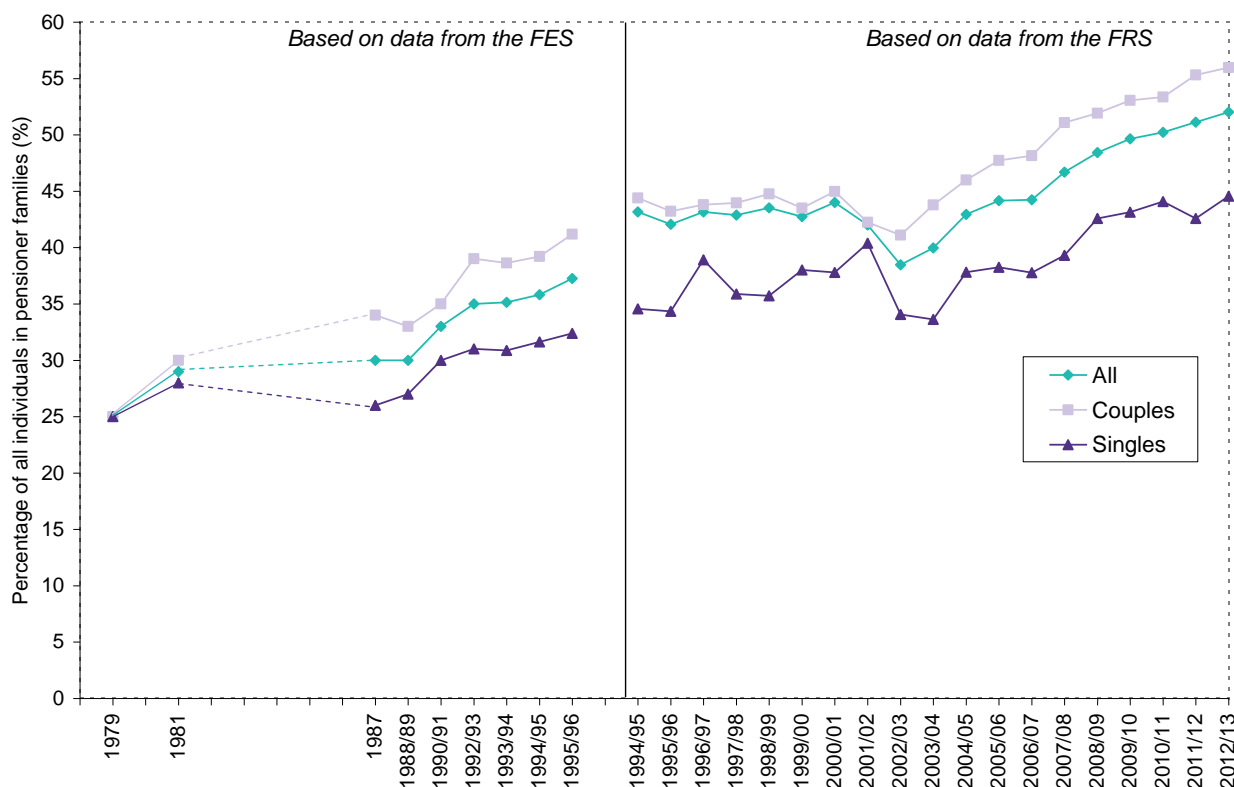
|                          | Quintile of the income distribution |            |              |            |           | All  |
|--------------------------|-------------------------------------|------------|--------------|------------|-----------|------|
|                          | Bottom fifth                        | Next fifth | Middle fifth | Next fifth | Top fifth |      |
| <b>1979</b>              |                                     |            |              |            |           |      |
| <b>All pensioners</b>    |                                     |            |              |            |           |      |
| Before housing costs     | 44%                                 | 23%        | 14%          | 10%        | 9%        | 100% |
| After housing costs      | 43%                                 | 22%        | 14%          | 11%        | 11%       | 100% |
| <b>Pensioner couples</b> |                                     |            |              |            |           |      |
| Before housing costs     | 40%                                 | 22%        | 16%          | 11%        | 11%       | 100% |
| After housing costs      | 41%                                 | 20%        | 15%          | 12%        | 12%       | 100% |
| <b>Single pensioners</b> |                                     |            |              |            |           |      |
| Before housing costs     | 49%                                 | 24%        | 11%          | 8%         | 7%        | 100% |
| After housing costs      | 47%                                 | 23%        | 11%          | 9%         | 9%        | 100% |
| <b>1998/99</b>           |                                     |            |              |            |           |      |
| <b>All pensioners</b>    |                                     |            |              |            |           |      |
| Before housing costs     | 24%                                 | 28%        | 19%          | 16%        | 13%       | 100% |
| After housing costs      | 17%                                 | 28%        | 21%          | 17%        | 17%       | 100% |
| <b>Pensioner couples</b> |                                     |            |              |            |           |      |
| Before housing costs     | 24%                                 | 27%        | 19%          | 16%        | 14%       | 100% |
| After housing costs      | 16%                                 | 28%        | 21%          | 18%        | 17%       | 100% |
| <b>Single pensioners</b> |                                     |            |              |            |           |      |
| Before housing costs     | 27%                                 | 34%        | 20%          | 10%        | 8%        | 100% |
| After housing costs      | 22%                                 | 33%        | 19%          | 14%        | 12%       | 100% |
| <b>2012/13</b>           |                                     |            |              |            |           |      |
| <b>All pensioners</b>    |                                     |            |              |            |           |      |
| Before housing costs     | 20%                                 | 24%        | 22%          | 18%        | 15%       | 100% |
| After housing costs      | 12%                                 | 24%        | 24%          | 21%        | 19%       | 100% |
| <b>Pensioner couples</b> |                                     |            |              |            |           |      |
| Before housing costs     | 17%                                 | 23%        | 22%          | 20%        | 18%       | 100% |
| After housing costs      | 10%                                 | 21%        | 24%          | 22%        | 22%       | 100% |
| <b>Single pensioners</b> |                                     |            |              |            |           |      |
| Before housing costs     | 26%                                 | 27%        | 22%          | 16%        | 9%        | 100% |
| After housing costs      | 16%                                 | 28%        | 23%          | 20%        | 14%       | 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, 2012/13), 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, 52 per cent of all pensioners were in the top half in 2012/13, comprising 56 per cent of individuals in pensioner couples and 45 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 2012/13<sup>26</sup>**



