

# The Pensioners' Incomes Series

An analysis of trends in Pensioner Incomes  
1979 - 2013/14, United Kingdom

June 2015



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1979 - 2013/14, United Kingdom

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## **Editorial Team**

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# Key findings

## Chapter 2:

- **The gap in average weekly incomes between pensioners and the working-age population has decreased notably over the past two decades.** The difference in median weekly net income after housing costs between pensioner units and working-age benefit units has decreased from 38 per cent lower in 1994/95, to 8 per cent lower in 2013/14.
- **Pensioners in the middle of the income distribution have seen faster growth than those in the upper end of the distribution,** as median net income after housing costs for pensioner units increased 43 per cent compared to 37 per cent for mean net income after housing costs between 1998/99 and 2013/14.

## Chapter 3:

- **Pensioner units on average have become less reliant on benefits as a source of income,** as those with more than 50 per cent of income from private sources has increased from 30 per cent in 1994/95 to 40 per cent in 2013/14.
- **Average weekly income (median) from earnings amongst pensioner units in receipt has fallen** by over 20 per cent in real terms between 2008/09 and 2013/14 (from £409 to £321), however the percentage in receipt has remained relatively stable at around 20 per cent.

## Chapter 4:

- **The percentage of pensioner units in the bottom fifth of the net income after housing costs distribution for the overall population has decreased** from 43 per cent in 1979 to 13 per cent in 2013/14.
- **Older pensioners in couples were more likely to be in the bottom fifth,** and far less likely to be in the top fifth of the pensioner couples' income distribution than younger pensioners. Single female pensioners were more likely to be in the bottom fifth of the single pensioners' income distribution.

## Chapter 5:

- **Ethnic minority pensioners have lower average weekly income than their White counterparts.** This is largely due to them being less likely to receive occupational, personal and state pension income.
- **Couples where the woman is over state pension age and the man is of working age have the highest average weekly income from earnings,** however the average weekly amount has been falling since the equalisation of state pension age began in 2010/11.

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# Executive Summary

The Pensioners' Incomes Series (PI) 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. Pensioners have faced notable changes to both the level and composition of their average weekly incomes over the past three decades, as well as their position in the income distribution for the overall population. These changes are analysed in light of an evolving economic and policy landscape, and, where possible, driving forces are explored in more detail.

The main measure of income used in our analysis is net income after housing costs. Gross income and net income before housing costs are also reported and analysed where useful. All monetary values used throughout this publication are expressed in 2013/14 prices and so comparisons between years account for inflation.

Estimates are based on two household surveys. Since 1994/95, estimates are based on data from the Family Resources Survey (FRS), whereas historic trends (from 1979 to 1994/95) are based on data from the Family Expenditure Survey (FES). Results are subject to a margin of error as they are based on a sample survey. This can affect the interpretation of results, especially year-on-year changes. For more information on the reliability of estimates see the PI [Methodology Report](#).

## Chapter 2 - Trends in income

This chapter presents key figures relating to the average weekly incomes of pensioners and their long-term trends.

Key findings on trends in income:

- The difference in median weekly net income after housing costs (AHC) between pensioner units and working-age benefit units has decreased from 38 per cent lower in 1994/95, to 8 per cent lower in 2013/14.
- Since 1994/95, median net income AHC for pensioner units grew by 64 per cent, compared to 9 per cent for working age population benefit units.
- Median weekly gross income for pensioner units was £354 per week in 2013/14. After deduction of direct taxes, median net income before housing costs (BHC) was £317 per week, and median net income AHC was £283 per week (Table 2.1). These figures have decreased marginally from £362, £324 and £291 respectively in 2012/13, however these decreases are not statistically significant.

- Median weekly net income BHC grew by 35 per cent and AHC grew by 43 per cent between 1998/99 and 2013/14. In contrast, pensioner units median weekly net incomes in 2013/14 are not statistically different to those in the year preceding the 2008 recession (2007/08).
- Pensioners in the middle of the income distribution have seen faster growth than those in the upper end of the distribution. This has resulted in median net income for pensioner units growing faster than mean net income, both BHC (increasing 36 per cent compared to 31 per cent between 1998/99 and 2013/14) and AHC (increasing 43 per cent compared to 37 per cent between 1998/99 and 2013/14).

Key findings on trends in income sources:

- In 2013/14, state benefits accounted for 43 per cent of pensioner unit incomes, private pensions (occupational and personal pensions) 32 per cent, earnings 16 per cent and investment income 8 per cent.
- Since 1998/99, the fastest growing sources of income are earnings, which has increased by 48 per cent, and personal pension income, which has increased by over 232 per cent. Benefit income, which includes the State Pension, has increased by 23 per cent and occupational pension income by 46 per cent. Investment income is the only component which has not grown, decreasing by 7 per cent in real terms since 1998/99.

Key findings on differences between subgroups of pensioners:

- On average, pensioner couples have over two times the amount of mean weekly income from occupational pensions than single pensioners (£199 compared to £83) and approximately three times the amount of investment income (£60 compared to £21). Pensioner couples also have just over six times the amount of mean weekly income from earnings, however the earnings discrepancy between couples and singles are partly explained by the fact that pensioner couples are more likely to contain a younger partner in the workplace.
- On average, older pensioner units have lower incomes than their younger counterparts. In 2013/14, pensioner units where the head was aged 75 or over had median weekly net income AHC of £247, compared with £327 for those aged under 75.
- On average, male pensioners have higher incomes than female pensioners within all age groups. Median weekly net income AHC for single male pensioners was £209 in 2013/14, compared with £194 for single female pensioners.
- Pensioner couples in Wales, Yorkshire and the Humber, West Midlands and the North East had lower mean weekly net income AHC (£455, £461, £465 and £469)

per week on average in 2013/14 than pensioner couples in London, South East and the South West (£569, £616 and £537). Single pensioners in Wales and Yorkshire and the Humber also had lower net income (mean) AHC on average (£226 and £227) than single pensioners in the South East (£258).

- Pensioner couples in London and the South East on average had lower benefit income per week (£224 and £226) in 2013/14 than those in the North East, North West and the West Midlands (£250, £242 and £242). For single pensioners, those in the South East and the South West had lower benefit income per week (£171 and £178) than the average for the UK (£187), as well as the North East, North West and the West Midlands (£204, £200 and £192).

### **Chapter 3 - Percentage of pensioners with different sources of income**

This chapter looks at the percentage of pensioner units in receipt of different sources of income, and the distribution of income received through different sources for those in receipt. It also explores the importance of benefit income to different groups of pensioners.

Key findings on the percentage of pensioners with different sources of income.

In 2013/14:

- 97 per cent of all pensioner units reported income from the State Pension, unchanged for several years now, and at an average (median) income of £133 a week for singles and £212 a week for couples, for those in receipt.
- Pensioner units are becoming less reliant on income-related benefits as a source of income. The percentage in receipt has decreased from 57 per cent in 1979, to 27 per cent in 2013/14.
- There has been a slight decrease (not statistically significant) in the percentage of pensioner units in receipt of disability benefits, with a reduction from 22 per cent in 2012/13 to 20 per cent in 2013/14.
- Receipt of income from private pensions (occupational and personal pensions) has increased from 63 per cent at the turn of the century, to 71 per cent in 2013/14. Over four out of five pensioner couples and over three out of five pensioner singles receive income from private pensions.
- A smaller percentage of recently retired pensioner units are in receipt of occupational pensions than all pensioner units. However, for pensioner units that are in receipt of an occupational pension, the average income continues to increase.

- Receipt of personal pensions, a form of private pension, has increased from 7 per cent at the start of the century, to 19 per cent in 2013/14.
- Median weekly income from earnings, for pensioner units in receipt, has been falling in recent years. In 2013/14, half of all pensioners with earnings received £321 per week or more. However, this is lower in real terms by 21 per cent than in 2008/09, when half of all pensioner units with earnings received the equivalent of £409 per week or more.
- More than 60 per cent of pensioner units had at least a quarter of their gross income from private sources in 2013/14. This has increased gradually from 50 per cent in 1994/95. However, the proportion of pensioner units with at least half of their gross income from private sources has remained broadly unchanged since 2007/08, at 40 per cent.

#### **Chapter 4 - Distribution of pensioners' incomes**

This chapter looks at the distribution of pensioners' incomes, and their position within the income distribution of the overall population. It also looks at the importance of different sources of income for pensioners in different parts of the income distribution.

Key findings on the distribution of pensioners' incomes:

- In 1979, 43 per cent of all pensioners were in the bottom fifth of the overall income distribution i.e. including working-age households, on an after housing costs (AHC) basis, but by 2013/14 this had decreased to 13 per cent. A greater percentage of single pensioners are in the bottom fifth both on a before housing cost (BHC) and AHC basis when compared to couples (16 per cent compared with 11 per cent on an AHC basis in 2013/14).
- The period from 1998 to 2014 saw a fairly even spread of growth of incomes across the pensioner income distribution, particularly for pensioner couples. Indeed, incomes of the bottom fifth of couples grew faster than those of the top fifth. The median incomes of the bottom fifth of single pensioners grew the least, at 17 per cent, compared with 23 per cent for the top quintile (on an AHC basis). This difference was much less pronounced than in previous decades.
- Older pensioners in couples were more likely to be in the bottom fifth of the pensioner couples' income distribution than younger pensioners, while single female pensioners were more likely to be in the bottom fifth of the single pensioners' income distribution. Recently retired pensioners, both single pensioners and those in couples, were more likely to be in the top quintile than those who had been retired for some time.

- In relative terms, benefit income comprises the largest single component of total income for lower-income pensioners. For single pensioners, this is the case for all quintiles except the top fifth. The bottom two fifths of single pensioners received only a small percentage of their income from other sources, with benefits accounting for more than 85 per cent of gross income in both cases.
- Occupational pension income increases notably further up the income distribution. Income from investments and earnings also increases further up the distribution for both pensioner couples and single pensioners.
- The great majority of pensioners receive income from the State Pension, with 94 per cent or more in receipt in each quintile. Pensioner units towards the bottom of the income distribution are less likely to receive income from investments, occupational pensions, personal pensions or earnings than in the upper end of the distribution.
- The lowest rates of receipt for disability benefits were generally found towards the bottom and top 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. Likewise, income-related benefits were not limited to those at the bottom of the income distribution.

## **Chapter 5 – Additional Analysis**

This chapter looks at areas of interest around pensioners' incomes that do not fit into other chapters of the publication, including analysis of ethnic minority pensioners, cohabiting pensioners and mixed status pensioner couples (one partner below state pension age).

Key findings on additional analysis:

- Couples where the woman is over State Pension age (Spa) and the man is of working age have the highest average earnings. However, earnings for this group have been falling since SPa equalisation began in 2010/11.
- Ethnic minority pensioners have lower overall income than their White counterparts. This is largely due to them being less likely to receive occupational, personal and state pension income.
- Mixed status couples have on average 5 to 15 per cent higher incomes than the average for all pensioner couples primarily due to higher earnings from the working age partner, which account for nearly half of all income.
- Cohabiting pensioner couples have higher overall income than married pensioner couples mainly due to this group being younger and having a much higher level of earnings compared to married pensioner couples.

- There are 150,000 singles (1.1 per cent) that have retired under SPa and 360,000 couples (3.1 per cent) where both members are under SPa and at least one member has retired.
- Single benefit units who retire below SPa (compared to those over SPa) generally have high occupational pension income and low income from income-related benefits.

# 1. Introduction

## 1.1 The publication

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. This key source of information is used to inform Government thinking on relevant policies, as well as related programmes and projects. Researchers and analysts outside government use the statistics and data to examine topics such as ageing, distributional impacts of fiscal policies and the income profiles of pensioner groups.

Estimates in PI are based on two household surveys. Since 1994/95, estimates are based on data from the Family Resources Survey (FRS), whereas historic trends (from 1979 to 1994/95) are based on data from the Family Expenditure Survey (FES).

### Overview

- **Chapter 1** (this chapter) provides an introduction to the publication and key background information;
- **Chapter 2 looks at the overall trend in pensioners' incomes**, as well as different groups of pensioners. It includes comparisons by age, singles and couples, and region;
- **Chapter 3 looks in more detail at various sources of income**, including the percentage 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 overall population (including the working age population);
- **Chapter 5 sets out results for additional analysis**, including couples where only one member is above State Pension age, married and cohabiting couples and ethnic groups.

### Online material

This publication and related material can be found at: [The Pensioners' Incomes Series](#). Further details on the methodology behind the estimates in this publication can be found in the PI [Methodology Report](#).

Following a consultation with users, there are significant changes to the tables included in this year's publication. However, the PI webpage contains a full workbook of tables in Excel format that is consistent with previous publications. These include data for the years omitted from the tables in the publication. The PI web page also includes links to methodological papers and other relevant documents.

## 1.2 Background and pensioner demographics

Pensioners are an increasingly large and diverse group in the population. They are affected differently by economic and policy changes than working age people. There are a number of reforms affecting current and future pensioners at this time, including:

- Equalisation of state pension age
- Increasing state pension age
- Pension freedoms
- New state pension
- Private pension reforms including automatic enrolment

This publication helps to illustrate changes in pensioners' incomes over time and puts the results in the context of both economic and policy changes.

### Demographics

The *2011 Census* reported that there were 12.2 million people of State Pension age (SPa) in the UK or approximately one in five of the total population. Females made up the majority (62 per cent) of those over SPa, however this is expected to fall in line with the planned equalisation of the State Pension age (SPa for women will be increased from 60 to 65 by 2018 under the Pensions Act 2011).

Population growth amongst pensioners has consistently outstripped that of the working age population. This is due to factors such as overall lower mortality rates and higher life expectancy, as well as lower fertility rates within the working age population. ONS projections estimate this trend will continue, with the pensionable age population expected to grow at twice the rate of the working age population and to account for 24 per cent of the total UK population by 2037.<sup>1</sup>

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<sup>1</sup> ONS, National Population Projections, 2012



In total there were 10.4 million individuals over 65 in the *2011 Census*. The employment rate amongst this group was 10.1 per cent, with 12.9 per cent of males in employment compared to 7.8 per cent of females.<sup>2</sup> Since 2001 employment rates for the over 65s have approximately doubled. This change is likely to be due to a combination of economic pressures and changing attitudes<sup>3</sup> as well as policy factors such as the abolition of the default retirement age.

Home ownership continues to be higher for the over 65s compared to those of working age (75 per cent of those over 65s own their own home compared to 61 per cent of those of working age, [Census 2011](#)). This distinction is more pronounced when comparing outright ownership to ownership with a loan or mortgage.

