

Pensioners' Incomes Series: An analysis of trends in Pensioner Incomes: 1994/95-2014/15

● Annual Financial year 2014/15 Published: 28 June 2016 United Kingdom

This report examines how much money pensioners get each week, and where they get that money from. It looks at how pensioners' incomes differ from those of working-age people, 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 past two decades. These statistics look at these changes.

Main Stories

Income gap narrowing over time

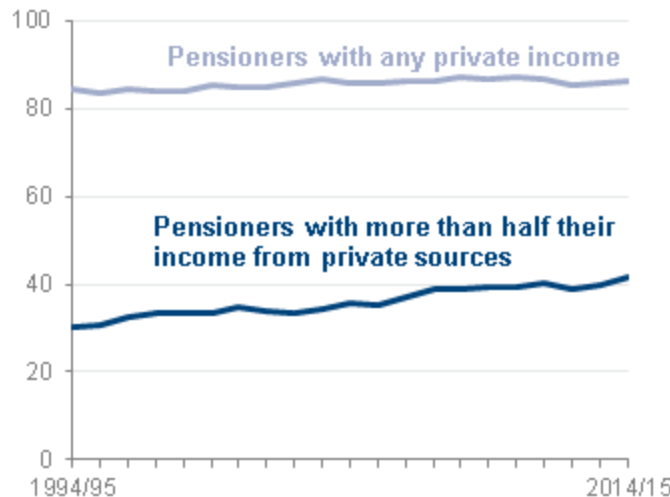
Weekly income, AHC, 2014/15 prices, £s



In 1994/95 pensioners' average (median) net income per week was **38%** lower than that of the working age population. By 2014/15 it was just **7%** lower.

Increase in income from private sources

Percentage, %



The percentage of pensioners with over half their income from private sources has increased from 3 out of 10 to 4 out of 10 between 1994/95 and 2014/15.

Younger pensioners have higher incomes

Under 75

Weekly income, AHC, 2014/15 prices

£348

75 and over

Weekly income, AHC, 2014/15 prices

£257

Pensioners where the head is under 75 have higher average (median) incomes than those where the head is 75 or over. This difference is larger than it was in 1994/95.

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 pensioner units. **Pensioner units** consist of single pensioners and pensioner couples. A pensioner couple means at least one person in the couple is over State Pension age. 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.

We generally use the unequivalised income of a pensioner unit, 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.

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 3 per cent in cash terms but inflation is higher at 5 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 pensioner units 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.

Additional tables and data

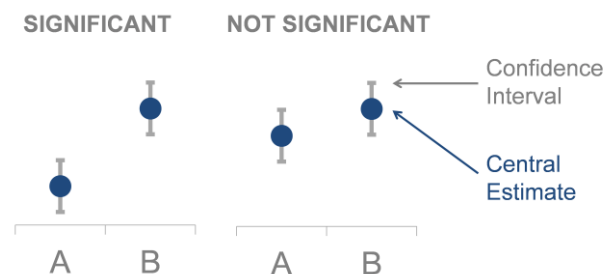
A comprehensive set of Excel reference tables breaking down headline results presented in this report are available online [here](#). Tables from these workbooks are referenced throughout the report.

The PI dataset is available to download via the [UK Data Archive](#).

Statistical significance

Statistical significance is a technical concept that says whether an estimated value is likely to have arisen only from variations in the sampling. It is most often used when talking about a change or a difference: a *significant change or difference* is one that is not likely to be due only to the sampling, and therefore likely to be a real change/difference. Plotting estimates and their confidence intervals (a measure of the uncertainty of an estimate) gives an indication of whether or not a difference is significant. In general, if the confidence intervals of two estimates do not overlap, the estimates are significantly different.

None of the changes in this release are statistically significant unless specifically stated.



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Comments? Feedback is welcome

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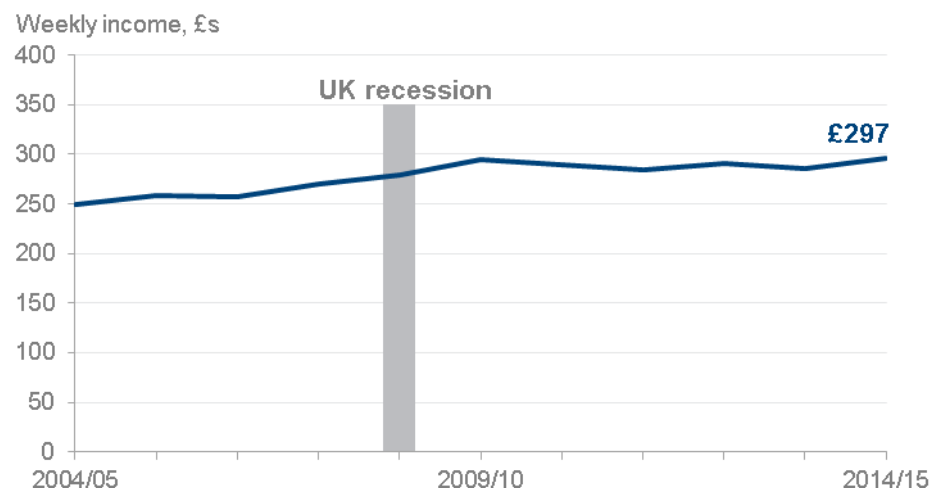
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Overall income trends