<sup>26</sup> Note: 2002/03 to 2009/10 based on a previous FRS grossing regime and should be treated with caution

## 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 2012/13**

*Quintiles based on equivalised household income*

|  | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 |
|--|---------|---------|---------|---------|---------|
| <b>Net income before housing costs</b> |         |         |         |         |         |
| All pensioner units                    | 38%     | 37%     | 42%     | 43%     | 45%     |
| Pensioner couples                      | 39%     | 39%     | 46%     | 48%     | 50%     |
| Single pensioners                      | 31%     | 27%     | 34%     | 33%     | 35%     |
| <b>Net income after housing costs</b>  |         |         |         |         |         |
| All pensioner units                    | 43%     | 44%     | 50%     | 51%     | 52%     |
| Pensioner couples                      | 44%     | 45%     | 53%     | 55%     | 56%     |
| Single pensioners                      | 39%     | 36%     | 44%     | 43%     | 45%     |

### 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 2012/13 there were approximately 1.1 million mixed status pensioner couples, which account for around 26 per cent of all pensioner couples. In the last three years their income levels have remained between 15 and 20 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 will 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

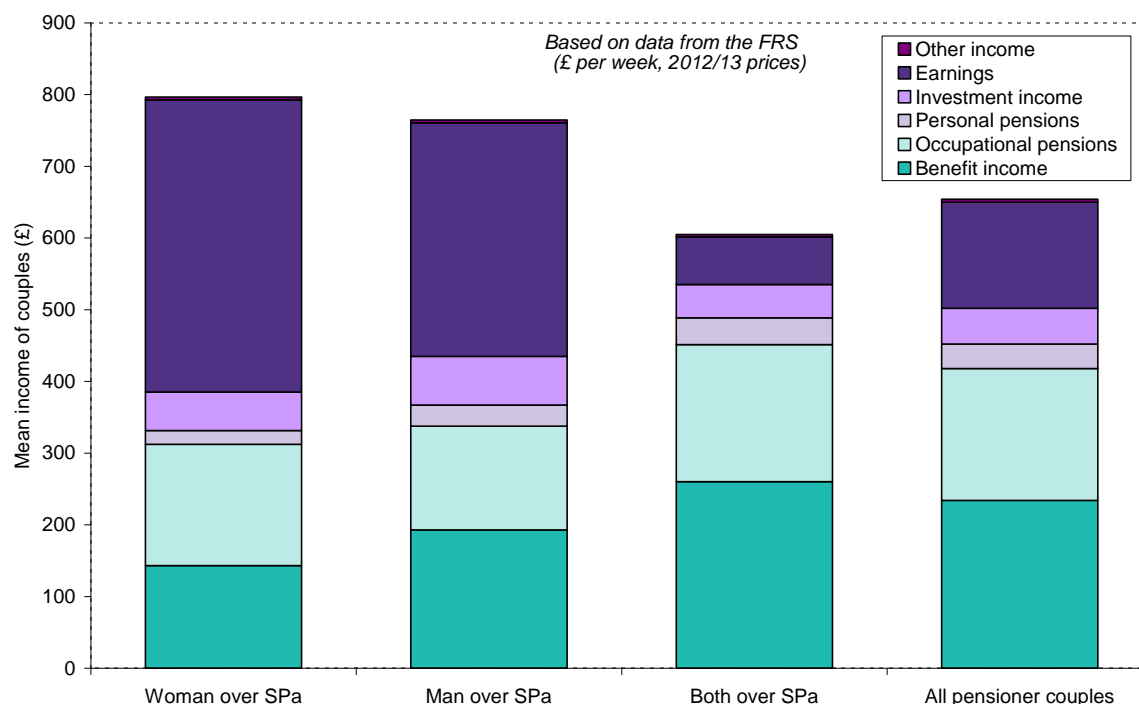
All the tables in the publication so far have related to 'pensioner units' defined as single people over SPa and couples (married or cohabiting) where one or more adults are over SPa.

