Pensioners' Incomes Series: An analysis of trends in Pensioner Incomes: 1994/95-2016/17

This report examines how much income pensioners get each week, and where they get that income from. It looks at how their incomes have changed over time, and variations in income between different types of pensioners. Changes in the economy and to the benefit system have meant that pensioners' average weekly incomes have changed a lot over the last twenty years. These statistics look at these changes.

Main Stories

Younger pensioners had higher incomes

Under 75
Weekly income, AHC, 2016/17 prices

£361

75 and over
Weekly income, AHC, 2016/17 prices
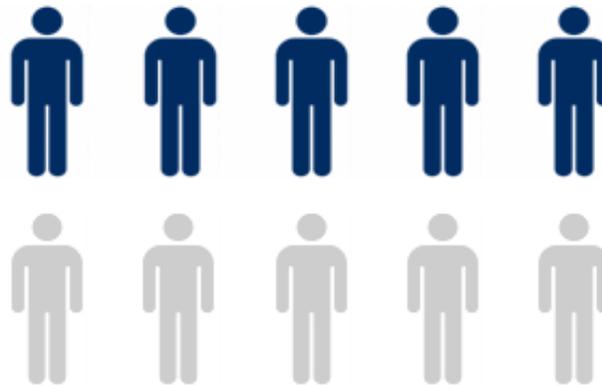
£265

In 2016/17, pensioners where the head is under 75 had higher average incomes than those where the head is 75 or over after housing costs (AHC).This difference is statistically significant.

Five in ten recently retired pensioners received over 50% of their income from private sources

In 2016/17 53 per cent of recently retired pensioners received more than 50 per cent of their gross income from private sources. This includes all income excluding income from State benefits.

More pensioners in the top half of the income distribution

Pensioners in the top half of the overall population income distribution

51%
2016/17

39%
1996/97

The percentage of pensioners in the top half of the overall population income distribution (AHC) in 2016/17 was 51 per cent (based on equivalised data). In 1996/97 this was 39 per cent.

What you need to know

The Pensioners' Incomes (PI) Series contains estimates of the levels, sources and distribution of pensioners' incomes. It also examines the position of pensioners within the income distribution of the population as a whole. The statistics are used by government departments, local authorities, academics, journalists and the voluntary sector.

Income measures

In this report we measure income for pensioners. **Pensioners** consist of single pensioners and pensioner couples. A pensioner couple means at least one person in the couple is over State Pension age (SPa). Estimates do not reflect income from others in a household; therefore if a pensioner lives with their adult children, the children's income is not included in this analysis. Pensioners that are '**recently retired**' have a head within five years of SPa at time of interview.

We generally use the unequivalised income of pensioners, estimated both before and after housing costs (BHC and AHC). **Unequivalised** means that incomes are not adjusted to take account of the size and composition of households.

Unless otherwise stated, we use **median** income as our preferred measure of average income as the mean is often biased upwards by extreme values. In this publication we use income after housing costs as we consider changes in income over time.

All of our income estimates have been adjusted for **inflation**. PI uses variants of the Consumer Price Index (CPI) to adjust for inflation to look at how incomes are changing over time in real terms; if, for example, average incomes rise by three per cent in cash terms but inflation is higher at five per cent, then we will record a fall in average incomes as the real average purchasing power of incomes has fallen.

Survey data

Pensioners' Incomes estimates are based on a sample of around 7,000 pensioners in the UK, taken from the Family Resources Survey. Use of survey data means that results in this report are subject to sampling variation which can affect how changes should be interpreted, especially in the short term. Latest estimates should be considered alongside medium and long-term patterns.

Data is for the UK from 2002/03 onwards. Data from earlier years is for Great Britain only.

Statistical significance is a technical concept that says whether a reported change is likely to have arisen only by chance due to variations in the sampling. We calculate 95% **confidence intervals** around estimates in PI which sets a standard that, where any change is reported as statistically significant, there is less than a 1 in 20 chance that the reported difference is due to sampling variation and there is no real underlying change. Statistically significant differences are clearly stated. Other differences are not significant or have not been tested.

Additional tables and data

A comprehensive set of reference tables breaking down headline results presented in this report are available online here. These tables are referenced throughout this report. Note that whilst this report uses 10 and 20 year comparisons, the tables show additional data for the last 23 years.

The PI dataset is available to download via the UK Data Archive.

Overall income trends

Pensioners have seen an increase in their average weekly incomes over the past decade

Average weekly income of pensioners (AHC) in 2016/17 prices (£)
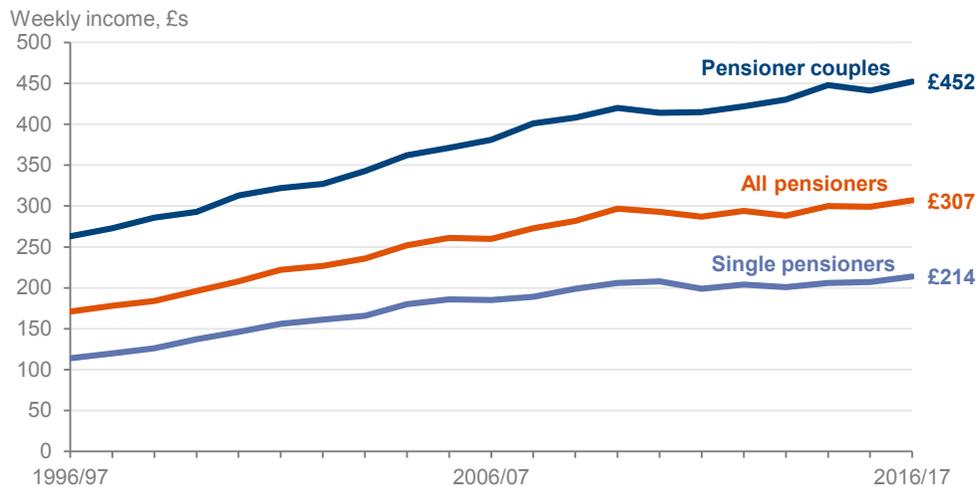
After the deduction of direct taxes, other payments such as pension contributions and housing costs, the average income of all pensioners in 2016/17 was £307 per week. This is a statistically significant increase from 2006/07 when it was £260. This change reflects increases in occupational pension, earnings and benefits.