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

Average weekly income of pensioners (AHC) in 2014/15 prices (£)



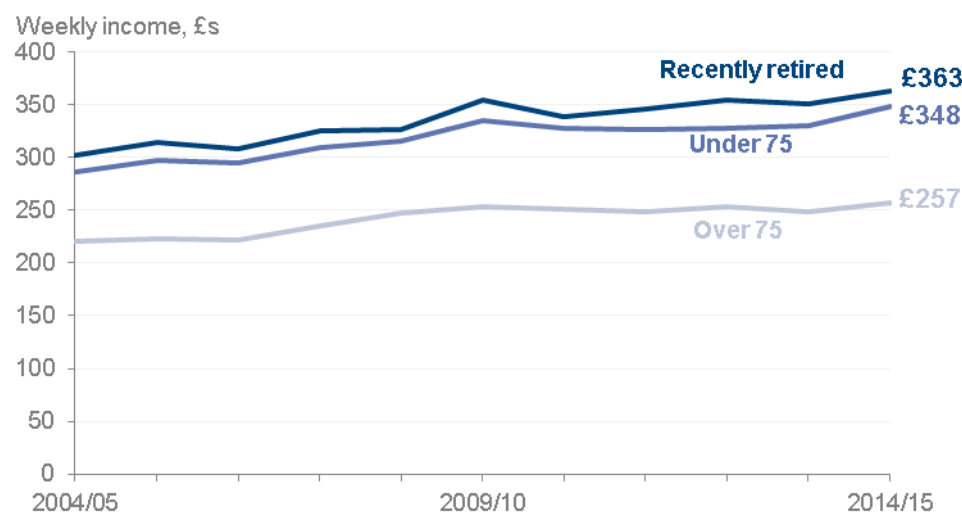
After the deduction of direct taxes and housing costs the average income of all pensioners in 2014/15 was £297 per week. This is a statistically significant increase from 2013/14. This change reflects increases in occupational pension, earnings and benefits.

Before 2014/15 there had not been a statistically significant year-on-year increase in pensioner incomes since the start of the most recent UK recession in 2008. This contrasts to the period prior to the recession, which had seen average incomes increase consistently.

See Table 2.1 for full data.

Older pensioners had lower incomes than younger pensioners

Average weekly income of pensioners (AHC) in 2014/15 prices (£)



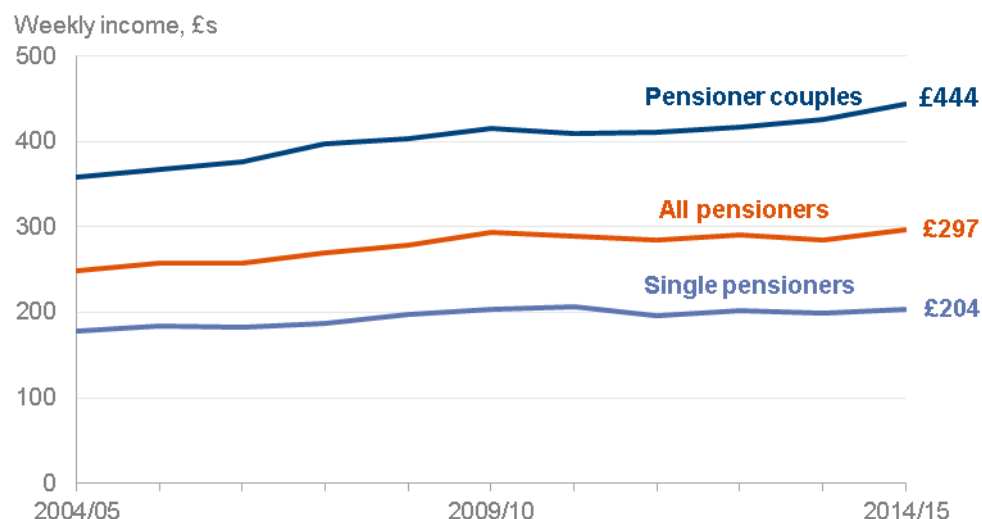
Recently retired pensioners (those where the head was within 5 years of State Pension age) and pensioners where the head was under 75, had higher incomes than those where the head was 75 or over. This difference was statistically significant. This difference has increased slightly; in 2004/05 the income of pensioners who were 75 or over was 77 per cent of that of under 75s, in 2014/15 it was 74 per cent.