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 2012/13, 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, 2012/13**



**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. They tend to receive less income from benefits than couples where both are over SPa.

**Table 5.1** looks at the average incomes of couples where one partner is above SPa and one below, with pensioner benefit income at £160 per week. State Pension incomes may have increased partly due to the 'Triple Lock' uprating and the effect of the 2010 pension reforms, which now provide higher entitlements to low earners and carers. The estimates in all the

## Chapter 5: Additional Analysis and Context

years are subject to a margin of error, and therefore the growth rates should be treated with caution.

**Table 5.1: The average incomes of couples where one partner is over state pension age but the other is not, 1996/97 to 2012/13**

*Incomes in £ per week, 2012/13 prices*

|   | 1996/97 | 1998/99 | 2010/11 | 2011/12 | 2012/13 | As a % of gross income in 2012/13 |
|---|---------|---------|---------|---------|---------|-----------------------------------|
| <b>Couples where one partner is over state pension age but the other is not</b> |         |         |         |         |         |                                   |
| <b>Gross income</b>   | 599     | 641     | 820     | 752     | 785     | 100%                              |
| <i>of which</i>   |         |         |         |         |         |                                   |
| Benefit income  | 119     | 123     | 146     | 143     | 160     | 20%                               |
| Occupational pension  | 140     | 155     | 150     | 169     | 161     | 21%                               |
| Personal pension income   | 7       | 8       | 18      | 18      | 23      | 3%                                |
| Investment income   | 63      | 60      | 55      | 44      | 59      | 8%                                |
| Earnings  | 265     | 290     | 446     | 374     | 379     | 48%                               |
| Other income  | 4       | 4       | 5       | 4       | 4       | 1%                                |
| <b>Net income BHC</b>   |         |         |         |         |         |                                   |
| Mean  | 472     | 502     | 622     | 577     | 596     | 76%                               |
| Median  | 366     | 400     | 492     | 471     | 484     |                                   |
| <b>Net income AHC</b>   |         |         |         |         |         |                                   |
| Mean  | 437     | 467     | 584     | 541     | 559     | 71%                               |
| Median  | 331     | 363     | 457     | 440     | 455     |                                   |

**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. As mentioned in Chapter 3, these figures may be affected by the equalisation of female SPa, which may in part explain the drop in the percentage in receipt of earnings and in the median levels of earnings, as households with a member in their early 60s are gradually being reclassified as working-age, and no longer covered in the pensioner incomes cohort. Younger pensioners are more likely to be in employment. 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, 2012/13**

*Incomes in £ per week, 2012/13 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, 2012/13 (Table 3.10) | 28%   | 527   | 356    |
| Man over SPa, Woman under SPa                              | 61%   | 533   | 387    |
| Woman over SPa, Man under SPa                              | 59%   | 691   | 496    |
| Strictly one member over SPa, one under SPa                | 60%   | 635   | 459    |
| Both members over SPa                                      | 17%   | 395   | 251    |