In 2016/17 the average income for pensioner couples was £452 per week. This was more than twice that of single pensioners, who had an average income of £214 per week. This difference is statistically significant.

Income flattened slightly around 2009/10 after the financial crisis which began in 2008.

See **Table 2.1** for full data.

One fifth of pensioner couples' income was from earnings

Percentage of gross mean income from different sources, 2016/17
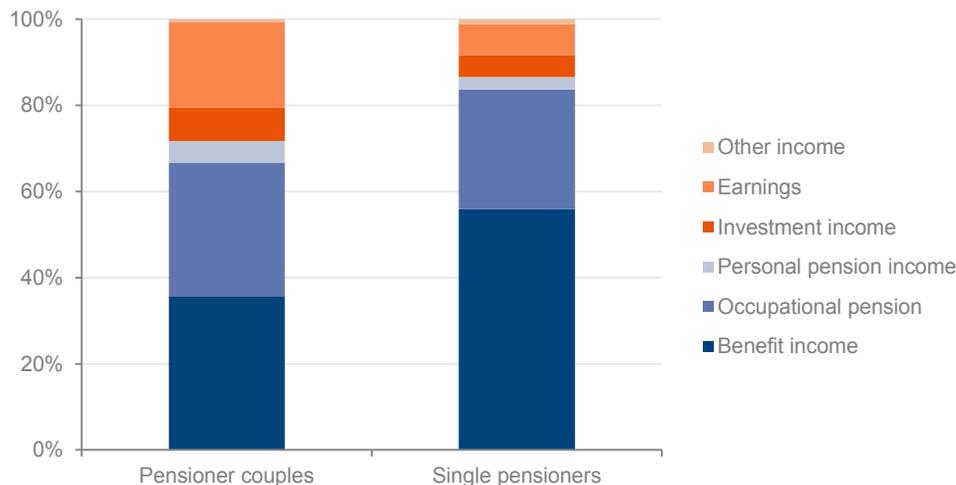
Pensioners receive income from a range of different sources and changes in the composition of these sources reflect important underlying economic factors.

In 2016/17, benefit income was the largest component of total gross income for pensioner couples and single pensioners. This percentage was 56 per cent for single pensioners, for pensioner couples this was 36 per cent.

Income from occupational pension was 31 per cent of total gross income for pensioner couples and 28 per cent for single pensioners.

Income from earnings made up seven per cent of total income for single pensioners. For pensioner couples, one fifth of total income was from earnings. A pensioner couple can sometimes include one adult below SPa who may be working.

Pensioner couples where one is over SPa and one is under had a weekly average income from earnings of £439. Average income from earnings was £291 per week for pensioner couples where they were both over SPa.

See **Tables 2.1 and 5.2** for full data.

3

Older pensioners had lower incomes than younger pensioners

Average weekly income of pensioners (AHC) in 2016/17 prices (£)

Weekly income, £s

Recently retired — £380
Under 75 — £361
Over 75 — £265
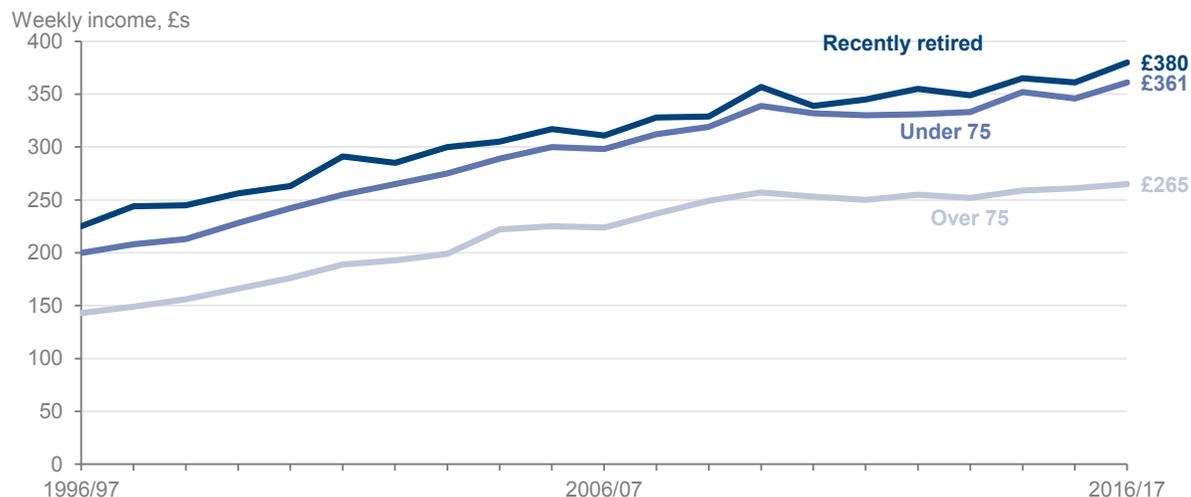
Both recently retired pensioners and pensioners where the head was under 75 had higher average incomes than those where the head was 75 or over. These results were statistically significant. In 2016/17, their average incomes were £380, £361 and £265 per week, respectively. Recently retired pensioners are also included in the 'Under 75' age group.

In 2016/17 the majority of pensioners where the head is 75 or over were single pensioners (64 per cent). On average single pensioners have lower incomes. More information about single pensioners' incomes is discussed on the previous page.

See **Tables 1.1 and 2.7** for full data.