This difference between age groups is not surprising. Firstly, younger pensioners were more likely to be in work, reflected in higher mean gross income from earnings: £148 per week where the head is under 75, £12 per week where the head is 75 or over. Secondly, younger pensioners were more likely to have benefited from the peak of occupational scheme savings in the late 1960s. Thirdly, the rise in real earnings over the past few decades has led to an increase in disposable income that could be saved into private pensions or invested.

See Table 2.7 for full data.

Pensioner couples' incomes were over twice that of single pensioners

Average weekly income of pensioners (AHC) in 2014/15 prices (£)



In 2014/15 the average income for pensioner couples was more than twice that of single pensioners. This difference has increased slightly over the past decade. In 2004/05 single pensioner average income was 50 per cent of average couple income, in 2014/15 it was 46 per cent.

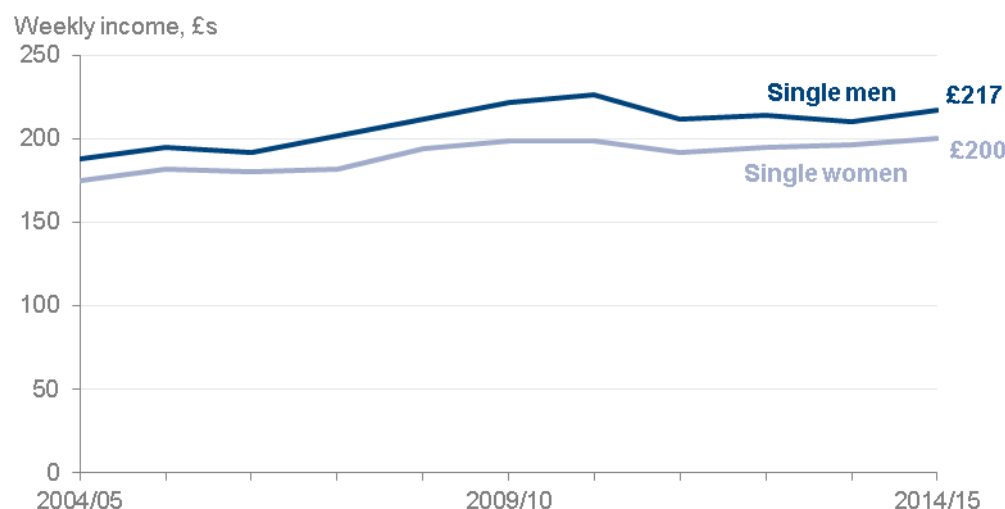
The difference between pensioner couples and single pensioners' average income reflected differences in the kinds of income they received. For example, pensioner couples were more likely to be in receipt of private pension income (82 per cent compared to 63 per cent). For those who received this income, pensioner couples got on average over double the amount of single pensioners (£203 compared to £99).

Pensioner couples were also more likely to be in receipt of earnings (28 per cent of pensioner couples compared to 7 per cent of single pensioners). This is not surprising as one person may still be under State Pension age, and more likely to still be in work. 64 per cent of pensioner couples where one is over State Pension age and one under were in receipt of earnings. This compares to 17 per cent of pensioner couples where they were both over State Pension age. For further discussion of earnings see page 7 of this report.

For full data see **Tables 2.1 and 5.2**

Single men had a higher income than single women

Average weekly income of pensioners (AHC) in 2014/15 prices (£)



Single male pensioners had higher average incomes than single female pensioners. This difference was statistically significant and was greatest among pensioners aged 75 and over. Single men in this age group had an average weekly income of £221 per week compared to women who had an average weekly income of £199 per week.

This difference reflects higher occupational pensions among single men. Single men had a mean occupational pension income of £101 per week, compared to £78 per week for women. Despite this, single women have seen a statistically significant increase in occupational pension income since 2011/12, reflecting the increasing number of women who have participated in occupational pension schemes over recent decades.

On average, single men also had higher personal pension income than single women, although this difference is not statistically significant.

Benefit income, earnings income and investment income were similar for both sexes.

See **Table 2.8**.

Regional differences

Pensioner incomes differed between countries and regions

Average weekly income (AHC) of single pensioners and pensioner couples by region, relative to the UK average for each group, 2012/13-2014/15



When looking at regional incomes we take the average income for each region over a three year period, adjusted to 2014/15 prices.

Pensioner couple incomes were lowest in Wales and the West Midlands. In comparison pensioner couples in the South East, East of England and the South West had the highest average incomes. Single pensioners in Wales and the North East had the lowest levels of average income, while single pensioners in London, the South East and the East of England, had the highest average incomes. These differences from the UK average were not statistically significant.