*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 150,000 singles that have retired under SPa and 350,000 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, 2012/13**

|                 | Under SPa         |                  | Over SPa      |               | All        |
|-----------------|-------------------|------------------|---------------|---------------|------------|
|                 | Males             | Females          | Males         | Females       |            |
| <b>Singles</b>  |                   |                  |               |               |            |
| Not retired     | <i>6,850,000</i>  | <i>6,250,000</i> | 150,000       | 400,000       | 13,600,000 |
| Retired         | 100,000           | 50,000           | 1,050,000     | 2,850,000     | 4,050,000  |
| All             | 6,950,000         | 6,300,000        | 1,200,000     | 3,250,000     | 17,700,000 |
|                 | Both under SPa    | Female over SPa  | Male over SPa | Both over SPa | All        |
| <b>Couples</b>  |                   |                  |               |               |            |
| Neither retired | <i>11,300,000</i> | 250,000          | 150,000       | 200,000       | 11,900,000 |
| One retired     | 300,000           | 300,000          | 200,000       | 450,000       | 1,250,000  |
| Both retired    | 50,000            | 150,000          | 50,000        | 2,500,000     | 2,750,000  |
| All             | 11,650,000        | 700,000          | 400,000       | 3,150,000     | 15,900,000 |

1. Figures in italics denote individuals under SPa 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.

## Chapter 5: Additional Analysis and Context

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**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, 2012/13**

| <i>Incomes in £ per week, in 2012/13 prices</i> |                         |                              |
|---|-------------------------|------------------------------|
| <b>Retired under SPA</b>                        | <b>Amount of income</b> | <b>Proportion in receipt</b> |
| <b>Gross income</b>                             | 300                     |                              |
| <i>of which</i>                                 |                         |                              |
| Benefit Income                                  | 72                      | 60%                          |
| State Pension                                   | 1                       | 2%                           |
| Income related benefits                         | 47                      | 33%                          |
| Disability benefits                             | 10                      | 12%                          |
| Occupational pension                            | 165                     | 57%                          |
| Personal pension income                         | 36                      | 17%                          |
| Investment income                               | 25                      | 58%                          |
| Earnings  | *                       | *                            |
| Other income                                    | 3                       | 8%                           |
| <b>Net income BHC</b>                           |                         |                              |
| Mean  | 248                     |                              |
| Median  | 210                     |                              |
| <b>Net income AHC</b>                           |                         |                              |
| Mean  | 210                     |                              |
| Median  | 152                     |                              |

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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 £300 for 2012/13 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 2 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 December 1953. For women born on or before 5th April 1950, SPa is 60. 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 2012/13 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.

## Chapter 5: Additional Analysis and Context

**Table 5.5: The average incomes of pensioner units 65 or over, 1996/97 to 2012/13**

|                            | <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |         |  |
|----------------------------|--|---------|---------|---------|---------|--|
|                            | 1996/97                                      | 1998/99 | 2010/11 | 2011/12 | 2012/13 | <b>As a % of gross<br/>income in 2012/13</b> |
| <b>All pensioner units</b> |  |         |         |         |         |  |
| <b>Gross income</b>        | 323  | 335     | 455     | 455     | 462     | 100%   |
| <i>of which</i>            |  |         |         |         |         |  |
| Benefit income             | 167  | 172     | 220     | 214     | 215     | 47%  |
| Occupational pension       | 83   | 88      | 125     | 129     | 130     | 28%  |
| Personal pension income    | 4  | 6       | 18      | 19      | 21      | 5%   |
| Investment income          | 39   | 40      | 34      | 35      | 32      | 7%   |
| Earnings                   | 28   | 27      | 52      | 56      | 61      | 13%  |
| Other income               | 1  | 2       | 5       | 3       | 3       | 1%   |
| <b>Net income BHC</b>      |  |         |         |         |         |  |
| Mean                       | 279  | 286     | 384     | 384     | 388     | 84%  |
| Median                     | 218  | 222     | 309     | 304     | 311     |  |
| <b>Net income AHC</b>      |  |         |         |         |         |  |
| Mean                       | 240  | 251     | 356     | 353     | 356     | 77%  |
| Median                     | 176  | 187     | 279     | 270     | 278     |  |
| <b>Pensioner couples</b>   |  |         |         |         |         |  |
| <b>Gross income</b>        | 466  | 479     | 615     | 615     | 630     | 100%   |
| <i>of which</i>            |  |         |         |         |         |  |
| Benefit income             | 201  | 203     | 250     | 243     | 247     | 39%  |
| Occupational pension       | 133  | 140     | 181     | 185     | 185     | 29%  |
| Personal pension income    | 7  | 11      | 30      | 31      | 35      | 6%   |
| Investment income          | 63   | 63      | 53      | 53      | 50      | 8%   |
| Earnings                   | 61   | 58      | 95      | 99      | 110     | 17%  |
| Other income               | 1  | 3       | 6       | 4       | 3       | 0%   |
| <b>Net income BHC</b>      |  |         |         |         |         |  |
| Mean                       | 399  | 403     | 508     | 511     | 519     | 82%  |
| Median                     | 314  | 319     | 415     | 418     | 424     |  |
| <b>Net income AHC</b>      |  |         |         |         |         |  |
| Mean                       | 359  | 371     | 487     | 484     | 492     | 78%  |
| Median                     | 274  | 289     | 391     | 393     | 397     |  |
| <b>Single pensioners</b>   |  |         |         |         |         |  |
| <b>Gross income</b>        | 224  | 237     | 310     | 302     | 309     | 100%   |
| <i>of which</i>            |  |         |         |         |         |  |
| Benefit income             | 144  | 150     | 193     | 185     | 186     | 60%  |
| Occupational pension       | 49   | 53      | 75      | 75      | 80      | 26%  |
| Personal pension income    | 1  | 2       | 7       | 7       | 7       | 2%   |
| Investment income          | 23   | 24      | 17      | 17      | 16      | 5%   |
| Earnings                   | 6  | 6       | 13      | 15      | 16      | 5%   |
| Other income               | 1  | 2       | 3       | 3       | 3       | 1%   |
| <b>Net income BHC</b>      |  |         |         |         |         |  |
| Mean                       | 197  | 207     | 271     | 262     | 269     | 87%  |
| Median                     | 170  | 176     | 242     | 230     | 237     |  |
| <b>Net income AHC</b>      |  |         |         |         |         |  |
| Mean                       | 158  | 170     | 238     | 227     | 233     | 75%  |
| Median                     | 120  | 130     | 203     | 191     | 195     |  |