Almost one third of the total income for pensioners was from occupational pensions

Percentage of gross mean income from different sources, 2016/17

Legend:
- Other
- Earnings
- Investment income
- Personal pension income
- Occupational pension
- Benefit income
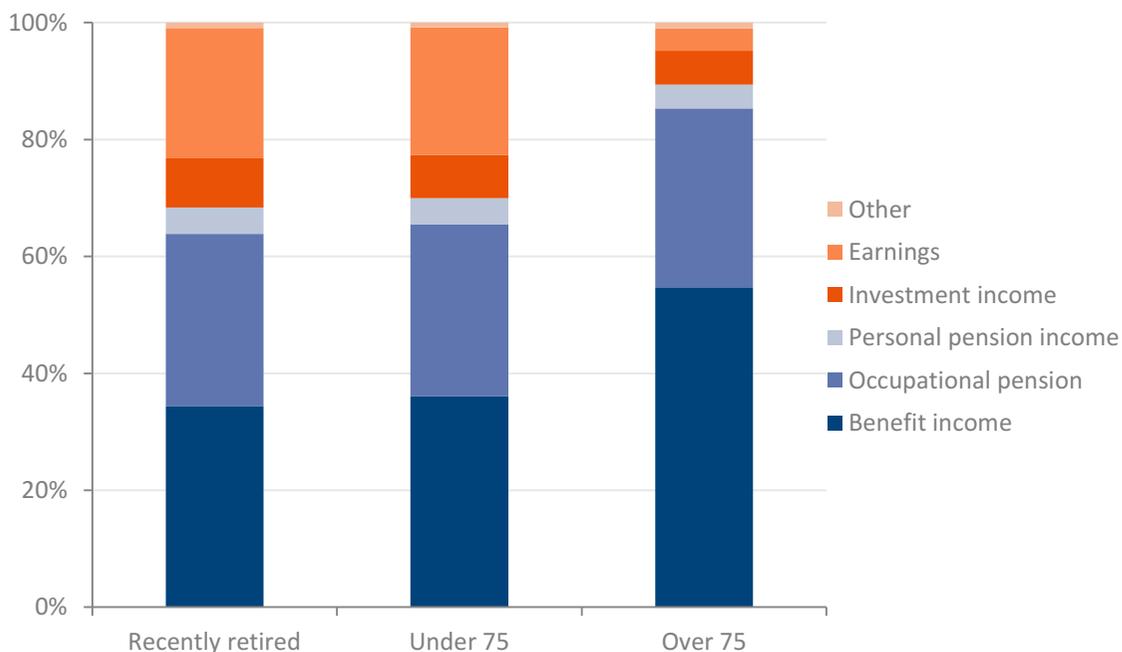
Earnings accounted for 22 per cent of total gross income for recently retired pensioners and pensioners where the head was under 75. For pensioners where the head was aged 75 or over, this was four per cent. Older pensioners are less likely to be in work and hence receive a smaller amount from earnings.

Benefit income made up more than half of total gross income for pensioners where the head was aged 75 or over. For recently retired pensioners and pensioners where the head was under 75, benefit income made up 34 per cent and 36 per cent of total gross income respectively.

Occupational pension income was 29 per cent of total gross income for recently retired pensioners and pensioners where the head was under 75. This was 31 per cent for pensioners where the head was aged 75 or over.

Incomes from personal pension and investment were similar percentages of total gross income for all groups.

In 2016/17 53 per cent of recently retired pensioners received more than 50 per cent of their gross income from private sources.

See **Tables 2.7 and 3.3** for full data.

4

Single men had a higher income than single women

Average weekly income of pensioners (AHC) in 2016/17 prices (£)