Average benefit income varied less across region than some other sources of income. This is because some benefits, such as Winter Fuel Payments, are paid at a flat rate to nearly all pensioners. Similarly, the largest component of pensioner benefit income is the State Pension, which many (but not all) receive at a standard rate.

There was some regional variation; average benefit income was highest for pensioner couples in Northern Ireland, North East and Wales, and for single pensioners in the North East and North West. This is not surprising as average income from other sources was lower in these regions. Benefit income therefore works to top up pensioner incomes. In comparison, the lowest amounts of average benefit income were found in regions where average income from other sources is higher. For couples this was in the South West, East of England, and the South East, and for single pensioners, this was in the South East, South West and East of England.

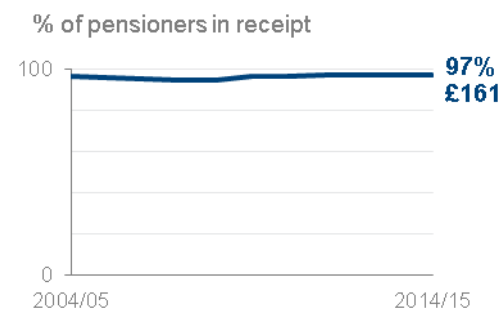
The highest average earnings were reported in the South East and London for both couples and singles, although single pensioners in Wales also reported high earnings. For couples the lowest level of average earnings income was found in the North West. For singles the lowest amount was in the East Midlands. The South East and London also reported the highest levels of average private pension income. This was true for both couples and singles. The lowest level of average private pension for couples was found in the West Midlands and Wales, while for singles it was found in the North East.

The higher incomes in the South East, East of England and London could be driven by a range of factors, such as lower unemployment rates and higher average weekly earnings. This has a direct effect on earnings from employment. In the longer term it also affects how much people are able to invest into provision for retirement whilst working. However, it is important to note that other factors, such as higher housing costs, may counteract some of these effects. See **Table 2.4** for full data.

Sources of pensioner incomes

Percentage of pensioners receiving each source of income, and the average weekly amount for each, in 2014/15 prices (£)

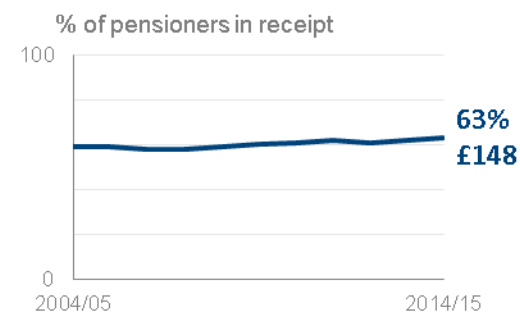
State pension



Nearly all pensioners were in receipt of the State Pension. Average weekly income from the State Pension has increased in real terms, from £133 in 2004/05 to £161 in 2014/15.

See **Table 3.4** for full data.

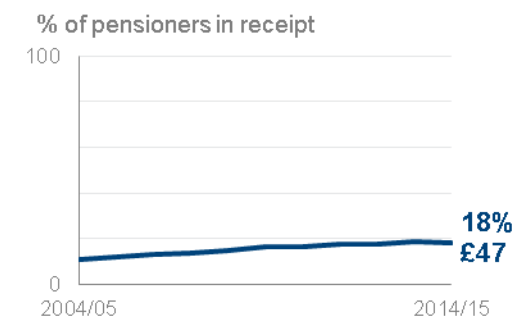
Occupational Pension



There has been a statistically significant increase in the percentage of pensioners with income from occupational pensions since 2010/11. Average income from occupational pensions has increased by more than a quarter in the last decade.

See **Table 3.8** for full data.

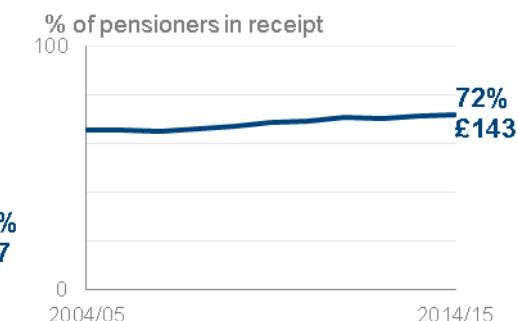
Personal Pension



There has been a statistically significant increase in the percentage of pensioners with income from personal pensions since 2010/11. Around 1 in 4 couples and recently retired pensioners received a personal pension in 2014/15.

See **Table 3.9** for full data.

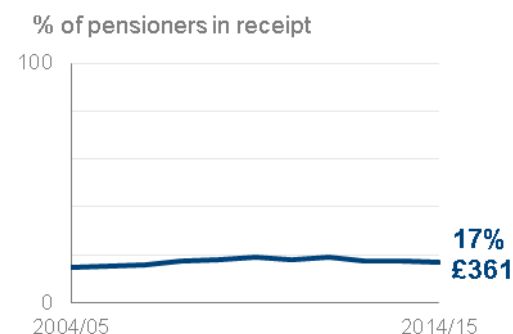
Private Pension



Private pension income includes all non-state pension income. The increase in the percentage of pensioners with this income reflects the increasing percentage receiving occupational and personal pension income.