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<sup>2</sup> ONS, Labour Market Statistics, September 2014

<sup>3</sup> Research shows that nearly half of over 50s want to keep working between age 65 and 70 [Attitudes of over 50s to Fuller Working Lives](#)

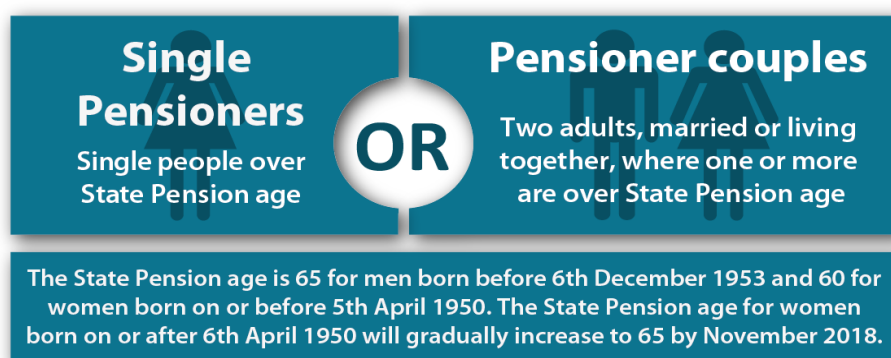
## 1.3 Definitions and conventions

The following definitions and conventions are used throughout the publication. For more information see the PI [Methodology Report](#).

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|                 |   |
|-----------------|---|
| Pensioner Units | <p>The Pensioners' Incomes Series provides analysis on pensioner benefit units (known as pensioner units), which include:</p> <ul style="list-style-type: none"> <li>• Single pensioners: individuals over State Pension age (SPa)</li> <li>• Pensioner couples: married or cohabiting pensioners where one or more are over SPa</li> </ul> |
|-----------------|---|

In 2013/14 the SPa for men was 65. For women, SPa was 61 and a half at the beginning of the 2013/14 financial year and had risen to 62 by the end of the financial year.




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|                        |  |
|------------------------|--|
| Age of pensioner units | <p>For analysis of pensioner units by age, pensioner couples are categorised by the age of the head (see the methodology report for definition of the head of benefit unit).</p> |
|------------------------|--|

**Recently retired** pensioner units are defined on the basis of age, rather than employment status. For 2013/14, women aged between 61 and 65 and men between 65 and 69 are included as recently retired, provided they have reached SPa as defined by the criteria in the methodology report. Chapter 5 extends the analysis by looking at retired units by employment status rather than age.

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|        |   |
|--------|---|
| Income | <p>Estimates do not reflect income from others in a household; therefore if a pensioner lives with their adult children, for example, the children's income is not reflected in this analysis.</p> <p>Estimates are based on <b>unequalised income</b>, where income is</p> |
|--------|---|

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|                      |   |
|----------------------|---|
|                      | <p>not adjusted for the size of the pensioner unit. Equivalisation makes an adjustment to income to improve its use as a measure of living standards, and is used in the <a href="#">Households Below Average Income (HBAI)</a> publication, which reports the percentage of pensioners living in low-income households.</p>  |
| Income measures      | <p><b>Gross income</b> 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.</p> <p><b>Net income Before Housing Costs (BHC)</b> is gross income minus direct taxes, including Council Tax payments.</p> <p><b>Net income After Housing Costs (AHC)</b> is gross income minus direct taxes and housing costs (where housing costs include rent, water rates and mortgage interest payments).</p> <p>Detailed descriptions of gross and net income definitions along with other terms used in the publication can be found in the Glossary and the PI <a href="#">Methodology Report</a>.</p> |
| Reporting Convention | <p>Throughout the publication, incomes estimates are presented in 2013/14 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 *.</p> <p>Averages are either means or medians and are identified to help readers' understanding. Growth rates presented are in real terms (adjusted for inflation) and calculated using un-rounded data.</p>  |
| Inflation measure    | <p>All Before Housing Costs (BHC) incomes (including gross income) in this publication have been adjusted for inflation using a bespoke index supplied by the Office for National Statistics, consisting of the Retail Prices Index (RPI) excluding Council Tax, while all After Housing Costs (AHC) have been adjusted for inflation using the RPI excluding housing.</p> <p>An independent review into UK price indices (<a href="#">Johnson Review</a>) published in January 2015 recommended adopting CPIH as the UK's main price index. The UK Statistics Authority will publish a report outlining their decision, following a consultation that will close on 15th September 2015. Until official guidance is provided</p>                                       |

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PI will continue to use the RPI as a measure of inflation.

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Comparability of the data

Graphs showing long-term trends use the Family Expenditure Survey for 1979 to 1996/97 and the Family Resources Survey for 1994/95 to 2013/14. 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.**

This publication uses data from selected years; however data available in the online tables start from 1994/95. Data from figures that present trends from 1979 onwards will be available within the online tables file.

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>4</sup>.

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<sup>4</sup> [UK Countries Comparability Scale](#)

## Composition of pensioner units

Since 2002/03, the total number of pensioner units has increased by 0.9 million, from 7.85 million to 8.75 million (**Table 1.1**). There have been some small changes in the composition of the pensioner population since 2002/03. Pensioner couples over 75 have increased slightly as a proportion of all pensioner units over 75, from 30 per cent to 33 per cent. The proportion of single males has also increased, from 24 per cent to 29 per cent across all single pensioner units and from 39 per cent to 45 per cent when considering only recently retired single pensioners.

**Table 1.1: The number of pensioner units in the United Kingdom, 2013/14**

|                                     | Recently<br>retired | Under 75  | 75 or over | All       |
|-------------------------------------|---------------------|-----------|------------|-----------|
| <b>All pensioner units</b>          | 2,150,000           | 4,950,000 | 3,800,000  | 8,750,000 |
| <i>of which</i>                     |                     |           |            |           |
| <b>Pensioner couples</b>            | 1,350,000           | 2,900,000 | 1,300,000  | 4,150,000 |
| <b>Single pensioners</b>            | 850,000             | 2,100,000 | 2,500,000  | 4,600,000 |
| <b>Pensioner married couples</b>    | 1,250,000           | 2,700,000 | 1,250,000  | 3,950,000 |
| <b>Pensioner cohabiting couples</b> | 80,000              | 190,000   | 20,000     | 210,000   |
| <b>Single male pensioners</b>       | 350,000             | 650,000   | 700,000    | 1,300,000 |
| <b>Single female pensioners</b>     | 450,000             | 1,450,000 | 1,800,000  | 3,300,000 |

## Interpretation of estimates

| Use...  | If...   |
|---|---|
| Gross   | <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>  |
| Net   | <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>  |
| Mean  | <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> |
| Median  | <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>                                    |
| Average (mean or median) for all              | <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>  |
| Average (mean or median) for those in receipt | <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>  |
| All pensioner units                           | <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>  |
| Singles and couples separately                | <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>   |

|                      |   |
|----------------------|---|
| After Housing Costs  | <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> |
| Before Housing Costs | <ul style="list-style-type: none"> <li>interested in total net income</li> </ul>  |

## Key acronyms

| Acronym | Full Name                       |
|---------|---------------------------------|
| FRS     | Family Resources Survey         |
| FES     | Family Expenditure Survey       |
| HBAI    | Households Below Average Income |
| BHC     | Before Housing Costs            |
| AHC     | After Housing Costs             |
| SPa     | State Pension age               |
| RPI     | Retail Prices Index             |

## 1.4 Accuracy and further sources of information

This section summarises key information from the [Methodology Report](#), and users are advised to refer to the full report for detailed information about any aspects of the quality and methodology relating to the Pensioners' Incomes Series.

### 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

- The key strengths of the Pensioners' Incomes Series are 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 and is therefore subject to sampling variation and other forms of error associated with a sample survey, such as reporting errors, under-reporting, systematic bias and random sampling error.
- This publication is based on data from the FRS, which is a household survey and the situations of pensioners living in institutions or communal establishments are not captured in the findings. However the *2011 Census* identified 337,000 individuals in such circumstances making up 3.7 per cent of all over 65s, so this report is applicable to the vast majority of the pensioner population.

## Reliability of estimates

- All estimates presented in this publication are based on sample surveys and are therefore subject to a degree of uncertainty.
- Uncertainty is larger for more detailed analysis that is based on lower sample sizes. It is also larger for components of income which vary widely between different people, such as income from investment. **Table M1.1** in the Methodology Report presents standard errors and confidence intervals for estimates of pensioners' average incomes in 2013/14.
- There is greater uncertainty when comparing two estimates (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 combined uncertainty of both estimates, then this estimate is likely to be meaningful.
- For most of the tables in this publication, the latest year-on-year growth estimates are small relative to the combined uncertainty of the two estimates; hence it is not possible to say with 95 per cent confidence whether there has been a 'real' change as opposed to sample variation in the survey. Users can draw broad conclusions about recent trends by looking at the full time series of estimates in the tables and charts. **Table M1.2** contains selected growth estimates and their confidence intervals.



## 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 and expenditure. These factors are not considered in this report. Furthermore, estimates of incomes in this publication do not take account of the income of other members of the household and they are not adjusted for single pensioners compared to couples (equivalisation), which could affect pensioners’ standards of living. Income estimates should therefore 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 and 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: [Department for Work and Pensions Working Paper Number 54](#). For the latest results on the percentage of pensioners in low-income households and material deprivation, see Chapter 6 of the 2013/14 [Households Below Average Income](#) report.

## Other sources covering similar themes

There are a number of other sources of data which contain similar themes, including the [Family Resources Survey \(FRS\)](#), [Households Below Average Income \(HBAI\)](#) and the [Wealth and Assets Survey \(WAS\)](#). The Office for National Statistics have published a [guide to sources of data on earnings and income](#) to help users understand which income and earnings statistics best meet their needs.

## 2. Trends in Pensioners' Incomes

### Key Findings

- The difference in median weekly net income after housing costs (AHC) between pensioner units and working-age benefit units has decreased from 38 per cent lower in 1994/95 (£173 compared to £281) to 8 per cent lower in 2013/14 (£283 compared to £306). Overall, from 1994/95 to 2013/14, median net income AHC for pensioner units grew by 64 per cent, compared to 9 per cent for working age population benefit units.
- Median weekly gross income for pensioner units was £354 per week in 2013/14. After deduction of direct taxes, median net income before housing costs (BHC) was £317 per week, and median net income AHC was £283 per week (Table 2.1). These figures have decreased marginally from £362, £324 and £291 respectively in 2012/13, however these decreases are not statistically significant.
- Median weekly net income BHC grew by 35 per cent and AHC grew by 43 per cent between 1998/99 and 2013/14. In contrast, pensioner units median weekly net incomes in 2013/14 are not statistically different to those in the year preceding the 2008 recession (2007/08).
- Median net income for pensioner units has grown faster than mean net income, both Before Housing Costs (increasing 36 per cent compared to 31 per cent between 1998/99 and 2013/14) and After Housing Costs (increasing 43 per cent compared to 37 per cent between 1998/99 and 2013/14). This means pensioners in the middle of the income distribution have seen faster growth than those in the upper end of the distribution.
- In 2013/14, state benefits accounted for 43 per cent of pensioner units incomes, private pensions (occupational and personal pensions) 32 per cent, earnings 16 per cent and investment income 8 per cent.
- Since 1998/99, the fastest growing sources of income are earnings, which has increased by 48 per cent in this time, and personal pension income, which has increased by over 232 per cent. Benefit income, which includes the State Pension, has increased by 23 per cent and occupational pension income by 46 per cent.
- Benefit income varies less across region, however pensioner couples in London and the South East on average had lower benefit income per week (£224 and £226) in 2013/14 than those in the North East, North West and the West Midlands (£250, £242 and £242).

This chapter presents key figures relating to the average weekly incomes of pensioner units in 2013/14 and their long-term trends. We investigate the drivers of changes in the most recent year of data, as well as pre and post-recession trends. All monetary values used throughout this chapter are expressed in 2013/14 prices (see Chapter 1) and so comparisons between years account for inflation.

The analysis is carried out on pensioner units, which contain both single pensioners and couples where at least one person is above the state pension age (see Chapter 1). The online tables provide more detailed breakdowns of income by pensioner singles and couples separately. This chapter is broadly outlined as follows:

- **Average weekly incomes** of pensioner units, including a **comparison with working age** benefit units;
- **Trends and growth rates** in incomes over time – for overall incomes and also the different components of incomes;
- **Income levels for different groups** – couples and singles, single males and single females, those recently retired, and those under or over 75 years of age.
- **Income levels by region**, including regions of England and countries in the United Kingdom.

## 2.1 Trends in income for all pensioner units

Pensioner units have seen a substantial increase in their average weekly incomes over the past two decades (**Figure 2.1**). On average, pensioner unit median gross income was £354 per week in 2013/14. After deduction of direct taxes, this decreases to £317 per week before housing costs (BHC) and £283 per week after housing costs (AHC) (**Table 2.1**). These figures have decreased marginally from £362, £324 and £291 respectively in 2012/13, however these decreases are not statistically significant. The decreases in median incomes have been driven by a decrease in average income from earnings and benefits (the decrease in income from earnings is not statistically significant, see **Table 2.2**).

In terms of subgroups of pensioner units, there was a slight decrease in median net income AHC for single pensioners from 2012/13 to 2013/14 (£201 to £197), whereas there was a slight increase for pensioner couples (£417 to £422). Again, as is typical with year-on-year changes, these results are not statistically significant.