### Ethnic minority groups

Ethnic minorities account for 4 per cent of all pensioner units in the UK according to the FRS 2012/13 (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 2012/13 publication has adopted the latest harmonised output standards for ethnic groups for the UK. The latest harmonised standards were published in August 2011 and cover the ethnic group question in England, Wales, Scotland and Northern Ireland. They also cover harmonised data presentation for ethnic group outputs. The standards were updated in February 2013 detailing how Gypsy, Traveller and Irish Traveller should be recorded in the outputs, due to differences across the UK.

For further details please see the Ethnic group report at:

<http://www.ons.gov.uk/ons/guide-method/harmonisation/primary-set-of-harmonised-concepts-and-questions/index.html>

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 £286 per week compared with £212 per week and £209 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.

## Chapter 5: Additional Analysis and Context

**Table 5.6: The components of mean gross income of pensioner units, and the proportion in receipt by ethnic group, 2010-13**

*Incomes in £ per week, in 2012/13 prices*

| Ethnic Minority groups                         | All       | White     | Asian /<br>Asian British /<br>Chinese | Black /<br>African /<br>Caribbean /<br>Black British | Other*  |
|--|-----------|-----------|---------------------------------------|--|---------|
| <b>Gross income</b>                            | 480       | 483       | 399                                   | 379  | 487     |
| <i>of which</i>                                |           |           |                                       |  |         |
| Benefit income                                 | 207       | 207       | 200                                   | 196  | 185     |
| State Pension                                  | 158       | 159       | 114                                   | 126  | 121     |
| Income related benefits                        | 24        | 23        | 52                                    | 49   | 38      |
| Disability benefits                            | 18        | 18        | 21                                    | 14   | 12      |
| Occupational pension                           | 128       | 130       | 70                                    | 69   | 117     |
| Personal pension income                        | 18        | 18        | 13                                    | 6  | 35      |
| Investment income                              | 34        | 34        | 30                                    | 14   | 35      |
| Earnings                                       | 89        | 89        | 81                                    | 89   | 112     |
| Other income                                   | 4         | 4         | 5                                     | 5  | 4       |
| <br>   |           |           |                                       |  |         |
| <b>Net income BHC</b>                          |           |           |                                       |  |         |
| Mean   | 398       | 401       | 328                                   | 317  | 390     |
| Median   | 314       | 317       | 247                                   | 258  | 287     |
| <br>   |           |           |                                       |  |         |
| <b>Net income AHC</b>                          |           |           |                                       |  |         |
| Mean   | 367       | 370       | 285                                   | 274  | 350     |
| Median   | 282       | 286       | 209                                   | 212  | 236     |
| <br>   |           |           |                                       |  |         |
| <b>Proportion of pensioners in receipt of:</b> |           |           |                                       |  |         |
| Benefit income                                 | 100%      | 100%      | 100%                                  | 100%   | 99%     |
| State Pension                                  | 97%       | 97%       | 85%                                   | 87%  | 90%     |
| Income related benefits                        | 29%       | 28%       | 49%                                   | 43%  | 37%     |
| Disability benefits                            | 23%       | 23%       | 27%                                   | 21%  | 14%     |
| Occupational pension                           | 61%       | 62%       | 31%                                   | 39%  | 42%     |
| Personal pension income                        | 17%       | 17%       | 11%                                   | 11%  | 14%     |
| Investment income                              | 65%       | 66%       | 37%                                   | 31%  | 51%     |
| Earnings                                       | 18%       | 18%       | 16%                                   | 18%  | 20%     |
| <br>   |           |           |                                       |  |         |
| <b>Total population figures</b>                | 8,650,000 | 8,290,000 | 170,000                               | 90,000   | 100,000 |
| (rounded to 10,000)                            |           |           |                                       |  |         |