See **Table 3.10** for full data.

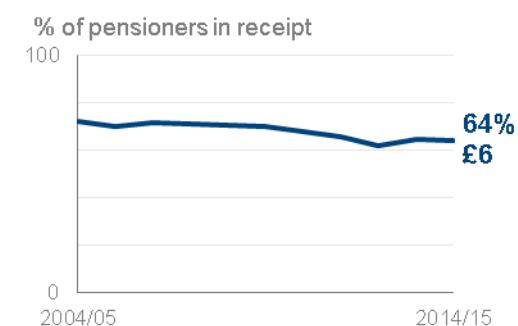
Earnings



The percentage of pensioners with earnings has declined in the Pensioners' Incomes Series (PI) since 2009/10. The reasons for this are explored on the next page.

See **Table 3.11** for full data.

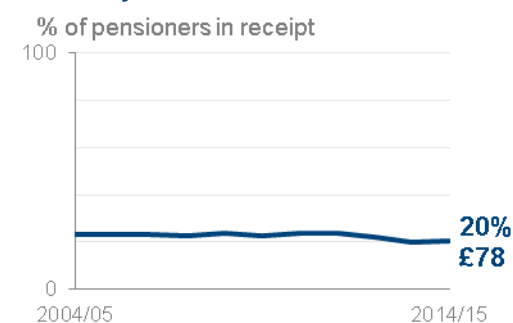
Investments



The mean weekly investment income (£64) was much higher than the median (£6). This is because the mean has been influenced by a small number of extreme values. For most pensioners who received investment income, the amount received was low.

See **Table 3.7** for full data.

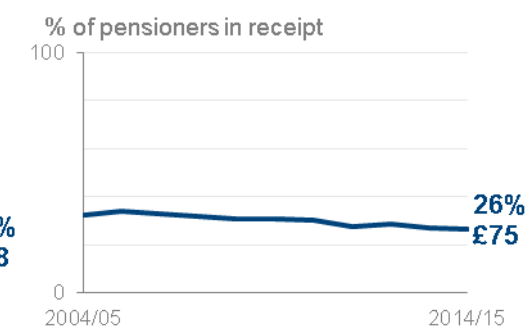
Disability benefits



There has been little change in the percentage of pensioners with income from disability benefits. The average amount received has also remained broadly unchanged in recent years.

See **Table 3.6** for full data.

Income-related benefits



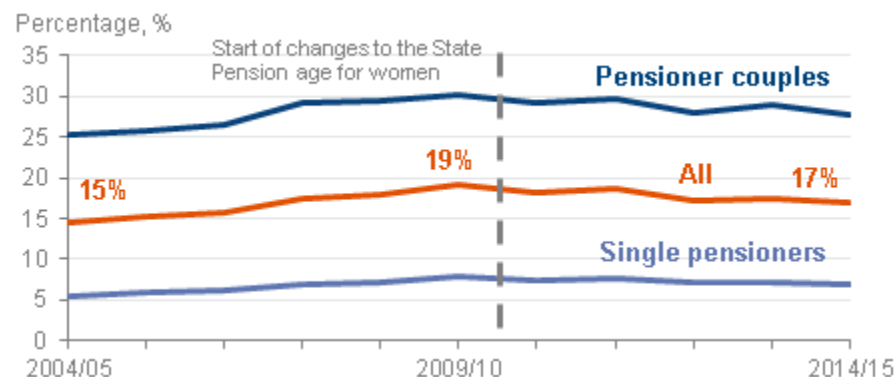
The percentage of pensioners with income from income-related benefits has steadily decreased. This has been influenced by the increase in the State Pension and the targeting of Pension Credit on the poorest pensioners.

See **Table 3.5** for full data.

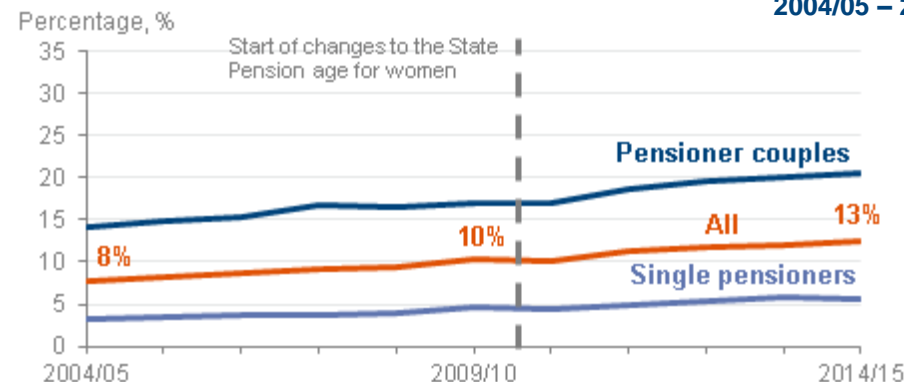
Sources of income: Earnings (from employment or self-employment)