Weekly income, £s

Single men £233
Single women £206
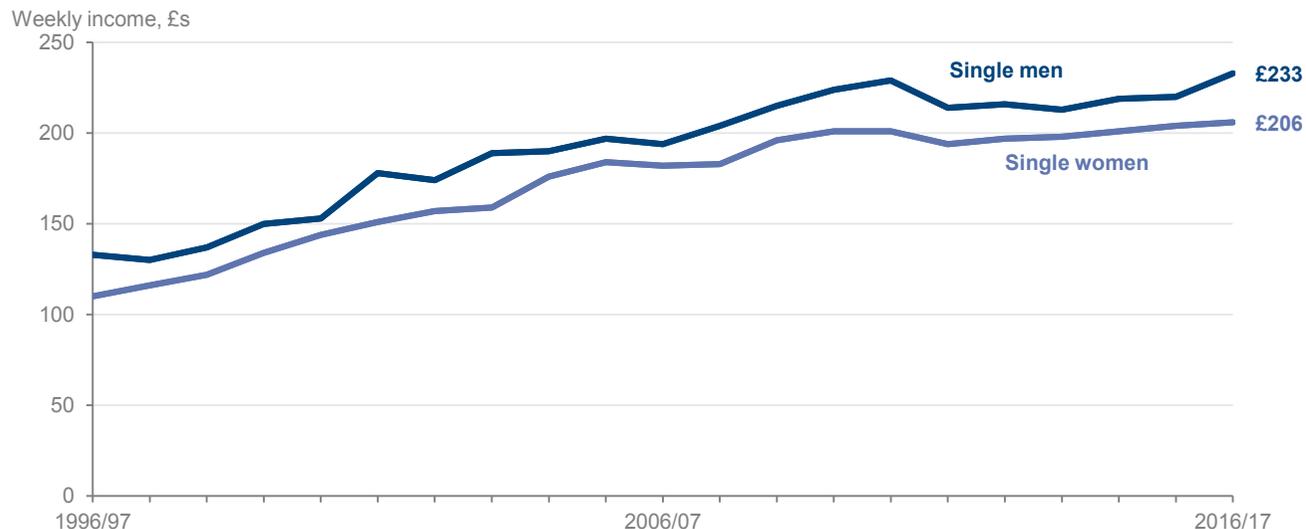
Single male pensioners had higher average incomes than single female pensioners. In 2016/17, single men had an average weekly income of £233 and single women had an average weekly income of £206. This difference is statistically significant.
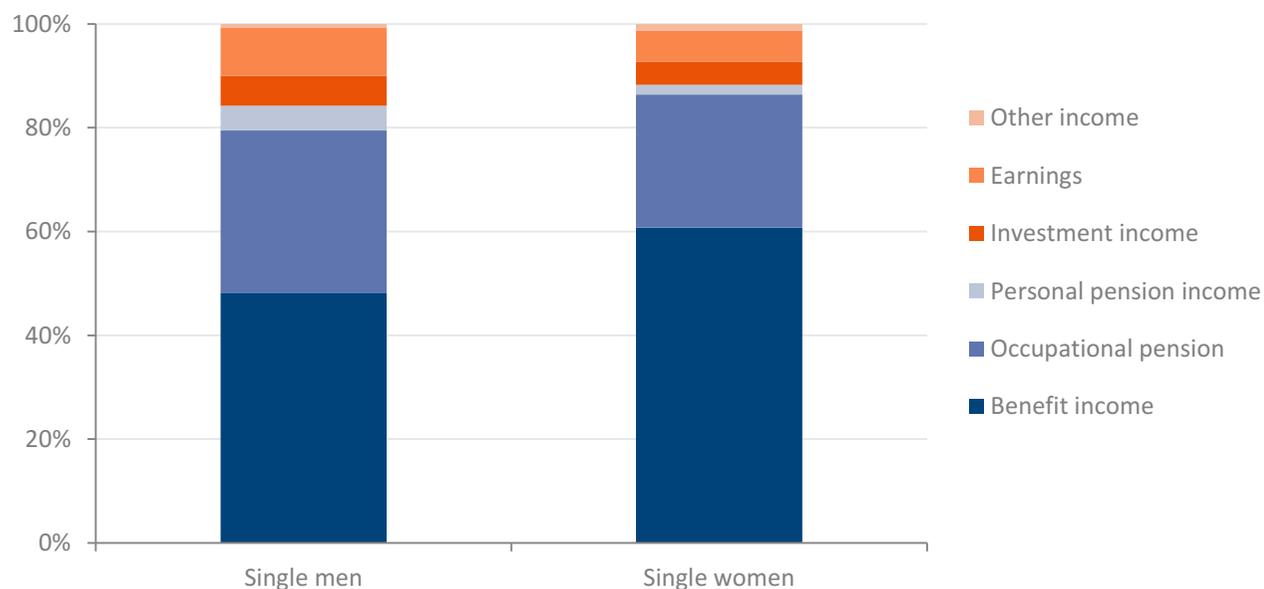
The difference was greatest among pensioners aged over 75. Single men in this age group had an average weekly income of £246 per week compared to women who had an average weekly income of £204 per week. This difference is statistically significant.

In 2016/17 the majority of single female pensioners were aged 75 and over (58 per cent). As seen on page four, older pensioners on average have lower incomes.

See **Tables 1.1 and 2.8** for full data.

Over half of the total income for single women pensioners was from benefit income

Percentage of gross mean income from different sources, 2016/17

- Other income
- Earnings
- Investment income
- Personal pension income
- Occupational pension
- Benefit income

The difference in incomes reflects differences in the components that make up an individual's total gross income.

Benefit income made up 61 per cent of total gross income for single women. For single men, this value was 48 per cent.

Thirty-one per cent of total gross income for single men was from occupational pension. For single women, this was 26 per cent.

Income from earnings made up nine per cent of total gross income for single men. For single women, this was six per cent.

See **Table 2.8** for full data.

Regional differences

Pensioner incomes differed between regions and countries

When looking at regional incomes we take the average weekly income (AHC) for each region over the three year period 2014/15 to 2016/17, adjusted to 2016/17 prices.

Average weekly income (AHC) of pensioner couples by region/country, relative to the UK average for each group, 2014/15-2016/17
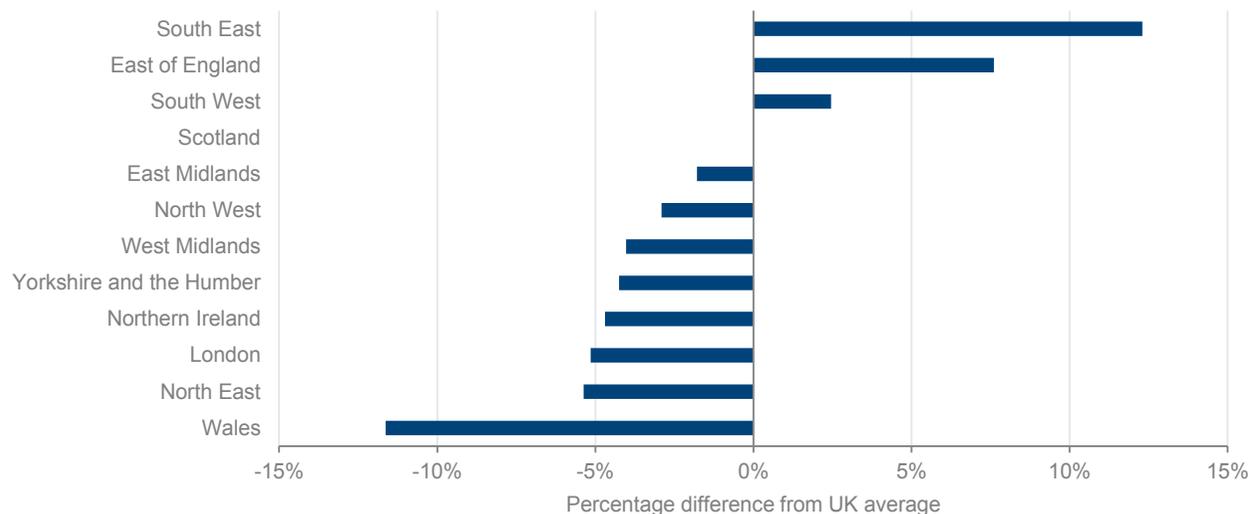
For pensioner couples, the majority of regions have average weekly incomes below the UK average.