*Notes:*

(1) Data based on the average of three years of FRS results from 2010/11, 2011/12 and 2012/13 uprated to 2012/13 prices

(2) Ethnic groups are not exactly comparable across the three survey years 2010/11 to 2012/13. 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.

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



## **Marital status of couples**

In 2012/13, two per cent of all pensioner units were cohabiting couples and 47 per cent were married couples, with the remaining 52 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 £415 per week compared with £404 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 £254 per week compared with £152 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 pension income is higher for married couples.

## Chapter 5: Additional Analysis and Context

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**Table 5.7: The components of mean gross income of married and cohabiting pensioner units, 2010-13**

*Incomes in £ per week, 2012/13 prices*

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| <b>Marital status of couples</b> | <b>All</b> | <b>Married<br/>pensioner<br/>couples</b> | <b>Cohabiting<br/>pensioner<br/>couples</b> |
|----------------------------------|------------|--|---|
| <b>Gross income</b>              | 651        | 650                                      | 675   |
| <i>of which</i>                  |            |  |   |
| Benefit income                   | 229        | 229                                      | 228   |
| Occupational pension             | 181        | 184                                      | 117   |
| Personal pension income          | 30         | 30                                       | 25  |
| Investment income                | 51         | 52                                       | 47  |
| Earnings                         | 156        | 152                                      | 254   |
| Other income                     | 4          | 4  | 3   |
| <b>Net income BHC</b>            |            |  |   |
| Mean                             | 529        | 528                                      | 542   |
| Median                           | 429        | 428                                      | 443   |
| <b>Net income AHC</b>            |            |  |   |
| Mean                             | 503        | 503                                      | 502   |
| Median                           | 404        | 404                                      | 415   |

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*Notes:*

(1) Data based on the average of three years of FRS results from 2010/11, 2011/12 and 2012/13 uprated to 2012/13 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:

[http://webarchive.nationalarchives.gov.uk/20130107093842/http://statistics.dwp.gov.uk/asd/frs/FRS\\_new\\_details.pdf](http://webarchive.nationalarchives.gov.uk/20130107093842/http://statistics.dwp.gov.uk/asd/frs/FRS_new_details.pdf)

The PI series in 2012/13 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 rough sleepers or those living in bed and breakfast accommodation. In 2011, about one in ten men and one in five women aged 85 and over lived in a communal establishment, with the remainder living in private households.

#### 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](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 one would be welcome.

Information on design and response rates of the FRS can be found in Chapter 7 of the latest report at: <https://www.gov.uk/government/collections/family-resources-survey--2>

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/rel/family-spending/family-spending/2013-edition/index.html>

The DWP archive 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](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 continued 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](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;

## **Appendix A: Data Sources and Methods**

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

### 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](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 9 per cent higher than in HBAI.

The full HBAI publication can be found on the GOV.UK website (<https://www.gov.uk/government/collections/households-below-average-income-hbai-2>)

Results from the two types of analysis should not be directly compared. The main differences between the HBAI and PI methods of analysis are:

## **Appendix A: Data Sources and Methods**

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**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 2012/13 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 Employment and Support Allowance, Attendance Allowance and Pension Credit. More information on under-reporting can be found in Chapter 7 of the current year's FRS: <https://www.gov.uk/government/collections/family-resources-survey--2>.

It is also thought that household surveys underestimate income from both self-employment and investments (particularly affecting the picture for pensioners), so these figures should be treated with caution.

**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 in chapter 7 of the current year's FRS: <https://www.gov.uk/government/collections/family-resources-survey--2>.

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. 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

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

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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 therefore usually 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 2012/13. 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 three recent 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 2012/13 and between 2011/12 and 2012/13. When compared with growth estimates between 1998/99 and 2012/13, the size of the confidence interval around the estimate of growth between 2011/12 and 2012/13 is large

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

compared with the estimate itself. This is particularly true for the smaller components of income.