The percentage of pensioners with earnings was affected by changes to the State Pension age for women

The percentage of all pensioner units with earnings, 2004/05 - 2014/15



The percentage of pensioner units with head aged 65 and over with earnings, 2004/05 - 2014/15

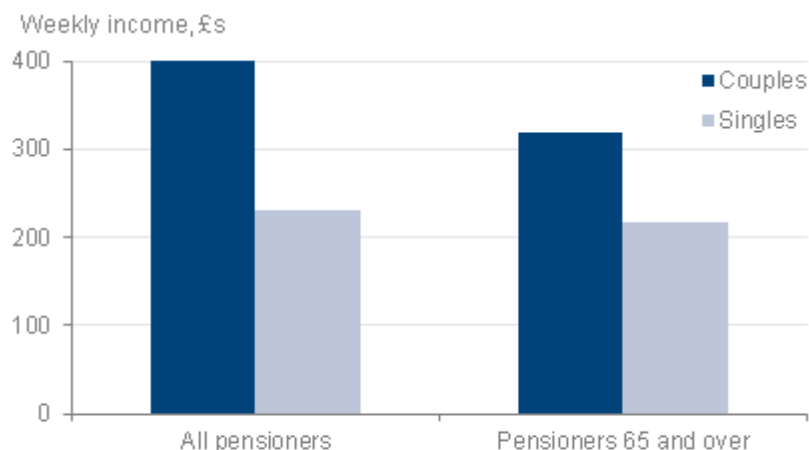


Since 2009/10 the percentage of pensioners with income from earnings has declined in the Pensioners' Incomes Series (PI). At the same time, other sources of data have shown increases in both pensioners' average earnings and pensioner labour market participation. This apparent discrepancy is explained by changes to the State Pension age (SPa) for women: Since 2010, the age at which women are eligible to receive the State Pension has gradually increased. PI reflects this change, and as a result the age threshold used to determine which women are pensioners has also risen. As well as affecting single women, this change also affects some couples where the male partner is under SPa (currently 65 years).

Whilst all women aged 60 and 61 would have been classed as pensioners back in 2009/10, now that is no longer the case. These women are more likely to be in work than the general pensioner population, so their exclusion from PI 2014/15 hides the continuing increase in the proportion of older people with income from earnings. This can be seen by focusing on pensioners where the head is aged 65 and over. This group is unaffected by the change in SPa, meaning that it is possible to compare like-for-like groups over time. Over the past decade the percentage of these pensioners with earnings had increased from 8 per cent to 13 per cent. It should be noted that this group includes 'mixed couples' where one person may be under 65. See **Table 5.8** for full data.

Couples had higher earnings than singles, but the difference decreased with age

Average weekly earnings (gross) of pensioner units with aged 65 and over, for those in receipt of earnings, in 2014/15 prices (£)



The average weekly earnings of all pensioners where the head is 65 or over has increased over the last decade, from £38 in 2004/05 to £71 in 2014/15. This increase reflects the higher percentage of this group who have income from earnings. For full data see **Table 5.5**.

In 2014/15, the average weekly earnings of all pensioners who received income from earnings was £361. On average couples received more - £399 per week, whilst the average amount that single pensioners received was £230 per week.

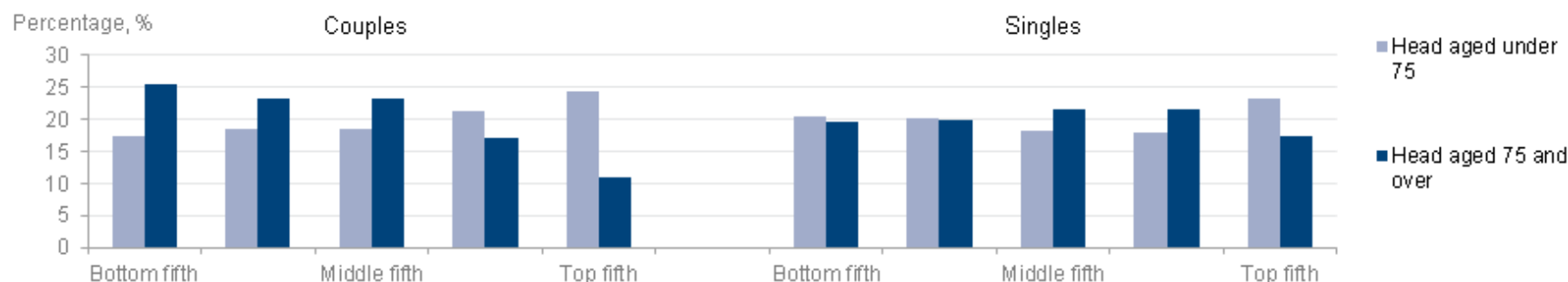
A similar pattern is also seen among pensioners aged 65 and over, although the difference between couples and single pensioners is smaller. Couples had average weekly earnings of £318, while the average amount received by single pensioners was £218 per week. This is not unexpected as older couples are less likely to include two people in work. See **Tables 3.11 and 5.8** for full data.