The UK average weekly income over this three year period was £447 for pensioner couples.

On average, pensioner couple incomes were lowest in Wales, where income was 12 per cent below the UK average. In comparison, pensioner couples in the South East had the highest average incomes, 12 per cent higher than the UK average. This difference is statistically significant.

Pensioner couples in Scotland average income was the same as the UK average.

See **Table 2.4** for full data.

Average weekly income (AHC) of single pensioners by region/country, relative to the UK average for each group, 2014/15-2016/17
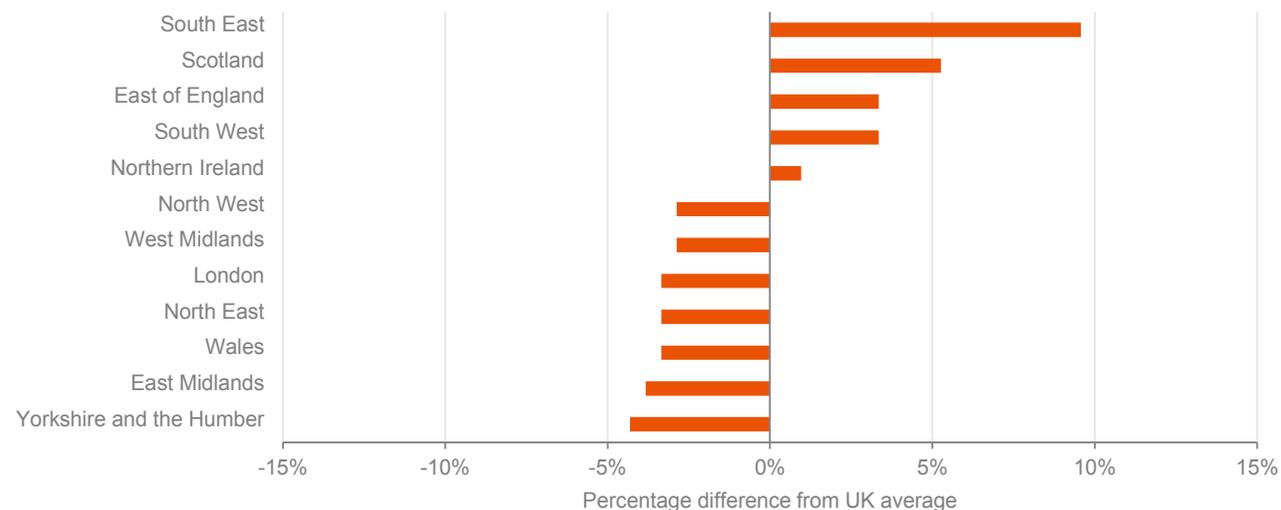
Over 2014/15-2016/17, single pensioners in the UK had an average income of £209 per week.

The highest average incomes for single pensioners were in the South East and Scotland; their incomes were 10 per cent and 5 per cent above the UK average respectively.

Single pensioners in Yorkshire and the Humber had the lowest levels of average income. Their incomes were 4 per cent below the UK average.

Differences across regions are likely to be associated with demographic and economic variations.

See **Table 2.4** for full data.

Sources of pensioner incomes

Percentage of pensioners receiving income from private pensions has increased

Percentage of pensioners receiving each source of income, 1996/97, 2006/07 and 2016/17

Legend: ■ 1996/97 ■ 2006/07 ■ 2016/17

Nearly all pensioners (97 per cent) were in receipt of the State Pension in 2016/17. This has increased from 1996/97, where 94 per cent of all pensioners were in receipt of State Pension. This result is statistically significant.

Income-related benefits were received by 24 per cent of all pensioners in 2016/17. The percentage of pensioners in receipt has decreased from 37 per cent in 1996/97; this is statistically significant. This reflects for example increases in other sources of income, particularly income from State Pension and Private Pension, reducing eligibility to Income related benefits for pensioners.

Twenty-one per cent of pensioners were in receipt of disability benefits in 2016/17; this has increased by three percentage points from 1996/97. This increase is statistically significant.

Over the past 20 years, there has been an increase of nine percentage points in the percentage of pensioners receiving income from private pensions – from 62 per cent to 71 per cent; this is statistically significant.

There has been an increase of three percentage points in the percentage of pensioners with income from occupational pensions – from 59 per cent in 1996/97 to 62 per cent in 2016/17.

Personal pensions provide income to a smaller group of pensioners than occupational pensions. In 2016/17, 19 per cent of pensioners were in receipt of income from personal pensions, compared with four per cent in 1996/97. This increase is statistically significant. Personal pensions in their current form were introduced in 1988.

Investment income was received by 62 per cent of all pensioners in 2016/17. The percentage of pensioners in receipt has decreased over the past 20 years, from 71 per cent in 1996/97. This difference is statistically significant. The decrease between 2006/07 and 2016/17 was predominantly in 2010/11 to 2012/13. This period follows the financial crisis, which started in 2008.
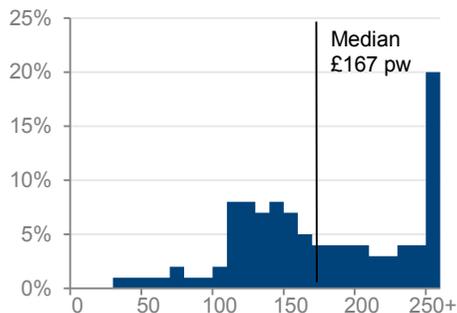
Overall 17 per cent of pensioners were in receipt of earnings in 2016/17, compared to 11 percent in 1996/97. This is a statistically significant increase. This includes pensioner couples where one partner was under SPa.