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.

For more information about the uncertainty around FRS derived estimates see <https://www.gov.uk/government/publications/uncertainty-in-family-resources-survey-based-analysis>

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

**Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2012/13**

|  | Estimate<br>£pw | Standard<br>error | 95% confidence interval |                |                |
|--|-----------------|-------------------|-------------------------|----------------|----------------|
|  |                 |                   | Interval width +/-      | Relative width | Interval range |
| <b>All pensioner units</b>   |                 |                   |                         |                |                |
| <b>Gross income</b>  | 477             | 8                 | 15                      | 3%             | [462, 493]     |
| <i>of which:</i>   |                 |                   |                         |                |                |
| Benefit income   | 208             | 1                 | 2                       | 1%             | [206, 211]     |
| Occupational pension   | 130             | 3                 | 5                       | 4%             | [124, 135]     |
| Personal pension income  | 20              | 1                 | 3                       | 14%            | [17, 23]       |
| Investment income  | 33              | 2                 | 4                       | 11%            | [29, 36]       |
| Earnings   | 83              | 5                 | 10                      | 12%            | [73, 93]       |
| Other Income   | 3               | 0                 | 1                       | 18%            | [3, 4]         |
| <b>Mean net income</b>   |                 |                   |                         |                |                |
| Before housing costs   | 397             | 5                 | 10                      | 2%             | [387, 407]     |
| After housing costs  | 315             | 5                 | 10                      | 3%             | [305, 324]     |
| <b>Subgroups of pensioners</b>   |                 |                   |                         |                |                |
| <b>Mean net income BHC</b>   |                 |                   |                         |                |                |
| Pensioner couples  | 530             | 9                 | 17                      | 3%             | [513, 547]     |
| Single pensioners  | 271             | 3                 | 7                       | 3%             | [264, 278]     |
| Recently retired head  | 478             | 11                | 21                      | 4%             | [457, 498]     |
| Head under 75 years  | 450             | 8                 | 15                      | 3%             | [435, 465]     |
| Head over 75 years   | 327             | 5                 | 10                      | 3%             | [317, 337]     |
| Single male pensioners   | 301             | 8                 | 16                      | 5%             | [285, 317]     |
| Single female pensioners   | 260             | 4                 | 7                       | 3%             | [253, 267]     |
| <b>Growth estimates since 1996/97</b><br>(% increase 1996/97 to 2012/13) |                 |                   |                         |                |                |
| <b>Mean net income BHC</b>   |                 |                   |                         |                |                |
| All pensioner units  | 38%             | 2                 | 4                       | 11%            | [33, 42]       |
| Pensioner couples  | 30%             | 3                 | 5                       | 18%            | [25, 36]       |
| Single pensioners  | 36%             | 2                 | 4                       | 12%            | [32, 40]       |