Distribution of pensioners' incomes

Pensioners' position within the pensioner income distribution was affected by their age

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 population was divided into five equal groups of 20 per cent. The top fifth have the highest incomes, the bottom fifth have the lowest.

The percentage of pensioner units by age in each fifth of the net income (AHC) distribution for couples and singles, 2014/15

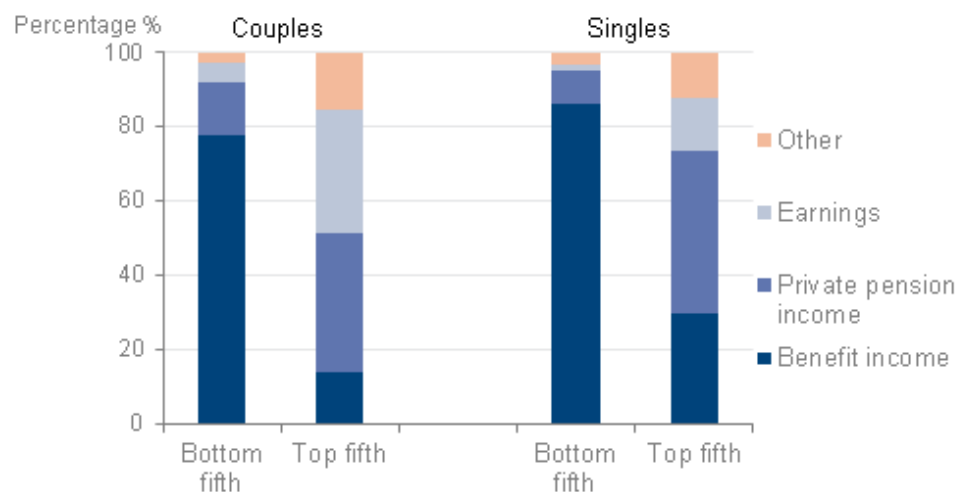


Over a quarter of pensioner couples where the head was 75 or over were in the bottom fifth, compared to 17 per cent of couples where the head was under 75. In comparison only 11 per cent of pensioner couples where the head was 75 or over are in the top fifth of the income distribution, compared to 24 per cent of younger pensioner couples. This pattern was not the same for single pensioners where both younger and older pensioners were equally likely (20 per cent) to be in the bottom fifth. However, younger single pensioners were more likely to be in the top fifth. These differences due to age are not surprising for the reasons discussed on page 3.

The distribution of single pensioners was also affected by gender. Single women are more likely to be in the bottom fifth of the income distribution than single men; 22 per cent of single women were in this group, compared to 15 per cent of men. Again, this isn't surprising given the higher average incomes of men discussed on page 4. See **Table 4.2** for full data.

The sources of pensioners' incomes differed depending on their position in the income distribution

Percentage of gross income from different sources for couples and singles in the top and bottom fifths of the net income distribution, 2012/13 – 2014/15



Benefit income, including State Pension income, was the largest source of income for both pensioner singles and couples in the bottom fifth of the income distribution. For pensioner couples in this group benefit income accounted for 78 per cent of their income, while for single pensioners this was 86 per cent. Benefit income made up more than half of all income for all but the top fifth of single pensioners.

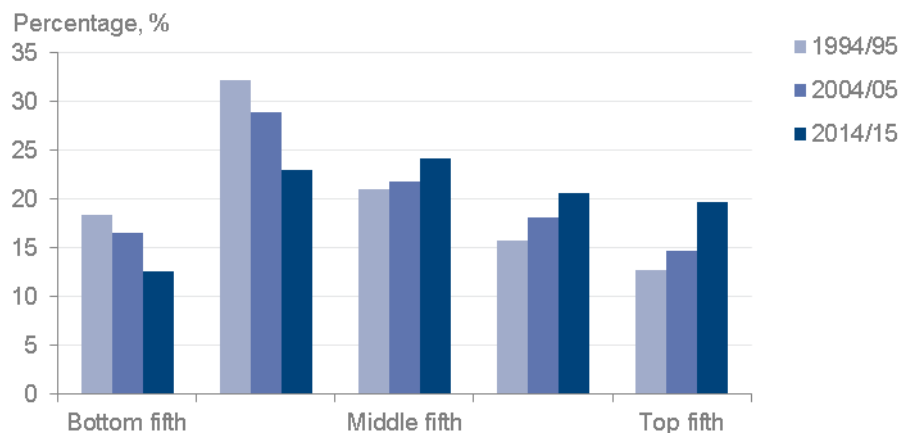
For the top fifth of couples, the largest source of income was from earnings (33 per cent). This is not surprising as one person in the couple may still be under State Pension age and working. For single pensioners the largest source of income was private pension income (43 per cent). The proportion of income from earnings and other sources, including investments, was highest in the top fifth of the income distribution. However, benefit income remained the second largest contributor to income in the top fifth.