More information about the distribution of income components for those in receipt in 2016/17 can be found on the next page.

See **Tables 3.4 – 3.11** for full data.

Distribution of income from selected income sources for all pensioners in receipt, 2016/17 (£s per week)
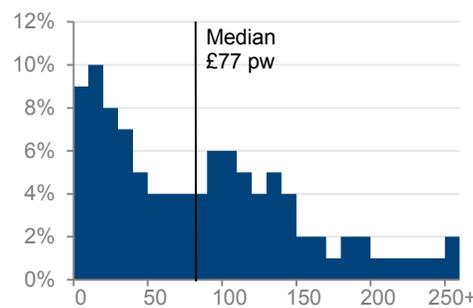
State Pension

Almost all pensioners (97 per cent) received income from State Pension, with an average income of £167. Twenty per cent of those in receipt had an income of over £250.
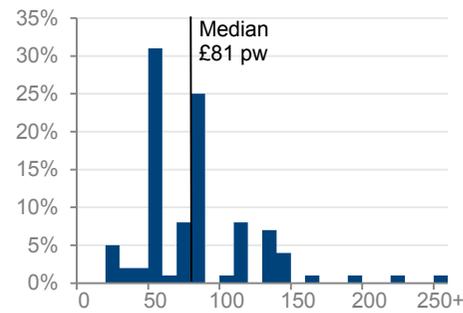
See **Tables 3.4 and 6.1** for full data.

Income-related benefits

Twenty-four per cent of pensioners were in receipt of income-related benefits. Of those in receipt the average income was £77.

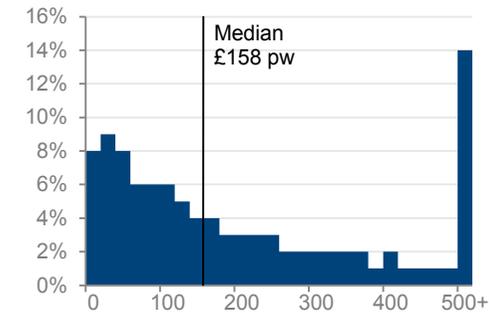See **Tables 3.5 and 6.2** for full data.

Disability benefits

Twenty-one per cent of pensioners were in receipt of disability benefits and the average income was £81. Some benefits have set rates, which may explain peaks in the distribution. For example, Attendance Allowance has a lower rate of £55.10 and a higher rate of £82.30.
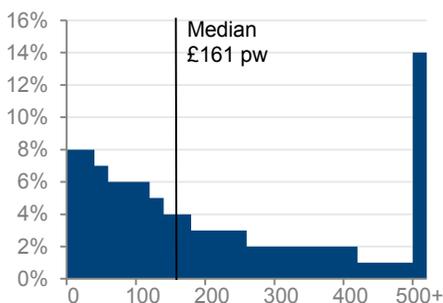
See **Tables 3.6 and 6.3** for full data.

Private pension

Seventy-one per cent of pensioners received income from a private pension with an average amount of £158. Fourteen per cent of those in receipt had an income of over £500.
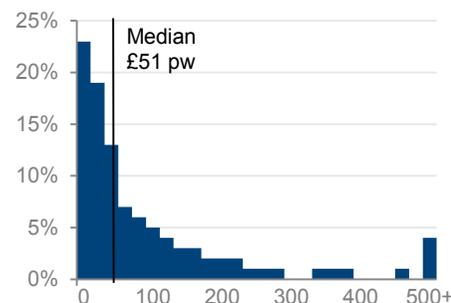
See **Tables 3.10 and 6.6** for full data.

Occupational pension

Over half of all pensioners (62 per cent) were in receipt of an occupational pension and the average amount was £161. Fourteen per cent of those in receipt had an occupational pension income of over £500.

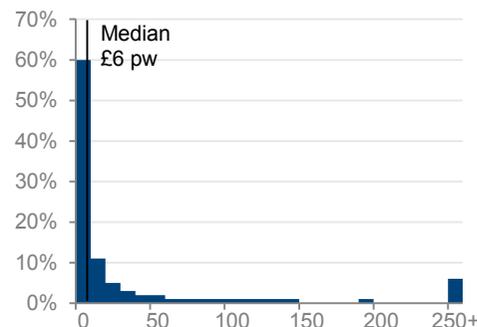See **Tables 3.8 and 6.4** for full data.

Personal pension

Nineteen per cent of pensioners had income from a personal pension with an average of £51. Twenty-three per cent of pensioners in receipt had a personal pension income of less than £20.

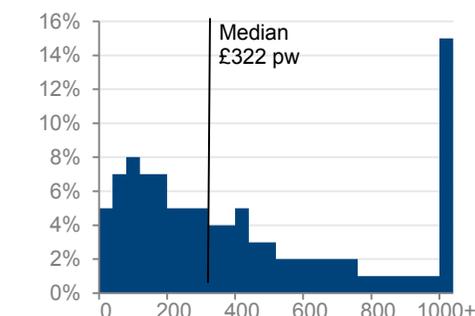See **Tables 3.9 and 6.5** for full data.

Investments

Sixty-two per cent of pensioners were in receipt of investment income with an average income of £6. Six per cent of pensioners had a weekly income of over £250.

See **Tables 3.7 and 6.7** for full data.

Earnings

Seventeen per cent of pensioners were in receipt of earnings with an average income of £322. Fifteen per cent of pensioners had an income of over £1,000 per week.

See **Tables 3.11 and 6.8** for full data.

Distribution of pensioners' incomes

These charts look at the distribution of pensioners' incomes, and where different groups of pensioners sit within it. To do this, pensioners' incomes were ranked in order, and then the ranked pensioner population was divided into five equal groups of 20 per cent. The top fifth have the highest incomes, the bottom fifth have the lowest.