**Table 2.1: The average incomes of pensioner units, 1996/97 to 2013/14**

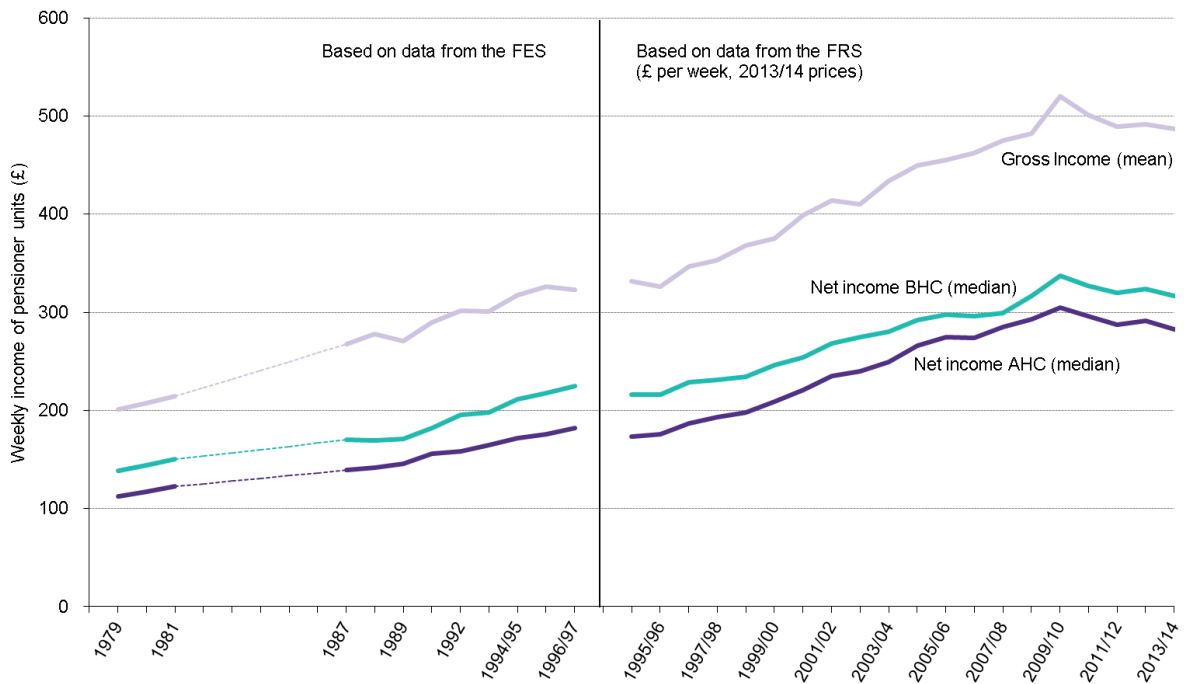
*Incomes in £ per week, 2013/14 prices*

|                            | 1996/97 | 1998/99 | 2011/12 | 2012/13 | 2013/14 | As a % of gross<br>income in 2013/14 |
|----------------------------|---------|---------|---------|---------|---------|--------------------------------------|
| <b>All pensioner units</b> |         |         |         |         |         |                                      |
| <b>Gross income</b>        |         |         |         |         |         |                                      |
| Mean                       | 347     | 368     | 489     | 492     | 487     | 100%                                 |
| <i>of which</i>            |         |         |         |         |         |                                      |
| Benefit income             | 166     | 169     | 209     | 215     | 209     | 43%                                  |
| Occupational pension       | 89      | 95      | 133     | 134     | 138     | 28%                                  |
| Personal pension income    | 4       | 6       | 18      | 21      | 20      | 4%                                   |
| Investment income          | 40      | 43      | 35      | 33      | 40      | 8%                                   |
| Earnings                   | 47      | 53      | 90      | 86      | 78      | 16%                                  |
| Other income               | 2       | 3       | 4       | 3       | 3       | 1%                                   |
| Median                     | 251     | 259     | 360     | 362     | 354     |                                      |
| <b>Net income BHC</b>      |         |         |         |         |         |                                      |
| Mean                       | 297     | 311     | 407     | 409     | 408     | 84%                                  |
| Median                     | 229     | 234     | 320     | 324     | 317     |                                      |
| <b>Net income AHC</b>      |         |         |         |         |         |                                      |
| Mean                       | 256     | 274     | 375     | 376     | 375     | 77%                                  |
| Median                     | 187     | 198     | 287     | 291     | 283     |                                      |

**Figure 2.1** puts these figures in a long-term context, showing an upwards trend in all measures of average weekly income (both mean and medians) to a peak in 2009/10, with a subsequent broad plateau till 2013/14. Median net income AHC was £198 per week in 1998/99, and peaked at £305 in 2009/10 (**Online Table 2.1**). Median net income grew by 35 per cent BHC and 43 per cent AHC between 1998/99 and 2013/14. Confidence intervals presented in **Table 2.2** show that these growth rates are statistically significant.

In contrast, there has not been a statistically significant change in pensioner unit real median net incomes between the financial year preceding the 2008 recession (2007/08) and 2013/14. This trend is notably different to that of the early 1990's recession, where median net incomes increased consistently from 1990/91 to 1996/97.

**Figure 2.1: Average weekly income of pensioner units, 1979 to 1996/97 and 1994/95 to 2013/14**



**Table 2.2: Growth in average incomes of pensioner units, 1998/99 to 2013/14 and 2012/13 to 2013/14**

|                            | <i>Incomes in £ per week, 2013/14 prices</i> |         |         |                                   |                                   |   |   |
|----------------------------|--|---------|---------|-----------------------------------|-----------------------------------|---|---|
|                            | 1998/99                                      | 2012/13 | 2013/14 | % growth<br>1998/99 to<br>2013/14 | % growth<br>2012/13 to<br>2013/14 | 95% confidence<br>interval<br>1998/99 to<br>2013/14 | 95% confidence<br>interval<br>2012/13 to<br>2013/14 |
| <b>All pensioner units</b> |  |         |         |                                   |                                   |   |   |
| <b>Gross income</b>        | 368  | 492     | 487     | 32% *                             | -1%                               | 27% to 38%  | -5% to 4%   |
| <i>of which</i>            |  |         |         |                                   |                                   |   |   |
| Benefit income             | 169  | 215     | 209     | 24% *                             | -3% *                             | 21% to 25%  | -4% to -1%  |
| Occupational pension       | 95   | 134     | 138     | 45% *                             | 3%                                | 38% to 55%  | -3% to 9%   |
| Personal pension income    | 6  | 21      | 20      | 233% *                            | -5%                               | 164% to 322%  | -20% to 12%   |
| Investment income          | 43   | 33      | 40      | -7%                               | 21% *                             | -19% to 9%  | 1% to 40%   |
| Earnings                   | 53   | 86      | 78      | 47% *                             | -9%                               | 30% to 69%  | -23% to 5%  |
| Other income               | 3  | 3       | 3       | 0%                                | 0%                                | -14% to 50%   | -30% to 8%  |
| <b>Net income BHC</b>      |  |         |         |                                   |                                   |   |   |
| Mean                       | 311  | 409     | 408     | 31% *                             | 0%                                | 27% to 36%  | -4% to 3%   |
| Median                     | 234  | 324     | 317     | 35% *                             | -2%                               | 32% to 39%  | -5% to 0%   |
| <b>Net income AHC</b>      |  |         |         |                                   |                                   |   |   |
| Mean                       | 274  | 376     | 375     | 37% *                             | 0%                                | 32% to 42%  | -4% to 4%   |
| Median                     | 198  | 291     | 283     | 43% *                             | -3%                               | 39% to 47%  | -5% to 0%   |

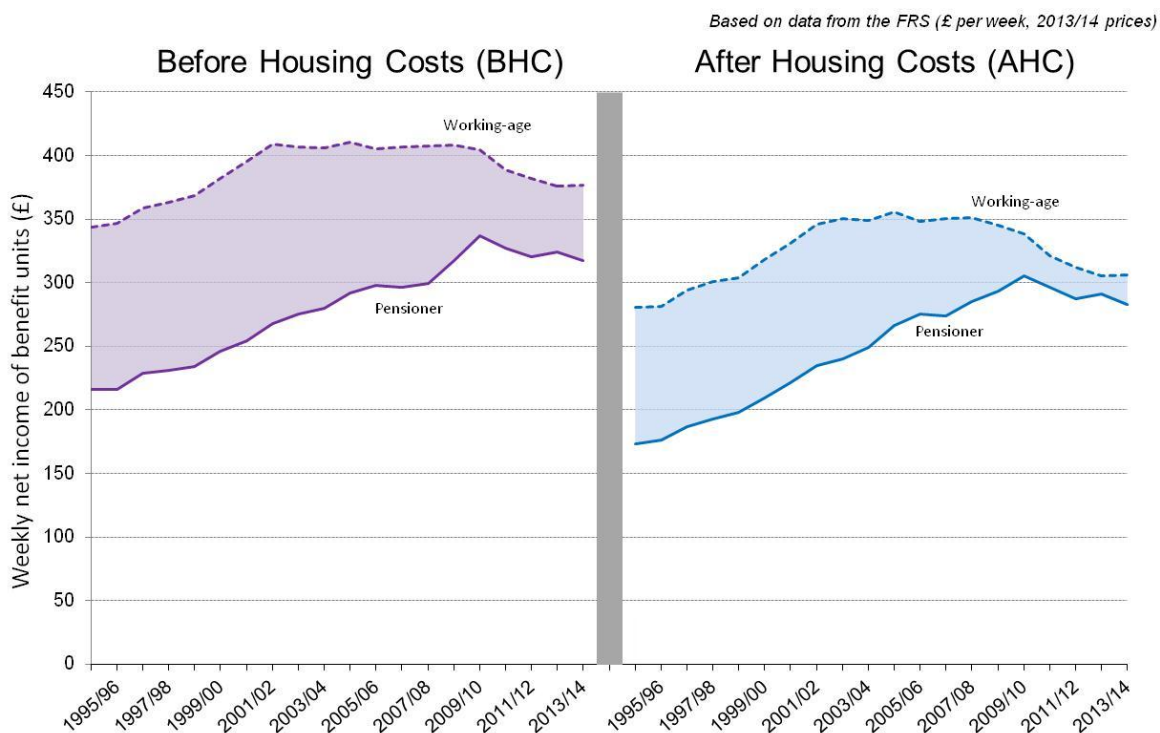
*Note: results that are statistically significant are denoted with an asterisk (\*)*

## Pensioners compared to the working age population

In 1994/95, pensioner units had notably lower average weekly incomes than working-age benefit units (including singles and couples below State Pension age, with or without children), however there has been a marked reduction in this difference in the years leading up to 2013/14 (**Figure 2.2**). In 1994/95, pensioner unit median net income BHC per week was 37 per cent lower than that of working-age population benefit units (£216 compared to £344). This has reduced to 16 per cent lower in 2013/14 (£317 compared to £377). For median net income AHC, this gap has reduced from 38 per cent lower in 1994/95 (£173 compared to £281) to 8 per cent lower in 2013/14 (£283 compared to £306). Overall, from 1994/95 to 2013/14, pensioner unit median net income increased by 47 per cent BHC and 64 per cent AHC. The corresponding figures for working-age benefit units are 10 and 9 per cent respectively

The comparisons with working-age benefit units are based on unequivalised income, and hence do not make adjustments for the number of individuals in each benefit unit. For example, families with children would need more income to maintain a similar standard of living compared to those without children, and hence their weekly income would be adjusted downwards once equivalised. These results should therefore be interpreted as comparisons of average weekly incomes and not necessarily a comparison of living standards.

**Figure 2.2: Average (median) weekly net incomes for pensioner and working-age benefit units, 1994/95 to 2013/14**



The reduction in the gap in average weekly incomes is driven by an increase in income from private pensions (both occupational and personal pensions) and increasing benefit income for pensioner units, both of which have remained constant in the years after the 2007/8 recession. Conversely, working-age benefit units have faced decreasing real median income AHC post-recession (**Figure 2.2**), which is likely to be driven by falling real wages and falling real benefit income. The percentage of pensioner units in receipt of income from earnings is relatively low (see **Table 3.1**) compared to the employment rate of the working-age population and so they will not be affected as much by falling real wages. Moreover, the 'triple lock' has ensured that the basic state pension is uprated by the highest of earnings growth, inflation (as measured by the CPI) or 2.5 per cent. The more pronounced reduction in the gap between median weekly net income AHC reflects the fact that pensioners are more likely to own their home outright and are therefore less prone to increases in housing costs ([see Table 3.2 of the 2013/14 FRS](#)).

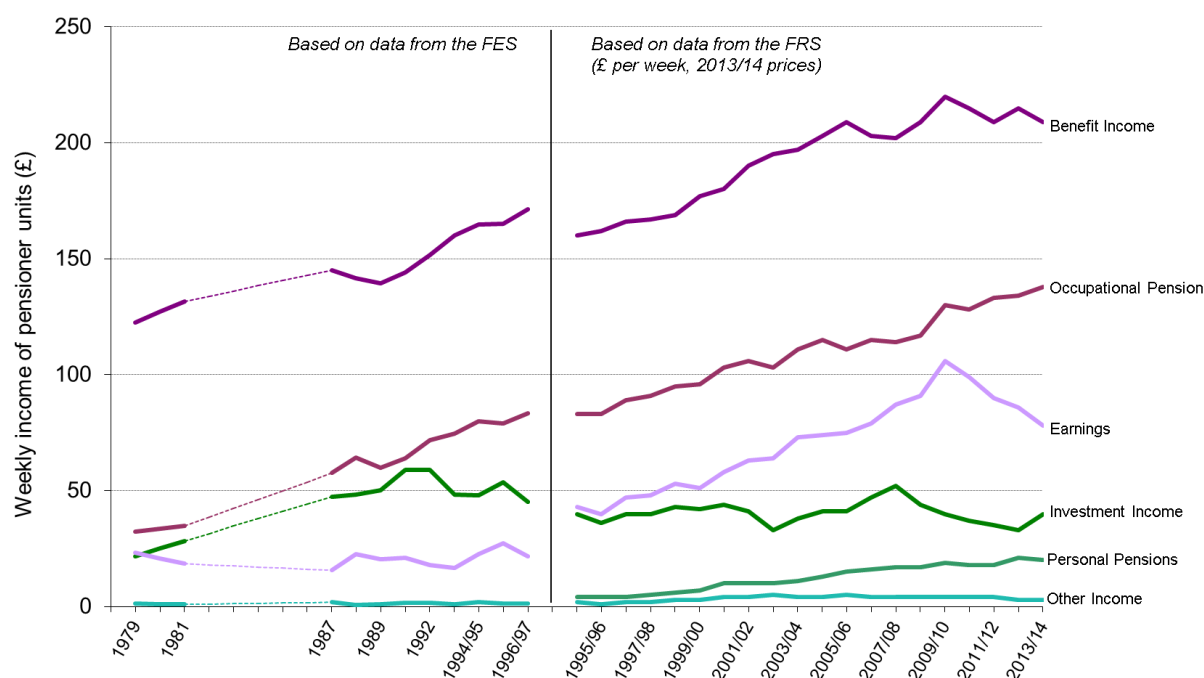
## 2.2 Trends in income sources for pensioner units

Using mean gross income allows us to look at the trends in the composition of income over time. Pensioner units receive income from a range of different sources and changes in the composition of these sources reflect important underlying economic factors. It is important to note that the figures presented are means, and not every pensioner will receive income from these sources. For example, only a sub-group of pensioner units receive income from earnings. In 2013/14, for all pensioner units:

- 43 per cent of average gross income came from state benefits (including the State Pension)
- 32 per cent of average gross income came from private pensions (occupational and personal pensions)
- 16 per cent of average gross income came from earnings
- 8 per cent of average gross income came from investment income

Changes in the average amounts from each income source over the long term can reflect the number of people receiving different types of income (for example, more people receiving occupational pensions) and changes in the 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. In addition, changes in average incomes also reflect changes in the composition of the pensioner population – for example, as new retirees with higher incomes join the group.