See **Tables 4.2** and **4.4** for full data.

Pensioners' incomes within the overall distribution of incomes

The percentage of pensioners in the bottom fifth of the overall population income distribution has decreased

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



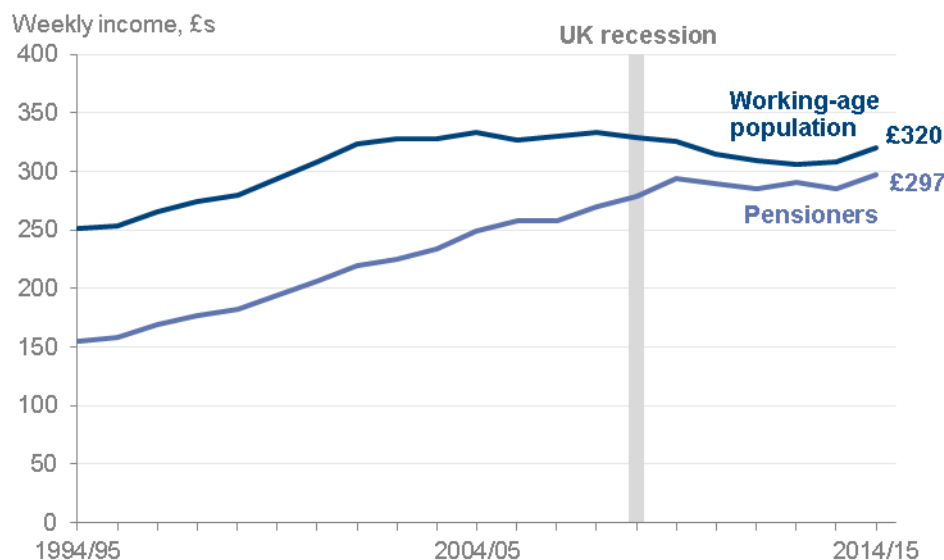
When looking at the position of individuals in pensioner families within the overall population, we sometimes use equivalised income, as we have done in this chart. This means that incomes are adjusted to take account of the size and composition of households. This is the approach used in the [Households Below Average Income report](#), which analyses the overall income distribution.

The percentage of pensioners in each fifth of the overall population income distribution has changed over time. Since 1994/95, the percentage of pensioners in the poorest two fifths of the overall population has reduced, with the percentage in the bottom fifth reducing from 18 per cent to 13 per cent in 2014/15. There are more single pensioners in this group compared to pensioner couples (16 per cent compared to 11 per cent).

In comparison the percentage of pensioners in the top three fifths of the overall population income distribution has increased. In the richest fifth, the percentage of pensioners has increased from 13 per cent in 1994/95 to 20 per cent in 2014/15. This group is dominated by pensioner couples (23 per cent) compared to singles (13 per cent). See **Tables 4.6 and 4.7** for full data.

Pensioner income was closer to that of the working-age population

Average weekly income of pensioner units and working-age population benefit units (AHC) in 2014/15 prices (£), using unequivalised income



In 1994/95, pensioners had lower average weekly incomes than the working age population. However, there has been a narrowing of this gap over the last decade. In 1994/95, pensioners' median income was 38 per cent lower than that of the working-age population. In 2014/15 this difference had reduced to 7 per cent. Overall, from 1994/95, average pensioner income increased by 92 per cent. This compares to a 28 per cent increase among the working-age population.

A number of factors could be at play. Pensioners have seen an increase in average income from a number of different sources, in particular private pensions and benefits. At the same time the working-age population has seen a fall in benefit income. The recession has also affected working-age average incomes, in particular earnings, more than pensioner incomes.

It is also important to note, as this report has highlighted, that this growth in pensioner income has not been equally spread across the pensioner population. Pensioners' incomes are affected by factors such as age, gender and family size, and these should therefore all be taken into account when interpreting these results.

See **Table 5.9** 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)**. 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 occupational 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.

National Statistics

The United Kingdom Statistics Authority has designated the Pensioners' Incomes Series 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.

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-201415>

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 via the UK Statistics Authority publication hub at: <https://www.gov.uk/government/statistics/announcements>