Pensioners' position within the pensioner income distribution varied by age

The percentage of pensioners, by age of household head, in each fifth of the net income (AHC) distribution, for couples and singles, 2016/17
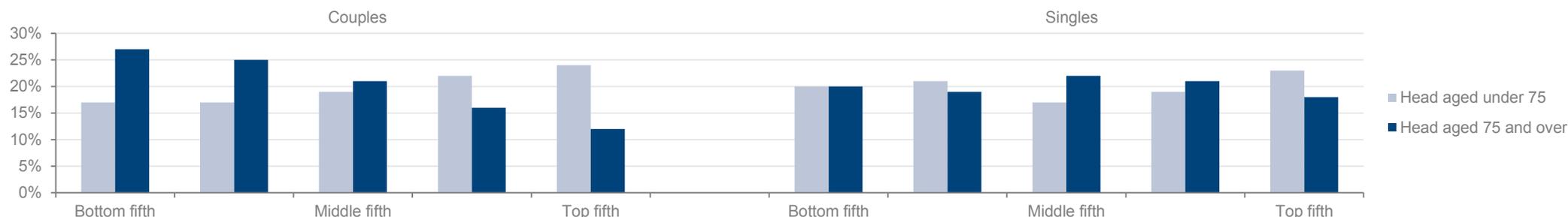

Over a quarter of pensioner couples where the head was 75 or over were in the bottom fifth of the income distribution. There were 17 per cent of couples where the head was under 75 in the bottom fifth. In the top fifth of the income distribution, there were 12 per cent of pensioner couples where the head was 75 or over. Twenty-four per cent of younger pensioner couples were in the top fifth. There was less variation between age groups for single pensioners. A fifth of younger and older single pensioners were in the bottom fifth of the income distribution. In the top fifth, there were 23 per cent of single pensioners where the head was under 75. For pensioners where the head was 75 or over, there were 18 per cent in the top fifth.

See **Table 4.2** for full data.

The sources of pensioners' incomes differed across the income distribution

Percentage of gross mean income from different sources for couples and singles in the top and bottom fifths of the net income (AHC) distribution (based on data for 2014/15 to 2016/17)
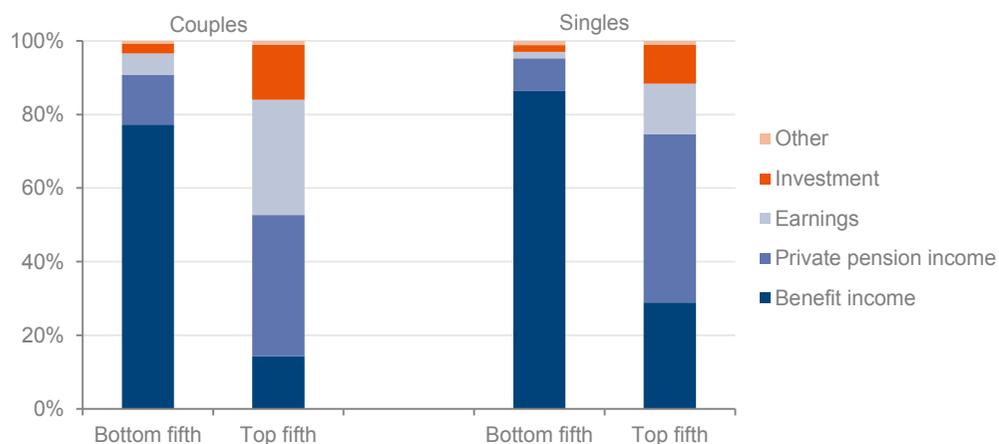
Benefit income, including State Pension income, was the largest source of income for both single pensioners and couples in the bottom fifth of the income distribution. For pensioner couples benefit income accounted for 77 per cent of their income, while for single pensioners this was 86 per cent.

For the top fifth of both couples and singles, the largest source of income was from private pension income (38 per cent for couples and 46 per cent for singles). For couples and singles the percentage of income from earnings was highest in the top fifth of the income distribution (31 per cent for couples and 14 per cent for single pensioners).

See **Table 4.4** for full data.

Pensioners' incomes within the overall income distribution

When looking at the position of individuals in pensioner families within the income distribution of the overall population we use equivalised income. This means that incomes are adjusted to take account of the size and composition of households. This is the approach used in the Households Below Average Income report, which analyses the overall household income distribution.

The percentage of pensioners in the top fifth of the overall population income distribution has increased