**Figure 2.3: Growth in sources of gross income, 1979 to 1996/97 and 1994/95 to 2013/14**



**Figure 2.3** shows the trend in income sources since 1979. Income sources have grown at different rates over this period, and hence the composition of gross income has also changed (**Figure 2.4**). 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. In terms of the growth rates in average (mean) values:

- **Benefit income** has seen a 23 per cent growth in real terms, from £169 per week in 1998/99 to £209 per week in 2013/14.
- **Occupational pensions** increased by 84 per cent in real terms between 1979 and 1996/97. Average incomes from occupational pensions have continued to grow in recent years, increasing from £95 per week in 1998/99 to £138 per week in 2013/14 (46 per cent).
- **Personal pensions:** the average income received from this source has trebled in real terms to £20 per week in 2013/14 (over 230 per cent growth) since 1998/99, although it is a minority (19 per cent) of pensioners who receive an income from personal pensions.
- **Investment income** approximately doubled in real terms between 1979 and 1996/97. Since 1996/97, average investment income reached its peak at £52 per week in 2007/08 (pre-recession), however it has fallen by 23 per cent to £40 per week in 2013/14. In real terms, there has not been a statistically significant



change in (mean) average investment income from the estimated value in 1998/99.

- **Earnings** increased 48 per cent between 1998/99 and 2013/14, from £53 to £78 per week in real terms. However, this source of income has also seen a fall in more recent years, declining 26 per cent in 2013/14 from a peak of £106 per week in 2009/10.

**Figure 2.4: Composition of gross weekly income (mean) by source, 1979 to 1996/97 and 1994/95 to 2013/14**



The composition of pensioner unit mean gross income has changed notably since 1979. Benefit income has gradually decreased in terms of the share of overall gross income, from 61 per cent in 1979 to 43 per cent in 2013/14 (**Figure 2.4**). However, it has remained relatively stable since 2006/07. Occupational and personal pensions have contributed an increasing proportion of income, on average totalling 32 per cent of gross income in 2013/14 compared to 16 per cent in 1979.

The contribution of earnings to total gross income grew from 14 per cent in 1998/99 to a peak of 20 per cent in 2009/10. It has since fallen to 17 per cent in 2013/14, which has been driven by a fall in the average amount for those in receipt of earnings rather than the number of pensioner units in receipt (see **Online Table 3.10**). Pensioner couples are likely to have a large influence on this result, as this group includes couples where one partner is under the state pension age, and so will be more likely to have income from earnings (as can be seen in **Figure 5.1**)

Income from investments has contributed a decreasing proportion, declining from 12 per cent in 1998/99 to 8 per cent in 2013/14. **Online Table 3.6** suggests this trend reflects a decline in the number of pensioner units in receipt of investment income as opposed to a significant decline in the average (mean) amount received by those in receipt.

## Economic and policy context

The income estimates and long-term trends presented in this publication are influenced by many factors, including the labour market, inflation, monetary policy and benefit uprating decisions.

Key economic indicators for recent years:

- For those aged 50-64 years the employment rate has increased from 66 per cent to 68.5 per cent from first quarter of 2012/13 (April to June 2012) to the fourth quarter of 2013/14 (January to March 2014). For individuals aged 65 and over, the employment rate has increased from 9.1 to 10.1 per cent over the same period.<sup>5</sup> This is reflected in a small increase in the percentage of pensioners units in receipt of income from earnings (see **Table 3.1**) from 17 per cent in 2012/13 to 18 per cent in 2013/14.
- Median gross weekly earnings adjusted for inflation (at constant 2014 prices) decreased by 1.6 per cent from 2012/13 to 2013/14<sup>6</sup>. Although the majority of pensioners do not receive income from earnings, this result is coherent with the fall in gross income from earnings in **Table 2.1**, as well as the more pronounced fall in earnings from income for pensioner couples where one member is below state pension age (and hence more likely to be in employment) shown in **Table 5.1**.
- For older workers (aged 50-64), the rate of moving between jobs is historically lower than the population as a whole<sup>7</sup>, which suggests it is less likely for older workers to seek better pay by moving jobs and consequently makes them more prone to stagnating real wages.
- The Bank of England base rate was 0.5 per cent in 2013/14 and has remained unchanged since April 2009. This rate directly and indirectly influences many of the investment products that feed into income from investments for pensioner units (including ISAs, stocks and bonds). Since 2007/08, average investment

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<sup>5</sup> Labour Force Survey (LFS), May 2015 – [Table A05](#)

<sup>6</sup> See [ASHE 2014 provisional release](#)

<sup>7</sup> See Figure 14 in the [April 2015 ONS Economic Review](#)

income (median) for those in receipt has fallen from £9 to £5 per week (see Table 3.1). This historically low base rate also affects housing costs through mortgage repayments, which will reduce the difference between net income BHC and AHC for pensioner units who do not own their home outright, as well as the difference in average weekly income between the working age population (where a smaller proportion own their home outright).

Selected benefit uprating amounts and inflation for recent years:

- Since April 2011, the uprating of the Basic State Pension has been governed by a 'triple lock', where the increase is the highest of earnings, prices or 2.5 per cent. In April 2012, the Basic State Pension was uprated by 5.2 per cent, and in April 2013 it was uprated by 2.5 per cent. In addition, the standard minimum income guarantee in Pension Credit was increased in April 2013 by 1.9 per cent, which was equivalent to the cash rise in a full Basic State Pension, and ensured the lowest income pensioners received the full value of the increase in their Basic State Pension. Maximum levels of the Savings Credit in Pension Credit were reduced, however, by 2.6 per cent and 3.5 per cent for singles and couples respectively in April 2013.
- The inflation rate in 2013/14 was 2.9 per cent, as measured by the Retail Prices Index (RPI), and 2.3 per cent as measured by the Consumer Prices Index (CPI). 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 RPI excluding Council Tax, while all After Housing Costs (AHC) have been adjusted for inflation using the RPI excluding housing.

## 2.3 Income by pensioner demographics

The aggregate summary measures of average weekly incomes (medians and means) for all pensioner units mask the differences between different groups of pensioners, such as single pensioners and those in a couple. **Table 2.3** summarises estimates of median net income after housing costs for key subgroups of the pensioner population.

**Table 2.3: The average (median) net incomes AHC of different groups, 1996/97 to 2013/14**

*Incomes in £ per week, 2013/14 prices*

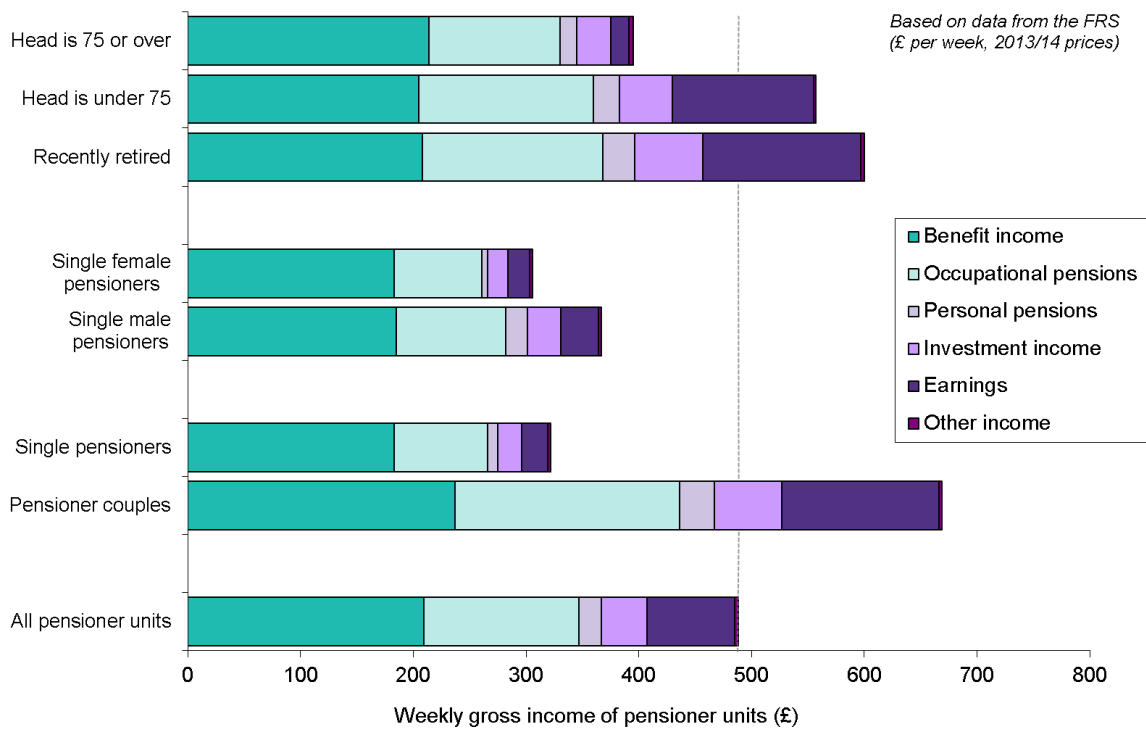
|   | 1996/97 | 1998/99 | 2011/12 | 2012/13 | 2013/14 |
|---|---------|---------|---------|---------|---------|
| <b>All pensioner units</b>                          | 187     | 198     | 287     | 291     | 283     |
| <b>Pensioner couples</b>                            | 288     | 309     | 413     | 417     | 422     |
| <b>Single pensioners</b>                            | 125     | 136     | 198     | 201     | 197     |
| <b>Single male pensioners</b>                       | 145     | 148     | 214     | 214     | 209     |
| <b>Single female pensioners</b>                     | 120     | 132     | 194     | 195     | 194     |
| <b>Recently retired pensioner units</b>             | 246     | 264     | 348     | 354     | 348     |
| <b>Pensioner units where the head is under 75</b>   | 219     | 230     | 329     | 327     | 327     |
| <b>Pensioner units where the head is 75 or over</b> | 157     | 168     | 249     | 252     | 247     |

Pensioner couples average (median) net income was £422 per week compared to £197 per week for single pensioners in 2013/14. Within the single pensioner group, males have higher incomes than females (£209 and £194 per week respectively). Younger pensioners also have higher average incomes than their older counterparts. Recently retired pensioner units average (median) net income was £348 per week compared to £327 per week from pensioner units where the head is under 75, and £247 for pensioner units where the head is 75 or over.

In terms of income, single female pensioners are the group with the smallest amount per week on average. The group with the largest amount per week (£472) was pensioner couples where one member is below state pension age (see **Table 5.1**).

Looking at the composition of gross mean income per week of these groups allows us to explain some of these differences. This can be seen in **Figure 2.5**.

**Figure 2.5: Sources of weekly gross income (mean) for different groups, 2013/14**



### Differences between couples and singles

On average, pensioner couples have more than double (£199 compared to £83) the level of occupational pension income per week and around three times the amount of investment income as single pensioners. Pensioner couples also have a significantly larger amount of earnings income than single pensioners (**online Table 2.1**), however, as discussed previously, pensioner couples include some couples where one partner is under SPa (see Chapter 5 for more information regarding mixed status couples).

### Differences by gender

The main difference between the genders occurs for occupational pension income. In 2013/14, single men received £97 per week on average from this source, compared with £78 per week for single women. Single men also received more investment and personal pension income, however benefit income received is similar across both groups which reduces the net income discrepancy (as benefit income is a large share for both groups). In general, single male pensioners also have higher incomes than single female pensioners within each age group (**Online Table 2.6**).

## Differences by age

Recently retired pensioner units have a larger amount of income from occupational pension as well as earnings. In 2013/14, recently retired pensioner units received net income AHC (median) of £348 per week compared to £327 for pensioner units where the head is under 75 and £247 where the head is over 75. The difference in net income AHC (median) between pensioners units where the head is over 75 and where the head is under 75 has increased from £62 per week in 1998/99 to £80 in 2013/14.

There are a number of reasons why there are differences in average incomes between age groups:

- **The 'age' effect:** Older pensioners are less likely to be in work and hence receive a smaller amount from earnings (**Figure 2.5**). Any pension(s) they may be in receipt of are usually a proportion of what they would have earned.
- **The 'cohort' effect:** The rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to later cohorts, and the significant and almost constant increase in real earnings over the past few decades - apart from the years following the 2008 recession - have led to increases in disposable income that can be saved in private pensions or investing (e.g. in property). 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.
- **The length of time since retirement:** Pensions generally increase by less generous uprating measures after retirement. In addition, most annuities<sup>8</sup> purchased with occupational or personal pensions are level annuities, which do not increase over time. Income in real terms is therefore decreasing for these annuities once inflation is taken into account.

## Differences by region

Pensioner incomes vary by region within the UK. **Table 2.4** shows average (mean) values for gross income, benefit income and net income Before and After Housing Costs for each of the regions. Results in **Table 2.4** are based on three year averages to increase sample sizes within each region and increase the robustness of the estimates, however confidence intervals remain large for the majority of the estimates and so users should take caution when comparing small differences across regions. The results discussed here are statistically significant.