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

**Table B1.2: Growth in average incomes of pensioner units, 1998/99 to 2012/13, and 2011/12 to 2012/13**

| <i>Incomes in £ per week, 2012/13 prices</i> |         |         |         |                                   |                                   |  |  |
|--|---------|---------|---------|-----------------------------------|-----------------------------------|--|--|
|  | 1998/99 | 2011/12 | 2012/13 | % growth<br>1998/99 to<br>2012/13 | % growth<br>2011/12 to<br>2012/13 | 95% confidence<br>interval<br>1998/99 to 2012/13 | 95% confidence<br>interval<br>2011/12 to 2012/13 |
| <b>All pensioner units</b>                   |         |         |         |                                   |                                   |  |  |
| <b>Gross income</b>                          | 358     | 475     | 477     | 33%                               | 0%                                | 29% to 38%                                       | -4% to 5%  |
| <i>of which</i>                              |         |         |         |                                   |                                   |  |  |
| Benefit income                               | 165     | 203     | 208     | 27%                               | 2%                                | 25% to 29%                                       | 1% to 4%   |
| Occupational pension                         | 92      | 129     | 130     | 41%                               | 1%                                | 33% to 50%                                       | -6% to 7%  |
| Personal pension income                      | 6       | 18      | 20      | 251%                              | 13%                               | 177% to 324%                                     | -7% to 34%                                       |
| Investment income                            | 42      | 34      | 33      | -22%                              | -5%                               | -33% to -11%                                     | -20% to 11%                                      |
| Earnings                                     | 51      | 87      | 83      | 62%                               | -5%                               | 38% to 87%                                       | -20% to 11%                                      |
| Other income                                 | 3       | 4       | 3       | 26%                               | -9%                               | -11% to 63%                                      | -30% to 12%                                      |
| <b>Net income BHC</b>                        |         |         |         |                                   |                                   |  |  |
| Mean   | 302     | 395     | 397     | 32%                               | 1%                                | 27% to 36%                                       | -3% to 4%  |
| Median                                       | 227     | 311     | 315     | 38%                               | 1%                                | 35% to 42%                                       | -1% to 4%  |
| <b>Net income AHC</b>                        |         |         |         |                                   |                                   |  |  |
| Mean   | 266     | 363     | 364     | 37%                               | 0%                                | 32% to 42%                                       | -4% to 4%  |
| Median                                       | 192     | 278     | 282     | 47%                               | 1%                                | 41% to 52%                                       | -2% to 4%  |
| <b>Pensioner couples</b>                     |         |         |         |                                   |                                   |  |  |
| <b>Gross income</b>                          | 513     | 642     | 652     | 27%                               | 2%                                | 23% to 32%                                       | -3% to 6%  |
| <i>of which</i>                              |         |         |         |                                   |                                   |  |  |
| Benefit income                               | 185     | 224     | 234     | 27%                               | 4%                                | 24% to 29%                                       | 2% to 7%   |
| Occupational pension                         | 144     | 184     | 184     | 27%                               | 0%                                | 18% to 37%                                       | -8% to 7%  |
| Personal pension income                      | 11      | 29      | 34      | 215%                              | 18%                               | 143% to 288%                                     | -6% to 42%                                       |
| Investment income                            | 64      | 51      | 50      | -22%                              | -2%                               | -36% to -8%                                      | -21% to 16%                                      |
| Earnings                                     | 106     | 150     | 148     | 39%                               | -2%                               | 16% to 62%                                       | -19% to 16%                                      |
| Other income                                 | 3       | 4       | 4       | 7%                                | -8%                               | -40% to 53%                                      | -35% to 20%                                      |
| <b>Net income BHC</b>                        |         |         |         |                                   |                                   |  |  |
| Mean   | 424     | 524     | 530     | 25%                               | 1%                                | 20% to 31%                                       | -3% to 6%  |
| Median                                       | 328     | 427     | 432     | 32%                               | 1%                                | 26% to 38%                                       | -2% to 4%  |
| <b>Net income AHC</b>                        |         |         |         |                                   |                                   |  |  |
| Mean   | 390     | 495     | 502     | 29%                               | 1%                                | 23% to 35%                                       | -3% to 6%  |
| Median                                       | 300     | 401     | 404     | 35%                               | 1%                                | 28% to 42%                                       | -2% to 4%  |
| <b>Single pensioners</b>                     |         |         |         |                                   |                                   |  |  |
| <b>Gross income</b>                          | 243     | 305     | 312     | 28%                               | 2%                                | 23% to 33%                                       | -2% to 7%  |
| <i>of which</i>                              |         |         |         |                                   |                                   |  |  |
| Benefit income                               | 150     | 182     | 184     | 23%                               | 1%                                | 21% to 26%                                       | -1% to 3%  |
| Occupational pension                         | 53      | 73      | 79      | 48%                               | 8%                                | 36% to 61%                                       | -3% to 18%                                       |
| Personal pension income                      | 2       | 7       | 7       | 250%                              | 9%                                | 88% to 412%                                      | -28% to 47%                                      |
| Investment income                            | 25      | 17      | 16      | -35%                              | -4%                               | -48% to -22%                                     | -28% to 21%                                      |
| Earnings                                     | 11      | 23      | 22      | 104%                              | -3%                               | 52% to 156%                                      | -28% to 21%                                      |
| Other income                                 | 2       | 3       | 3       | 46%                               | -10%                              | -8% to 100%                                      | -42% to 22%                                      |
| <b>Net income BHC</b>                        |         |         |         |                                   |                                   |  |  |
| Mean   | 211     | 264     | 271     | 28%                               | 3%                                | 24% to 32%                                       | -1% to 6%  |
| Median                                       | 177     | 232     | 238     | 35%                               | 3%                                | 32% to 38%                                       | 0% to 5%   |
| <b>Net income AHC</b>                        |         |         |         |                                   |                                   |  |  |
| Mean   | 174     | 229     | 234     | 34%                               | 2%                                | 29% to 39%                                       | -2% to 6%  |
| Median                                       | 132     | 192     | 195     | 48%                               | 2%                                | 36% to 60%                                       | -2% to 5%  |

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**ISBN 978-1-78425-276-2**