The percentage of pensioner families in each fifth of the overall population income distribution (AHC), using equivalised income
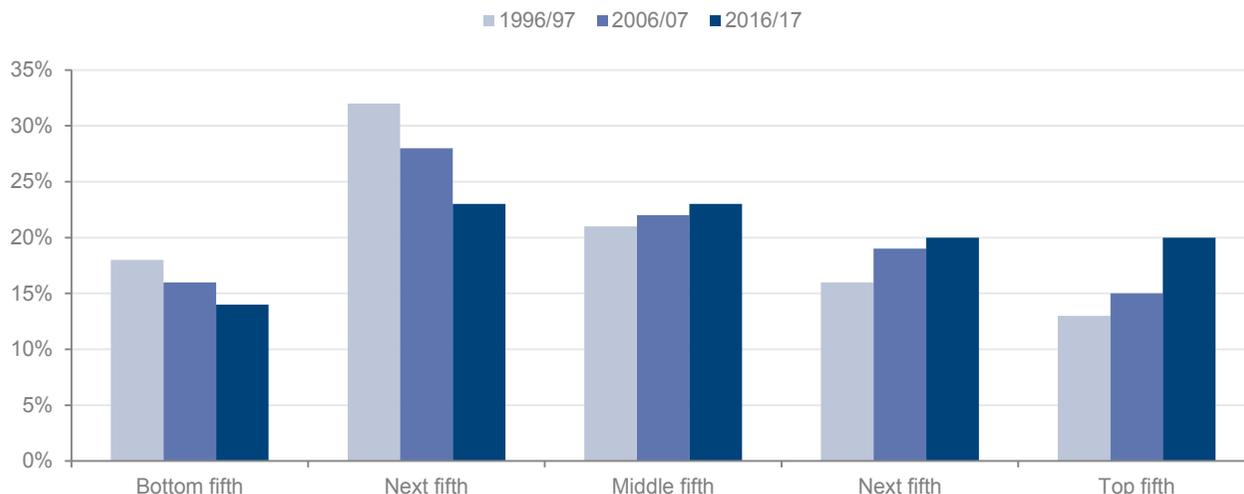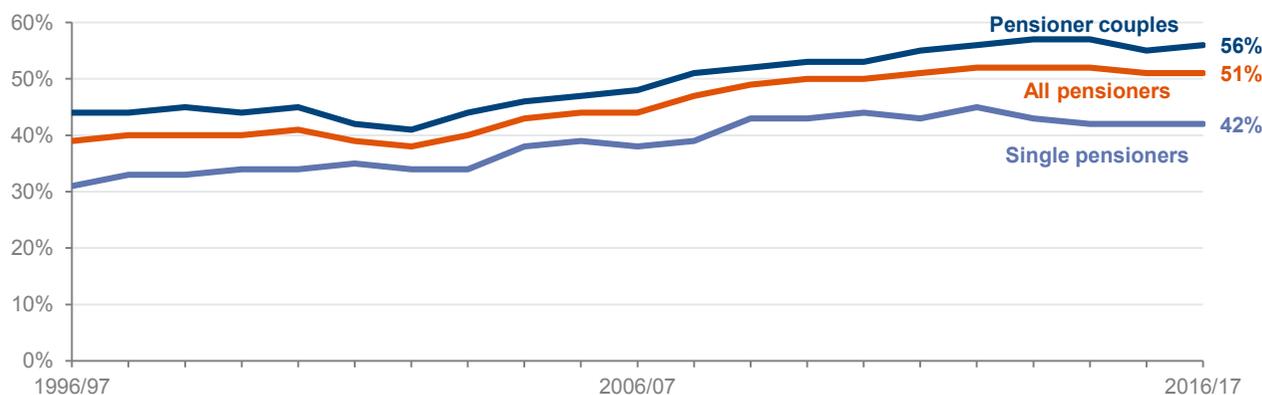

The percentage of pensioners in each fifth of the overall population income distribution has changed over time. The percentage of pensioners in the bottom fifth was 18 per cent in 1996/97. In 2016/17, 14 per cent of pensioners were in the bottom fifth. Nineteen per cent of single pensioners were in the bottom fifth in 2016/17. Eleven per cent of pensioner couples were in the bottom fifth.

In the top fifth, the percentage of pensioners was 13 per cent in 1996/97. The percentage of pensioners in the top fifth was 20 per cent in 2016/17. Almost a quarter of pensioner couples (23 per cent) were in the top fifth. Fifteen per cent of single pensioners were in the top fifth in 2016/17.

See **Table 4.6** for full data.

The percentage of pensioners in the top half of the overall population income distribution has increased

The percentage of pensioner families in the top half of the overall population income distribution (AHC), using equivalised income

In 2016/17, 51 per cent of pensioners were in the top half of the overall income distribution. In 1996/97, this percentage was 39 per cent. The percentage of pensioner couples in the top half of the income distribution was 44 per cent in 1996/97. In 2016/17, this was 56 per cent.

Forty-two per cent of single pensioners in 2016/17 were in the top half of the income distribution. Twenty years ago, this was 31 per cent.

See **Table 4.7** for full data.

About these statistics

How do we measure income?

The income measure used in PI is weekly net disposable unequivalised income, calculated for both **Before Housing Costs (BHC)** and **After Housing Costs (AHC)**. Estimates should therefore only be regarded as broadly indicative of pensioners' overall living standards. BHC income comprises total income from all sources for all members of the pensioner unit.

Income is net of:

- income tax payments and National Insurance contributions;
- domestic rates/council tax
- contributions to pension schemes
- all maintenance payments
- student loan repayments
- parental contributions to students living away from home

Income **After Housing Costs (AHC)** is derived by deducting a measure of housing costs from the overall income measure.

Housing costs include:

- Rent (gross of housing benefit)
- Water rates, community water charges and council water charges
- Mortgage interest payments
- Structural insurance premiums
- Ground rent and service charges.

When looking at individual income components, figures are calculated from gross income.

National Statistics

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.

The UK Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007, signifying they are assessed as fully compliant with the Code of Practice for Statistics.   Further information about National Statistics status can be found in the Code glossary.

All official statistics from the Pensioners' Incomes Series for the UK and constituent countries in this publication are considered by DWP as "Fully Comparable at level A*" of the UK Countries Comparability Scale across countries.

Where to find out more

Further outputs and reference tables from PI analysis, alongside our PI Background information and methodology report, giving further detail on how we estimate the measures reported here are available via the following link: https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-201617

Analysis of previous years Pensioners' Incomes Series data, as well as further guidance and information about the statistics, is available via the following link: https://www.gov.uk/government/collections/pensioners-incomes-series-statistics--3

Details of other National and Official Statistics produced by the Department for Work and Pensions can be found on the DWP website at the following links:
- A schedule of statistical releases over the next 12 months and a list of the most recent releases: https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics
- In accordance with the Code of Practice for Official Statistics, all DWP National Statistics are also announced at: https://www.gov.uk/government/statistics/announcements

Information on alternative sources of data on earnings and income is available here: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/aguidetosourcesofdataonearningsandincome