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<sup>8</sup> [Pension Annuities: A review of consumer behaviour, FCA \(2014\)](#)

**Table 2.4: The average (mean) income of pensioner units by region / country, 2011-14**

*Incomes in £ per week, in 2013/14 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                  | 678               | 235            | 552            | 522            | 325               | 187            | 280            | 241            |
| North East               | 586               | 250            | 496            | 469            | 311               | 204            | 275            | 234            |
| North West               | 612               | 242            | 504            | 478            | 316               | 200            | 278            | 237            |
| Yorkshire and the Humber | 579               | 237            | 487            | 461            | 297               | 186            | 261            | 227            |
| East Midlands            | 623               | 235            | 514            | 491            | 303               | 190            | 264            | 229            |
| West Midlands            | 583               | 242            | 489            | 465            | 302               | 192            | 265            | 231            |
| East                     | 703               | 233            | 563            | 533            | 339               | 181            | 288            | 250            |
| London                   | 782               | 224            | 612            | 569            | 360               | 191            | 306            | 251            |
| South East               | 814               | 226            | 649            | 616            | 353               | 171            | 294            | 258            |
| South West               | 693               | 235            | 566            | 537            | 316               | 178            | 273            | 239            |
| Wales                    | 562               | 243            | 479            | 455            | 291               | 185            | 256            | 226            |
| Scotland                 | 653               | 243            | 543            | 518            | 299               | 188            | 265            | 234            |
| Northern Ireland         | 583               | 246            | 493            | 478            | 279               | 187            | 250            | 228            |
| Great Britain            | 669               | 236            | 547            | 518            | 320               | 187            | 277            | 240            |
| United Kingdom           | 667               | 236            | 545            | 517            | 319               | 187            | 276            | 239            |

Notes:

(1) Data based on the average of three years of results from 2011/12, 2012/13 and 2013/14 FRS data and updated to 2013/14 prices

Pensioner couples in Wales, Yorkshire and the Humber, West Midlands and the North East had less net income AHC (£455, £461, £465 and £469) per week on average in 2013/14 than pensioner couples in London, South East and the South West (£569, £616 and £537), as well as the UK average (£517). Single pensioners in Wales and Yorkshire and the Humber also had less net income (mean) AHC on average (£226 and £227) than single pensioners in the South East (£258). This could be driven by a range of factors affecting London and the South East, including lower unemployment rates and higher average weekly earnings (which affects lifetime accumulation into a private pension).

Benefit income varies less across region, however pensioner couples in London and the South East on average had less benefit income per week (£224 and £226) in 2013/14 than those in the North East, North West and the West Midlands (£250, £242 and £242). They also had less on average than Wales, Scotland and Northern Ireland (£243, £243 and £246). For single pensioners, those in the South East and the South West had less benefit income per week (£171 and £178) than the average for the UK (£187), as well as the North East, North West and the West Midlands (£204, £200 and £192). Benefit income varies less than net income, as benefit entitlements do not vary as much other sources of income, and some benefits are in receipt by almost all pensioner units (such as state pension and winter fuel payments).

## 3. Sources of Pensioners' Incomes

### Key Findings

- 97 per cent of all pensioner units reported income from the State Pension, unchanged for several years now, and at an average (median) income of £133 a week for singles and £212 a week for couples, for those in receipt.
- Pensioner units are becoming less reliant on income-related benefits as a source of income. The percentage in receipt has decreased from 57 per cent in 1979, to 27 per cent in 2013/14.
- There has been a slight decrease (not statistically significant) in the percentage of pensioner units in receipt of disability benefits in the latest year, with a reduction from 22 per cent in 2012/13 to 20 per cent in 2013/14.
- Receipt of income from private pensions (occupational and personal pensions) has increased from 63 per cent at the turn of the century, to 71 per cent in 2013/14. Over four out of five pensioner couples and over three out of five pensioner singles receive income from private pensions.
- Receipt of personal pensions, a form of private pension, has increased from 7 per cent at the start of the century, to 19 per cent in 2013/14.
- A smaller percentage of recently retired pensioner units are in receipt of occupational pensions than all pensioner units. However, for pensioner units in receipt of an occupational pension, the average income continues to increase.
- Median weekly income from earnings, for pensioner units in receipt, has been falling in recent years. In 2013/14, half of all pensioners with earnings received £321 per week or more. However, this is 21 per cent lower in real terms than in 2008/09, when half of all pensioner units with earnings received the equivalent of £409 per week or more.
- More than 60 per cent of pensioner units had at least a quarter of their gross income from private sources in 2013/14. This has increased gradually from 50 per cent in 1994/95. However, the proportion of pensioner units with at least half of their gross income from private sources has remained broadly unchanged since 2007/08, at 40 per cent.



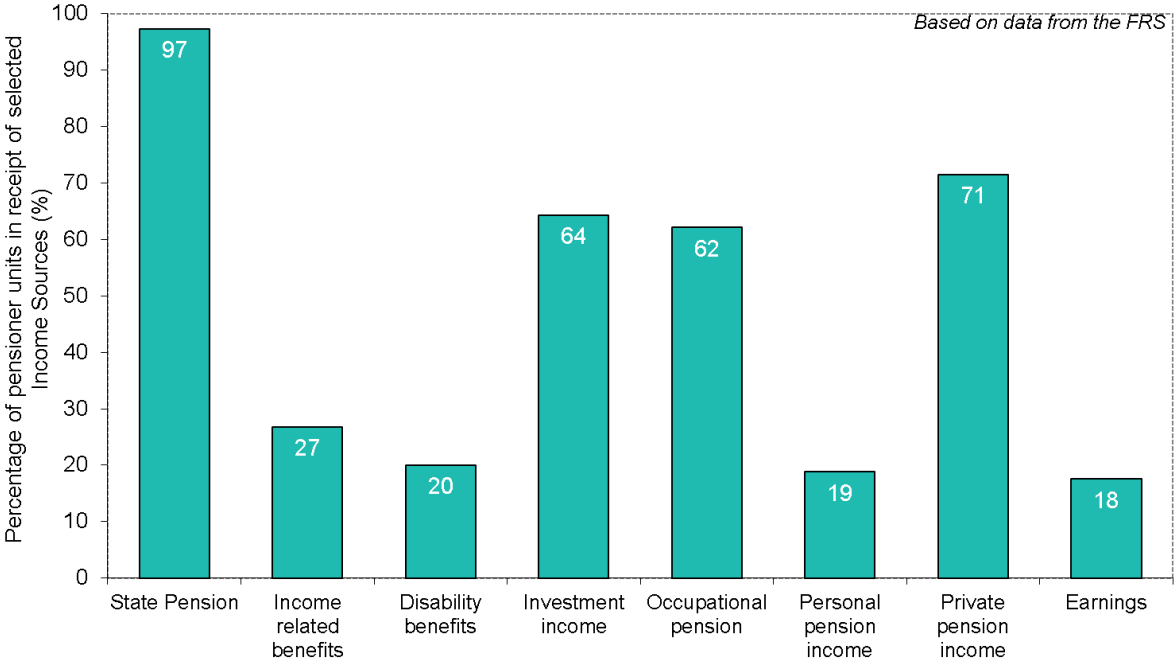
This chapter looks in more detail at various sources of income. Results are presented on:

- The percentage of pensioner units in receipt of **different sources of income**;
- The **distribution of amounts** of income received in 2013/14 for each of the sources, for those in receipt;
- An in-depth look at **trends over time for different sources** of income, looking at the percentage in receipt and the average amounts received;
- How the **importance of benefits as a source of income** varies between pensioners.

Pensioners receive a range of different sources of income. **Figure 3.1** shows the percentage of pensioner units in receipt of different types of income. Private pension income includes both occupational pension and personal pension income.

### 3.1 Sources of Income for all Pensioner Units

**Figure 3.1: The percentage of pensioner units in receipt of selected sources of income, 2013/14**



**Figure 3.1** shows that:

- Almost all pensioner units are in receipt of the State Pension.
- Seven out of ten are in receipt of a private pension, largely driven by occupational pensions; (three out of five pensioners have an occupational pension, compared to one out of five who have a personal pension).
- Almost two thirds have some form of investment income.
- One in five receives disability benefits.
- Less than one in five have income from earnings.

Trends for each source of income are analysed later in this chapter.

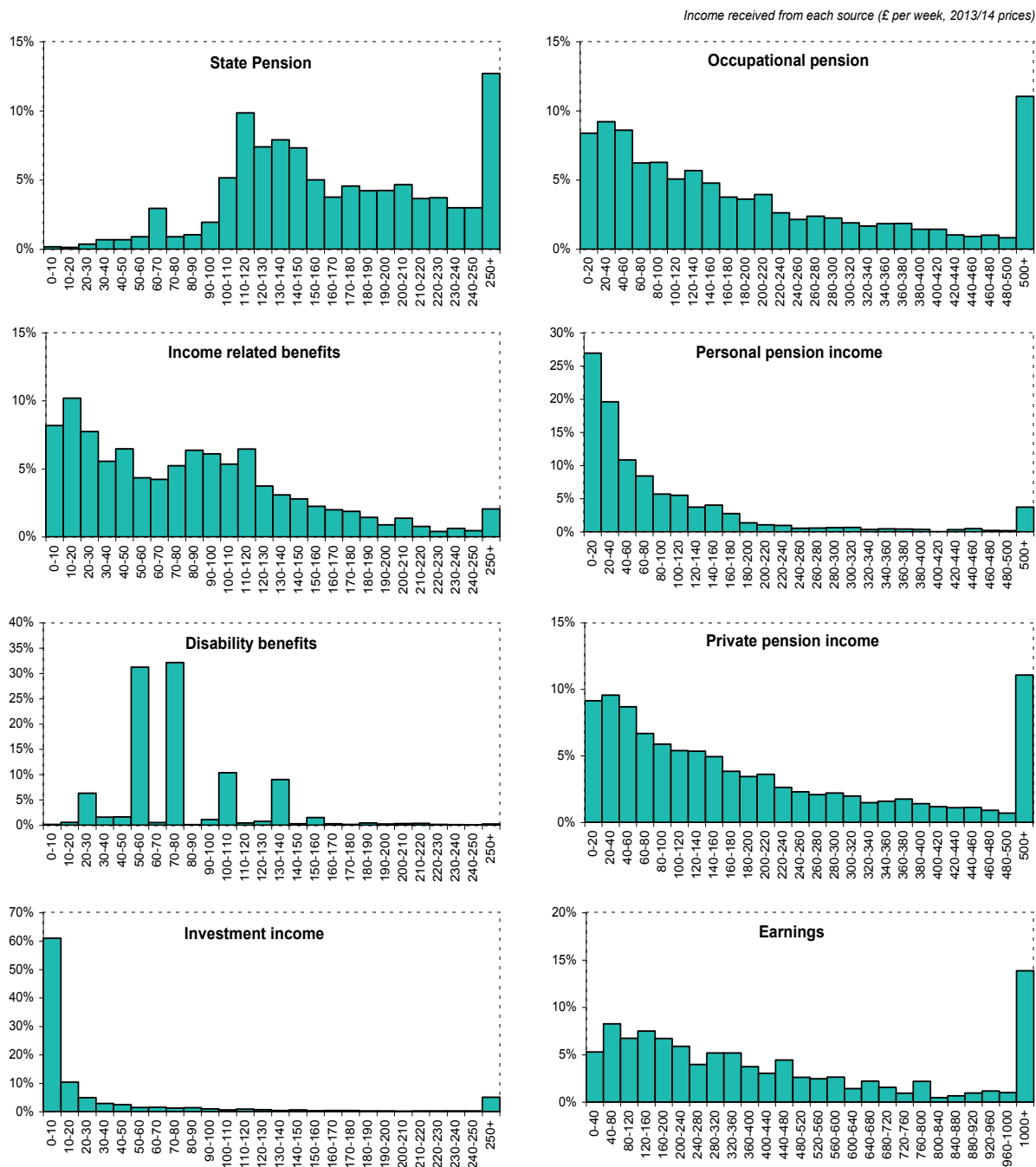
**Figure 3.2** shows the distribution of income for each source, for those pensioner units in receipt. For example, of those pensioner units who receive a State Pension, 10 per cent receive between £110 and £120 per week from this source. This Figure will be referred to throughout the chapter. Of note is the percentage of pensioner units at the top end of the distribution across several sources, notably private pensions and earnings, indicative of a minority that have an income from these sources which is notably more than the rest of the population. This group affects the mean results seen in Chapters 2 and 3. A small minority with a large income will increase the mean. In this case a median (i.e. middle) value will be more appropriate to consider the 'typical' pensioner unit. Sources where this is most evident include state pensions, occupational pensions, private pensions and earnings.

### **Pensioner units in receipt of different sources of income**

A full description of the components of gross income, alongside a discussion of relevant caveats which should be considered alongside any trends presented here, is given in the separate [Methodology Report](#).

The percentage of pensioner units in receipt of different categories of income and the mean and median amounts for those in receipt is shown in **Table 3.1**. This table also gives an overview, for all pensioner units, of percentages in receipt in recent years, and before the turn of the century. Note the reducing percentage in receipt of disability benefits in recent years (but still comparable to the percentages in the late 1990s). Also note the increase in income, for those in receipt, for private pensions. Trends are considered in the rest of this chapter.

**Figure 3.2: Distribution of income from selected income sources for all pensioner units in receipt, 2013/14**



Notes:

- (1) The scales used on each of the income axes in Figure 3.2 are not the same across each of the graphs.
- (2) Shows Income received from each source (in £ per week, 2013/14 prices)

**Table 3.1: All pensioner units percentages in receipt and, for those in receipt, average amount received (£ per week) 1996/97 to 2013/14**

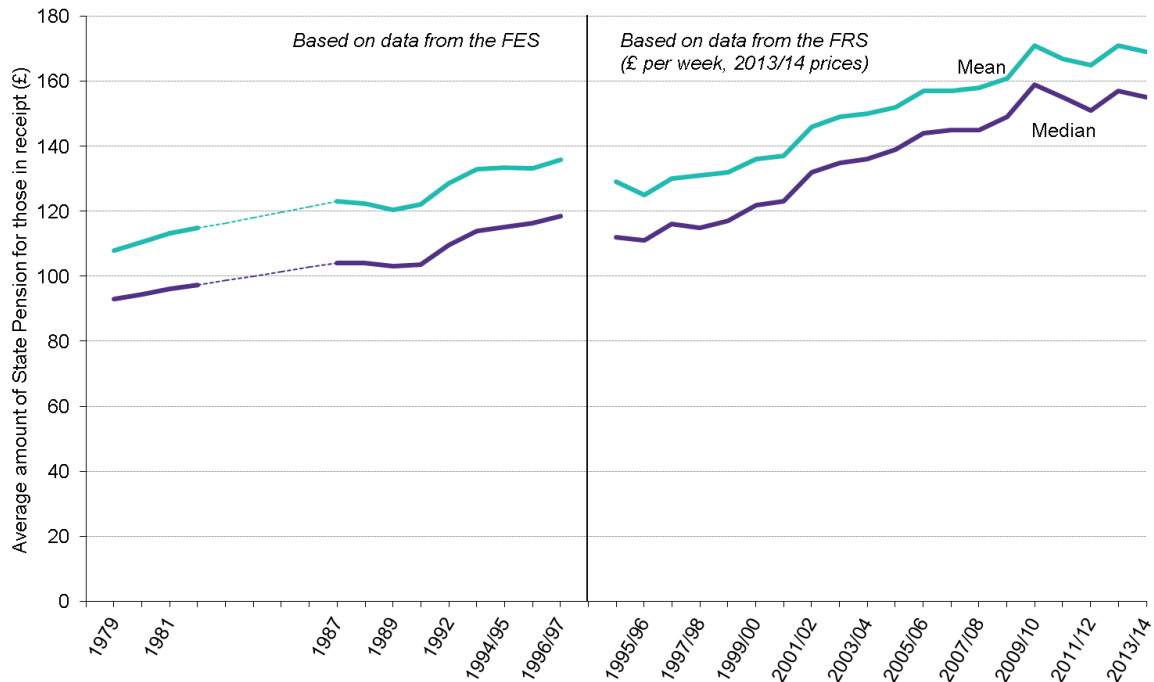
|  | <i>Incomes in £ per week, 2013/14 prices</i> |         |         |         |         |
|--|--|---------|---------|---------|---------|
|  | 1996/97                                      | 1998/99 | 2011/12 | 2012/13 | 2013/14 |
| <b>Percentage in receipt (%)</b>                 |  |         |         |         |         |
| <b>All pensioner units</b>                       |  |         |         |         |         |
| State pension                                    | 94%  | 95%     | 97%     | 97%     | 97%     |
| Income-related benefits                          | 37%  | 35%     | 27%     | 28%     | 27%     |
| Disability benefits                              | 18%  | 20%     | 24%     | 22%     | 20%     |
| Occupational pensions                            | 59%  | 59%     | 62%     | 61%     | 62%     |
| Personal pensions                                | 4%   | 5%      | 17%     | 18%     | 19%     |
| Private pensions                                 | 62%  | 62%     | 71%     | 70%     | 71%     |
| Investment income                                | 71%  | 70%     | 66%     | 62%     | 64%     |
| Earnings   | 11%  | 11%     | 19%     | 17%     | 18%     |
| <b>Average amount for those in receipt (£pw)</b> |  |         |         |         |         |
| <b>Mean amounts</b>                              |  |         |         |         |         |
| State pension                                    | 130  | 132     | 165     | 171     | 169     |
| Income-related benefits                          | 57   | 62      | 85      | 85      | 84      |
| Disability benefits                              | 74   | 71      | 77      | 81      | 78      |
| Occupational pensions                            | 149  | 160     | 215     | 219     | 222     |
| Personal pensions                                | 89   | 107     | 105     | 117     | 104     |
| Private pensions                                 | 150  | 162     | 213     | 219     | 220     |
| Investment income                                | 56   | 61      | 53      | 54      | 62      |
| Earnings   | 411  | 463     | 479     | 494     | 445     |
| <b>Median amounts</b>                            |  |         |         |         |         |
| State pension                                    | 116  | 117     | 151     | 157     | 155     |
| Income-related benefits                          | 50   | 55      | 76      | 77      | 77      |
| Disability benefits                              | 55   | 55      | 75      | 78      | 77      |
| Occupational pensions                            | 85   | 89      | 133     | 139     | 142     |
| Personal pensions                                | 40   | 45      | 45      | 47      | 46      |
| Private pensions                                 | 85   | 89      | 128     | 133     | 138     |
| Investment income                                | 8  | 8       | 5       | 6       | 5       |
| Earnings   | 274  | 320     | 358     | 319     | 321     |

## Pensioner units in receipt of different categories of state benefits

State benefits are split into state pension, income-related benefits and disability benefits. **Figure 3.3 (a to c)** considers these sources.

### State Pension

**Figure 3.3 (a): Mean and Median income for Pensioner units in receipt of the State Pension, 1979 to 1996/97 & 1994/95 to 2013/14**



Receipt of State Pension remains high, at 97 per cent (**Table 3.1**).

For those in receipt, the State Pension income (**Figure 3.3a**) has seen a general increase since 1979. In the latest year, the median income has decreased slightly from £157 a week to £155 a week but this is not a statistically significant change. See the [Methodology Report](#) (section 1.4 - adjustment for inflation) for discussion of RPI uprating.

An additional state pension is available to some pensioner units, dependent upon their National Insurance (NI) contributions. This additional state pension was previously known as the State Earnings Related Pension Scheme (SERPS) up to 2002 then the State Second Pension (SSP) after 2002. The number of pensioners entitled to additional state pension has increased from around 8 per cent of pensioners in 1983/84 to around 70 per cent of pensioners in 2013/14. Each successive cohort of retirees since 1978 has had the opportunity to make

contributions over a longer period of time and this helps explain the steady increase in average (median) income from state pensions.<sup>9</sup>

In real terms, pensioner couples have received greater increases in state pension income than single pensioners, both more recently and over the longer term (**Online Table 3.3**). They have benefited in the main from improvements in female state pension outcomes – attributed to greater labour market participation, the introduction of the State Second Pension (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. More women have been retiring having made full national insurance (NI) contributions due to increased labour market participation, thus entitling them to the full basic State Pension allowance, rather than a potentially reduced State Pension.

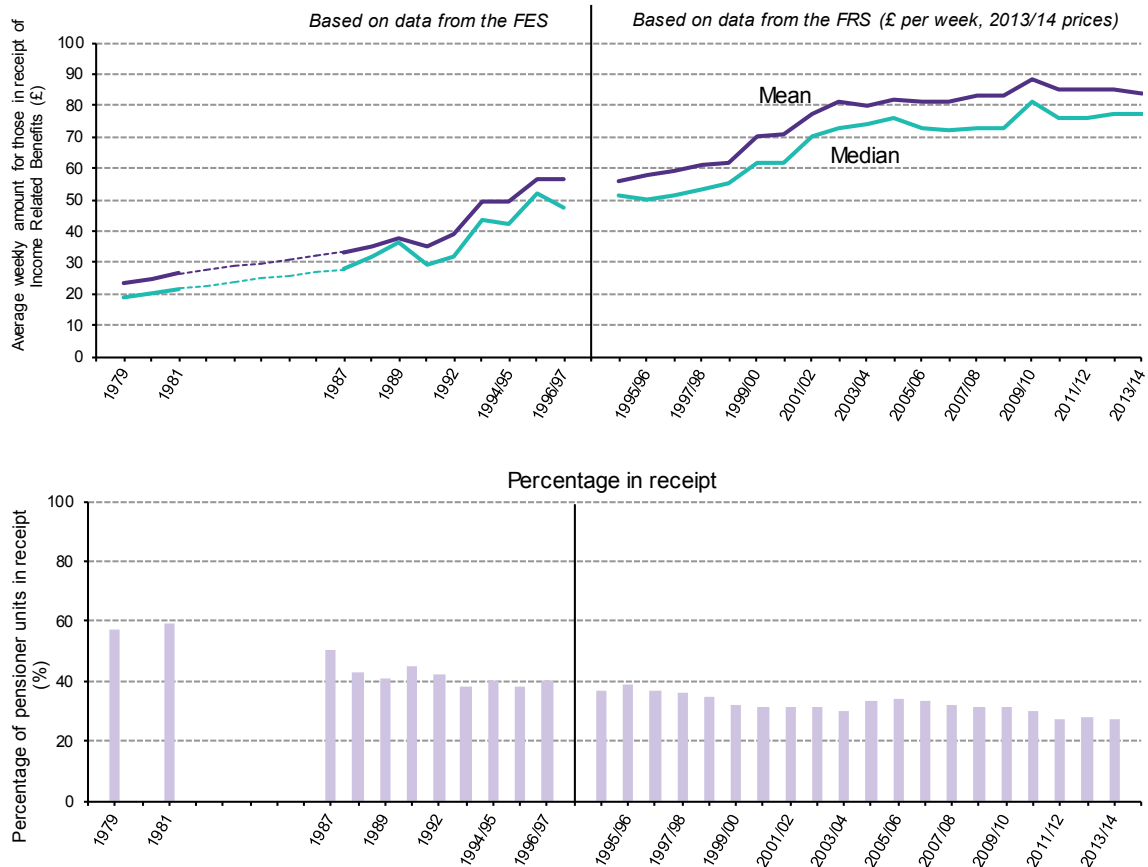
State pension income (and percentage in receipt) discussed here does not include additional annual one off payments, such as Winter Fuel Payments, free TV licenses for the over 75s and the Christmas bonus. For income from annual one off payments, see **Online Table 3.11**.

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<sup>9</sup> [Office for Budget Responsibility, 2014](#)

## Income-related benefits

**Figure 3.3 (b): Pensioner units in receipt of income-related benefits, 1979 to 1996/97 & 1994/95 to 2013/14**



In 1979, 57 per cent of pensioner units reported receipt of income-related benefits. This has decreased by more than half, to 27 per cent in 2013/14. (**Table 3.1** and **Figure 3.3b**). It is now about one third lower than it was in 1995/96. Since 1996/97, the percentage of pensioner couples in receipt of income-related benefits has reduced by a third, whereas for single pensioners it has reduced by just a fifth (**see Online Table 3.4**). The percentage in receipt has continued to decrease over the last five years, however average income for those in receipt of income-related benefits, has remained fairly consistent over the last four years.

In 2013/14 all in-work benefits were uprated at 1 per cent, however the Guarantee Credit element of Pension Credit was uprated at 1.9 per cent.

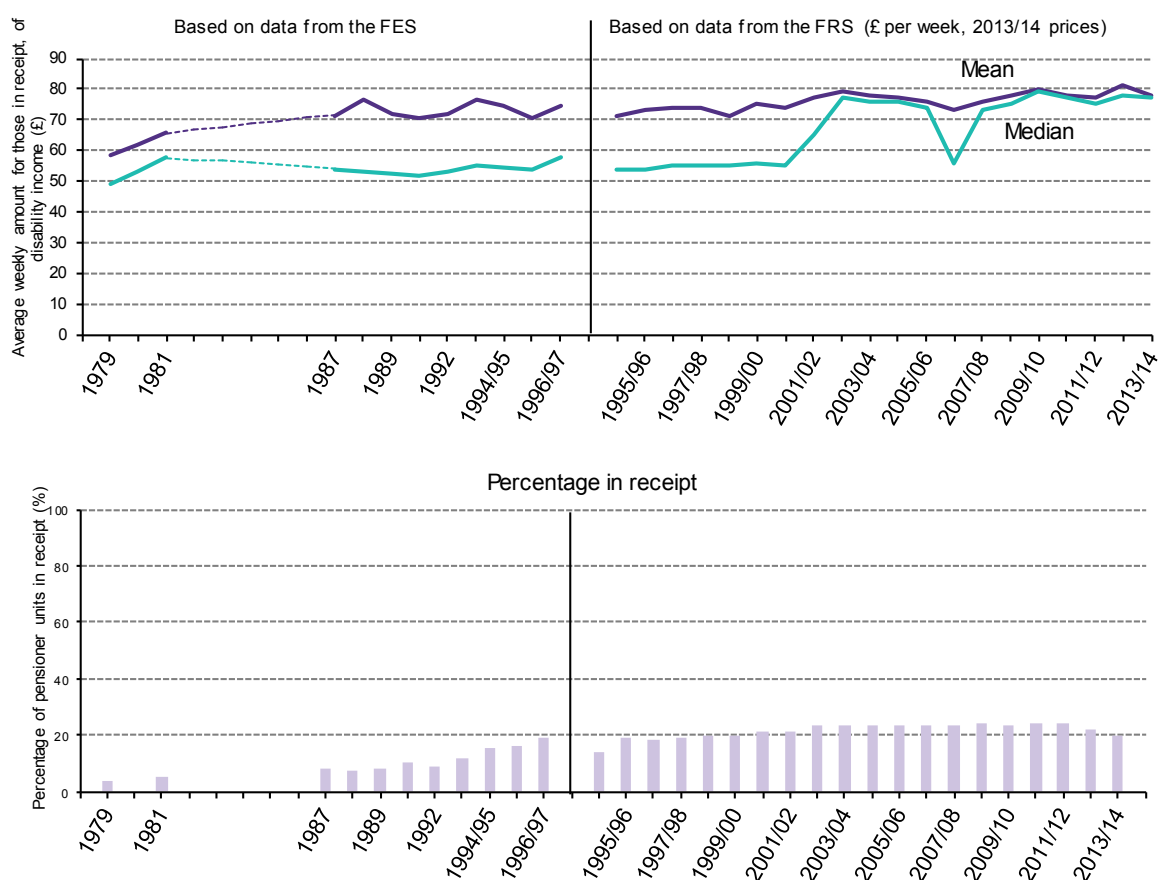
The main income-related benefits in 2013/14 included Pension Credit, Housing Benefit, local Council Tax Support and Social Fund payments. In previous years this has included Minimum Income Guarantee (MIG) and Income Support, the predecessors to Pension Credit. In 2013/14, Council Tax benefit was abolished and

replaced with local Council Tax Support, although pensioners can continue to receive maximum support.

Estimates are based on survey respondents' identification of different elements of benefit income and are therefore subject to misreporting. In some cases amounts of Pension Credit may have been reported as part of State Pension payments. More information about under-reporting can be found in the [Methodology Report](#).

## Disability Benefits

**Figure 3.3 (c): Pensioner units in receipt of disability benefits, 1979 to 1996/97 & 1994/95 to 2013/14**



The percentage receiving disability benefits has decreased in the latest year from 22 per cent to 20 per cent, however these results are not statistically significant (**Figure 3.3c** and **Table 3.1**). The average (mean and median) incomes are now at a similar level, with the mean having decreased more than the median in the last year. However, average income for disability benefits has remained broadly unchanged over the last five years in real terms.

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 2013/14 were Attendance Allowance (AA) and Disability Living Allowance (DLA). In recent years the number of pensioners claiming DLA has been increasing as claimants move from working age to pension age – DLA was introduced in 1992.

From April 2013, DWP started to replace Disability Living Allowance (DLA) for people aged 16-64 with Personal Independence Payment (PIP). During the period this publication covers, there were only a very small number of cases of PIP within the survey, so any effect will be negligible.

Median income estimates for disability benefits are more prone to fluctuation than mean estimates. Comparison of the 2013/14 disability benefit distribution (**Figure 3.2**) and the 2012/13 distribution<sup>10</sup> shows a reduction in the proportion receiving an income of £50 to £60 per week and an increase in the proportion receiving £70 to £80 per week. Disability benefits are usually paid at specific rates. For example, Attendance Allowance was paid at either a lower rate (£53.00) or a higher rate (£79.15) in 2013/14, 2.2 per cent higher than in 2012/13. The median can change if the number of people in receipt of the lower and higher rate change. There has been a gradual change over time towards an increasing percentage in receipt of the higher rate.<sup>11</sup>

Most disability benefits were uprated at 2.2 per cent in 2013/14. See the [Methodology Report](#) for more details on uprating used in this publication.

Results are based on survey respondents' identification of different elements of income and may be subject to misreporting. This leads to under-reporting in receipt for many benefits; more information on sampling and reporting errors can be found in the [Methodology Report](#).

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<sup>10</sup> [PI 2012/13 Publication](#) (page 35)

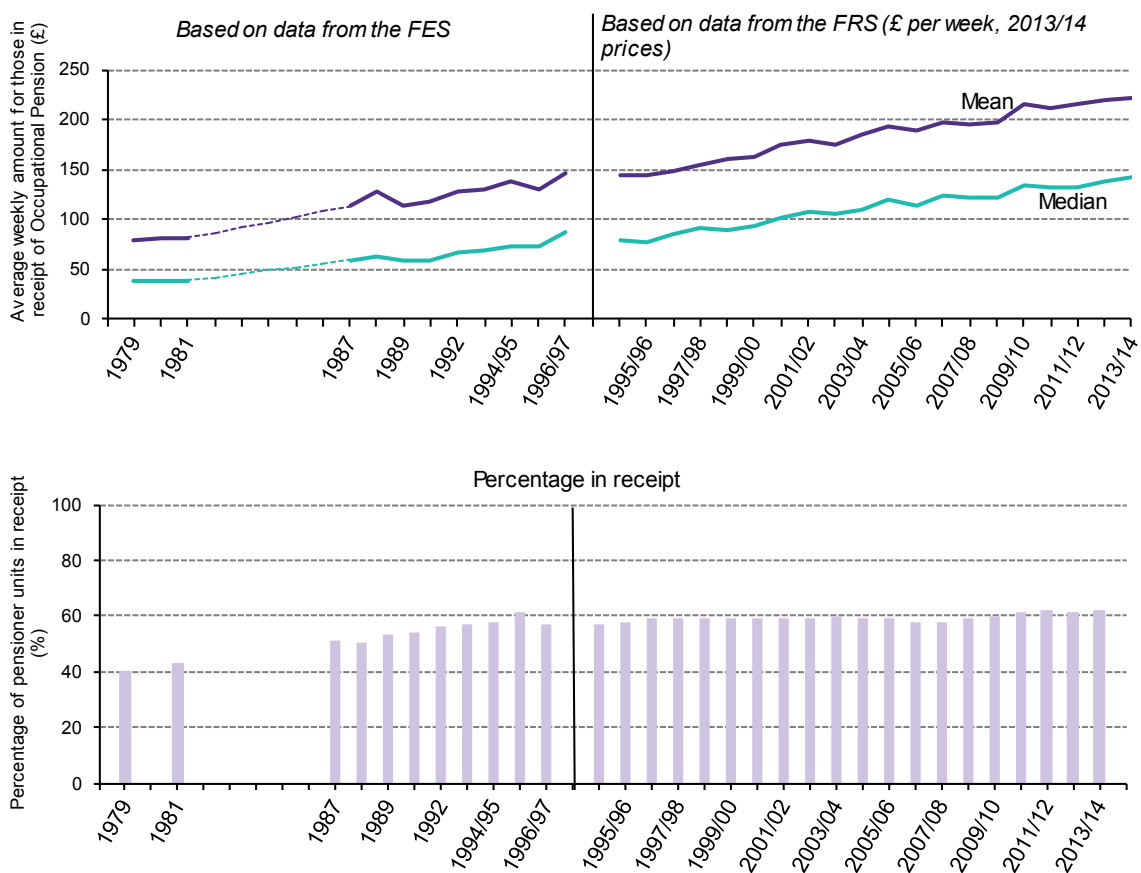
<sup>11</sup> [Welfare Trends Report 2014](#)

## Pensioner Units in Receipt of Private Pensions

The percentage of pensioner units in receipt of occupational pensions, personal pension and private pensions overall and the mean and median amounts for those in receipt, are shown in **Figure 3.4 (a) to (c)** for the years 1979 to 2013/14.

### Occupational Pensions

**Figure 3.4 (a): Pensioner units in receipt of Occupational Pensions, 1979 to 1996/97 & 1994/95 to 2013/14**



The percentage of pensioner units in receipt of income from occupational pensions increased from around 40 per cent in 1979 to 60 per cent by the mid 1990s, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s, but then levelled off from the mid 1990s onwards (**Figure 3.4a** and **Table 3.1**). The percentage in receipt amongst recently retired pensioners (**Online Table 3.7**) has

been consistently lower than for all pensioner units in recent years, reflecting the decline in active membership of occupational schemes since the 1980s.<sup>12</sup>

In real terms, mean income from occupational pensions for those in receipt has increased from £150 in 1996/97 to £222 a week in 2013/14. Median income has also increased, from £85 a week in 1996/97 to £142 a week in 2013/14. The higher mean income is reflected in **Figure 3.2**, which shows that a minority of pensioner units in receipt (11 per cent) receive more than £500 per week from their occupational pension.

The increase in average weekly income is most likely due to occupational pension incomes of each successive cohort reaching retirement being higher than those of previous cohorts. So, although the percentage of recent retirees in receipt of occupational pensions is lower than for all pensioner units and has actually fallen since the mid-1990s, those recent retirees who are in receipt have gained from progressive increases in real earnings and final salaries (which can determine the value of defined benefit (DB) pension incomes). This is the type of pension that current pensioners in receipt of an occupational pension are most likely to be receiving<sup>13</sup>.

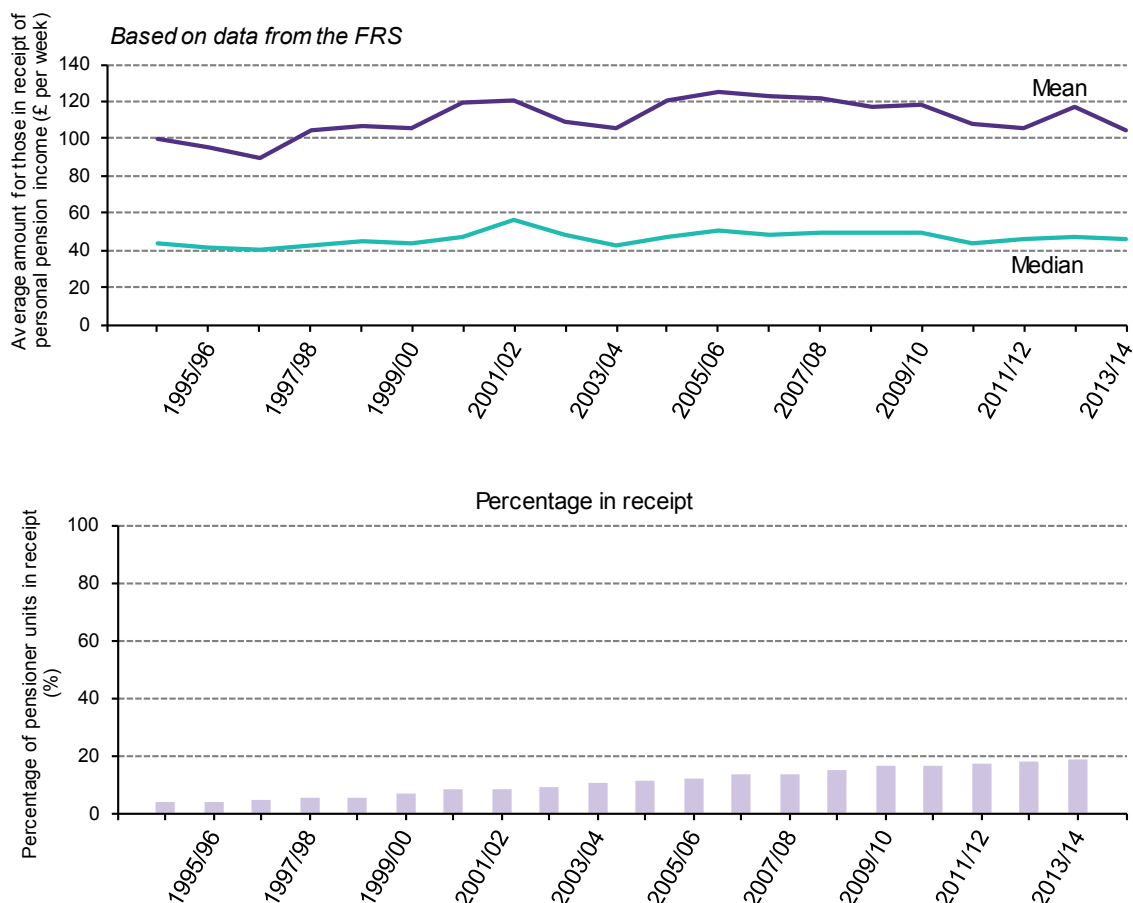
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<sup>12</sup> The number of active members in occupational schemes in the UK has fallen progressively, from 11.1 million in 1983 to 7.8 million in 2012, according to the [ONS' Occupational Pension Schemes Survey \(OPSS 2013\)](#).

<sup>13</sup> [Occupational Pension Schemes Survey, 2013](#)

## Personal Pensions

**Figure 3.4 (b): Pensioner units in receipt of Personal Pensions, 1994/95 to 2013/14**



Note: Personal pension income is only available on the FRS since 1994, and there are no results available for the FES data (1979 to 1996/97)

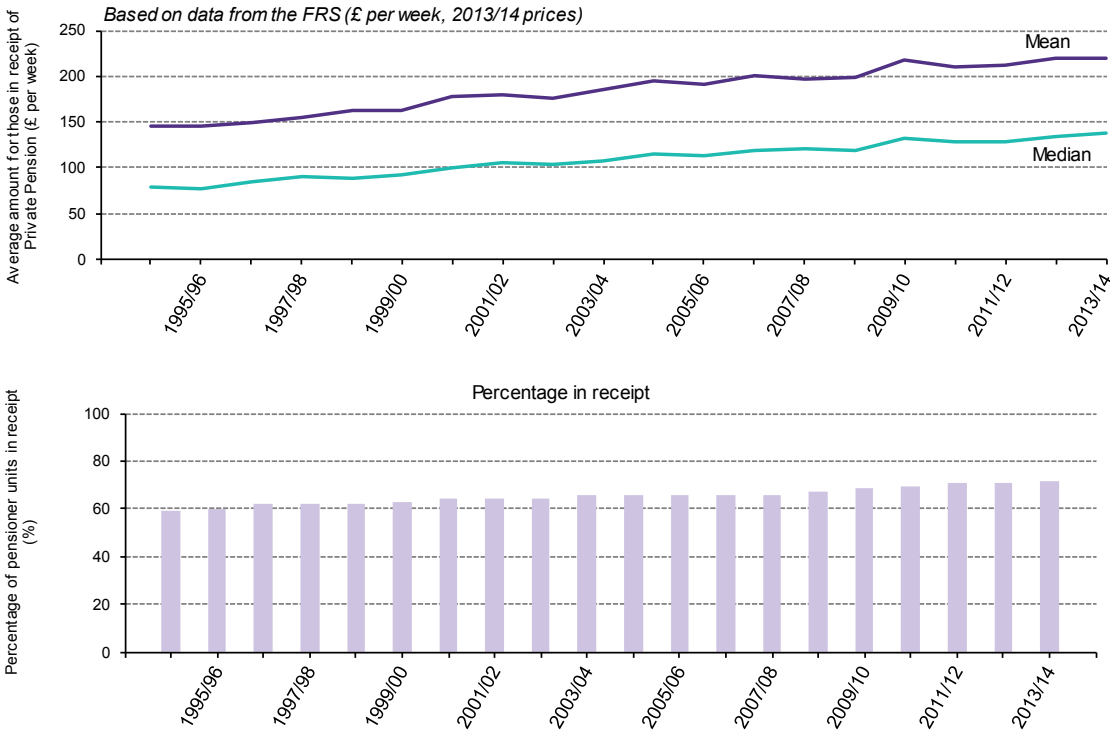
This analysis includes personal pensions and annuities bought with lump sums from personal pensions, trades unions and friendly society pensions. Personal pensions in their current form were introduced in 1988. They are a form of defined contribution (money purchase) pension but are not contracted through an employer (although some employers do make contributions to employees' personal pensions).

Personal pensions provide income to a relatively small percentage of pensioners (less than 1 in 5), although the percentage in receipt of a personal pension continues to rise fairly steadily; 19 per cent in 2013/14, up from 7 per cent 15 years ago (**Figure 3.4b**). **Online Table 3.8** highlights how recently retired pensioner units are more likely to be in receipt (27 per cent compared to 19 per cent overall) reflecting the development of personal pensions since their introduction. Despite the rise in the percentage of all pensioner units in receipt, the mean and median average income for those in receipt has remained relatively steady since the turn of the century. The

mean average amount of income from personal pensions for those in receipt was £104 per week in 2013/14, more than twice that of the median (£46 per week), indicative of a small percentage who have a much larger income from this source than the majority, as shown in **Figure 3.2**.

**Private Pensions**

**Figure 3.4 (c): Pensioner units in receipt of Private Pensions, 1994/95 to 2013/14**



Private pension income includes both occupational and personal pension income. Receipt of occupational pensions is more common than personal pensions, and hence tends to dominate the overall results for private pensions. The percentage in receipt is slowly increasing, as is the average income received (**Figure 3.4c**).

In 2013/14, Private Pensions were the second most common source of income for pensioner units, with 71 per cent in receipt, up from 59 per cent in 1994/95.

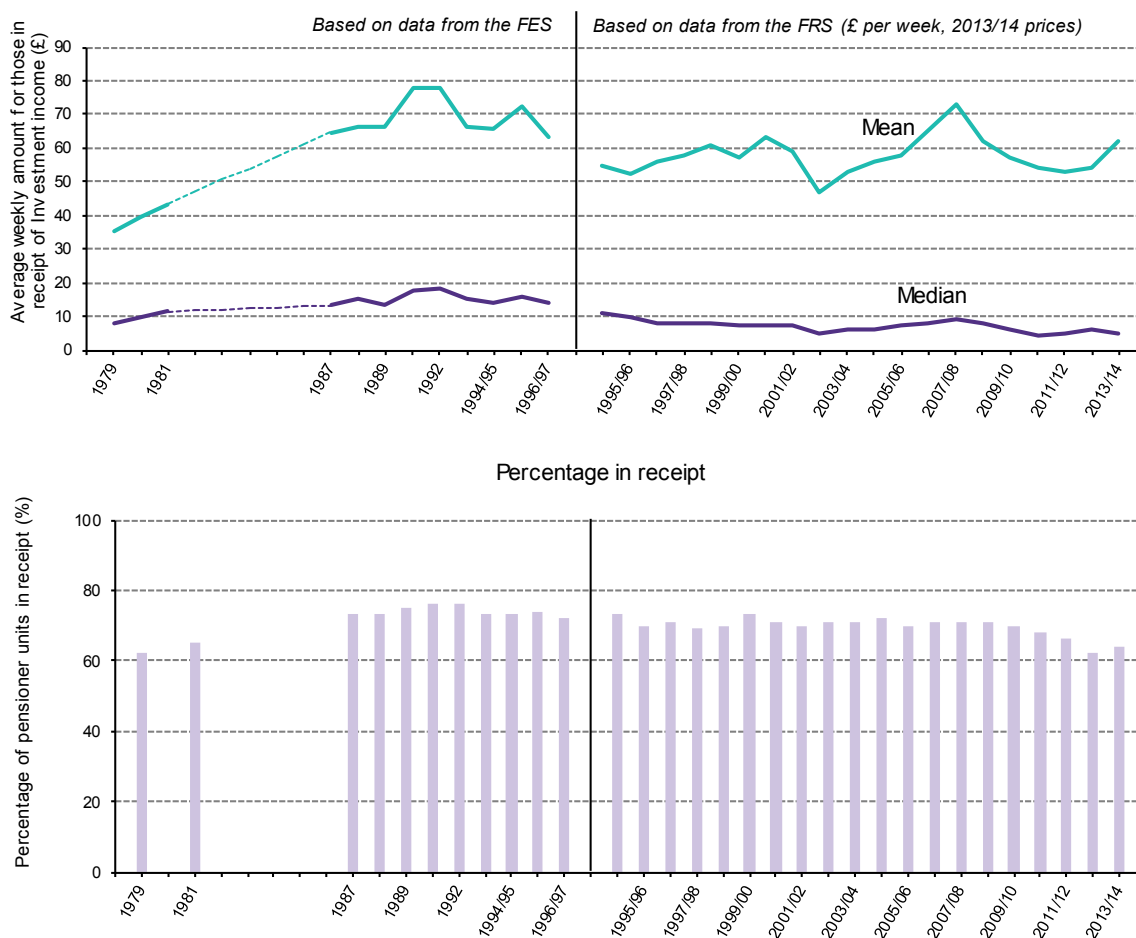
The steady rise in average income is largely driven by increases in average occupational pension income. Median weekly income has increased by 73 per cent in real terms, from £80 in 1994/95 to £138 in 2013/14.

## Pensioner Units in Receipt of Investment & Earnings Income

The percentages of pensioner units in receipt of investment income, and the mean and median amounts for those in receipt, are shown in **Figure 3.5** for the years 1979 to 2013/14. The same statistics are shown for income from earnings in **Figure 3.6** for the years 1994/95 to 2013/14.

### Investment Income

**Figure 3.5: Pensioner units in receipt of investment income, 1979 to 1996/97 and 1994/95 to 2013/14**



Investment income includes interest from Individual Savings Accounts (ISAs) and other savings accounts, unit trusts, bonds, stocks and shares. It was the third most common source of income, received by almost 64 per cent of pensioner units in 2013/14 (**Figure 3.1**). The percentage receiving investment income has increased slightly in the latest year, however this result is not statistically significant (**Figure 3.5**).

As **Figure 3.2** shows, large numbers of pensioner units receive small amounts of investment income, with three out of five of those pensioner units in receipt receiving investment income of £10 a week or less. There are a small number of pensioners who receive very large amounts of investment income.

After the rises in average income from investment seen in the early 2000's, there was a decrease during the years 2008/09 to 2011/12. This decrease may be influenced by the lower Bank of England base rates over this period. Mean weekly income stabilised in 2012/13, however median amounts increased slightly from a low point in 2010/11. In 2013/14 we have seen mean weekly income increase back to pre 2009/10 levels, however there is considerable volatility in mean income and this result is not statistically significant.

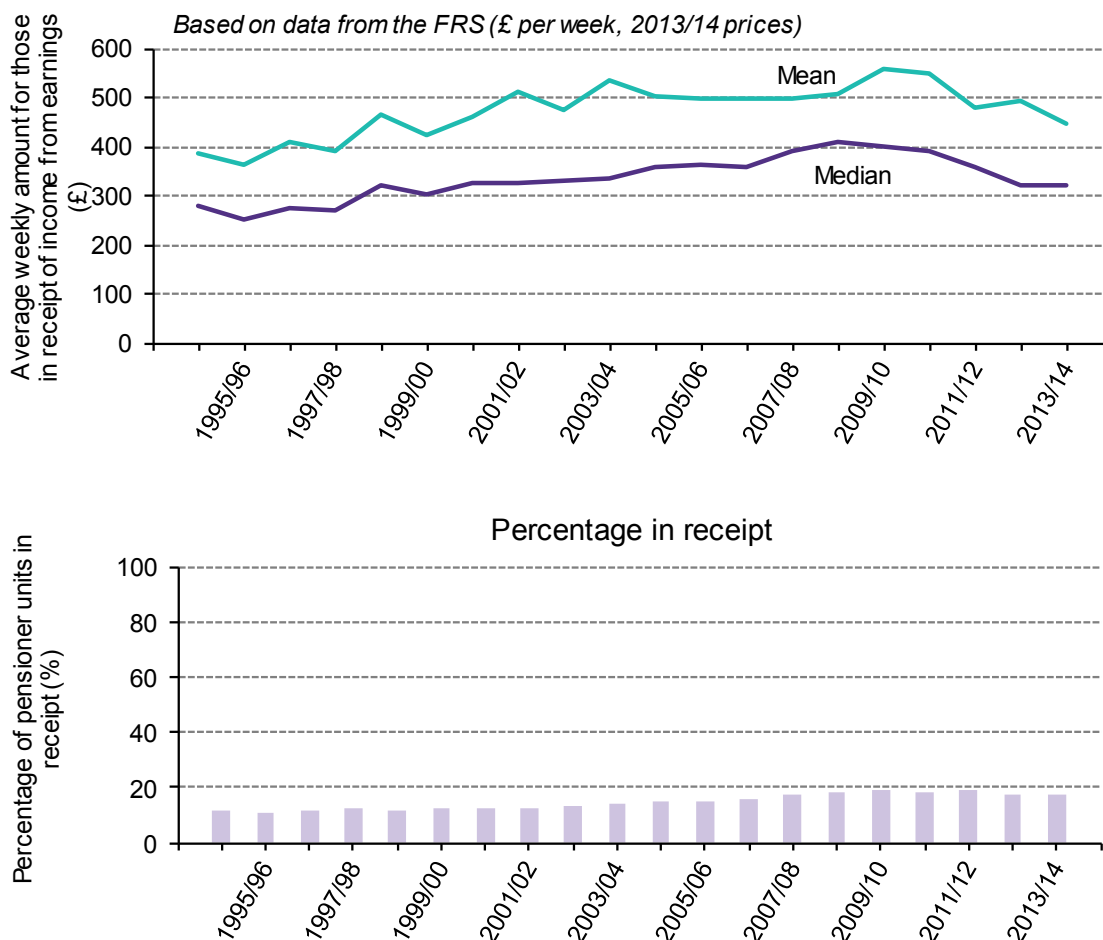
Note that there are some methodological differences in FRS based investment estimates compared to FES based estimates. FES estimates include personal pension income whereas FRS does not. More information on differences between FRS and FES based estimates can be found in the [Methodology Report](#).

## **Income from Earnings**

Income from earnings refers to gross earnings from employment and self-employment. The percentage of pensioners in receipt of income from earnings was slightly less than 1 in 5 (18 per cent) in 2013/14. This percentage increased substantially from 1996/97 through to 2009/10 (Figure 3.6), but over the last five years it has decreased slightly (not statistically significant). Despite the recent decrease, in 2013/14 it was still over 50 per cent higher than it was in 1996/97.

**Online Table 3.10** shows that recently retired groups were the most likely to be earning compared to all pensioner units, with 32 per cent reporting earnings as a source of income. Pensioner couples are also over four times more likely than pensioner singles to have income from earnings (29 per cent and 7 per cent respectively in 2013/14). Pensioner couples include couples where one member is below state pension age (SPa) but the other is above. As such, some of the results for pensioner couples include earnings from one person being under SPa. The effects of these mixed status couples, particularly with regards to earnings, are explored further in Chapter 5.

**Figure 3.6: Pensioner units in receipt of income from earnings, 1994/95 to 2013/14**



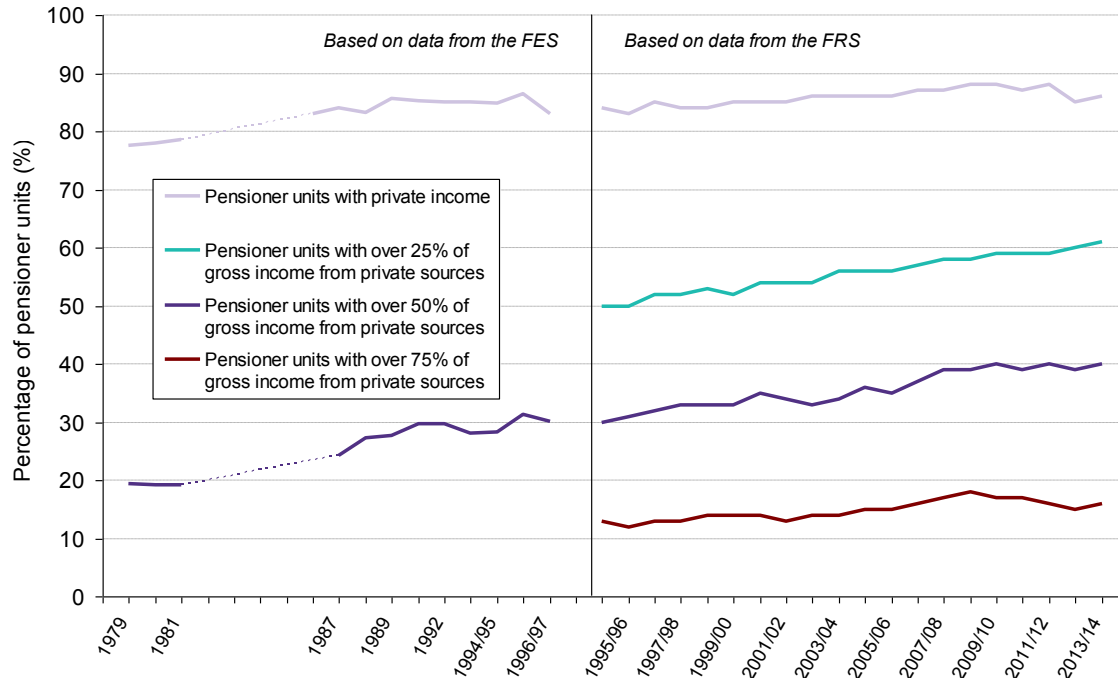
**Figure 3.6** shows a decreasing trend for income from earnings in recent years. In 2013/14, there was a decrease in mean weekly income from earnings compared to 2012/13 (not statistically significant), whereas the median was flat.

In 2013/14, half of all pensioners with earnings received £321 per week or more. However, this is lower in real terms by 21 per cent than in 2008/09, when half of all pensioner units with earnings received the equivalent of £409 per week or more.



## 3.2 The importance of benefit income for pensioners

**Figure 3.7: Benefit and private income, 1979 to 1996/97 and 1994/95 to 2013/14**



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.

The overall percentage in receipt of private income was 77 per cent in 1979 and continued to gradually increase over the next three decades. In 2013/14, the vast majority of pensioner units had some private income on top of state benefits (86 per cent, see **Figure 3.7**). For 40 per cent of pensioner units, more than half of their gross income came from private sources in 2013/14. The percentage of pensioner units with over a quarter of gross income from private sources has been rising slowly, from 50 per cent in 1994/95 to 61 per cent in 2013/14.

## 4. Distribution of Pensioners' Incomes

### Key findings

- In 1979, 43 per cent of all pensioners were in the bottom fifth of the income distribution, on an After Housing Costs (AHC) basis, but by 2013/14 this had decreased to 13 per cent. A greater percentage of single pensioners are in the bottom fifth both on a Before Housing Costs (BHC) and AHC basis when compared to couples (16 per cent compared with 11 per cent on an AHC basis in 2013/14).
- The period from 1998 to 2014 saw a fairly even spread of growth of incomes across the pensioner income distribution, particularly for pensioner couples. Incomes of the bottom fifth of couples grew faster than those of the top fifth. The median incomes of the bottom fifth of single pensioners grew the least, at 17 per cent, compared with 23 per cent for the top quintile (on an AHC basis). This difference was much less pronounced than in previous decades.
- Older pensioners in couples were more likely to be in the bottom fifth of the pensioner couples income distribution than younger pensioners, while single female pensioners were more likely to be in the bottom fifth of the single pensioners income distribution. Recently retired pensioners, both single pensioners and those in couples, were more likely to be in the top quintile than those who had been retired for some time.
- In relative terms, benefit income comprises the largest single component of total income for lower-income pensioners. For single pensioners, this is the case for all quintiles except the top fifth. The bottom two fifths of single pensioners received only a small percentage of their income from other sources, with benefits accounting for more than 85 per cent of gross income in both cases.
- The majority of pensioners receive income from the State Pension, with 94 per cent or more in receipt in each quintile. Pensioner units towards the bottom of the income distribution are less likely to receive income from investments, occupational pensions, personal pensions or earnings than in the upper end of the distribution.

This chapter looks at the distribution of pensioners' incomes. The analysis we present here is based on, firstly, a ranking of pensioner households by income size and then a division of this ranked population into quintiles (five equal-sized groups).

The first set of results in this chapter (covering Sections 4.1 to 4.4) examines 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 the incomes of any other members of the household.

The second set of results, in Section 4.5, looks at the distribution of pensioners' incomes within the population as a whole. In order to rank households within the overall population, the incomes of pensioner and working-age households have been equivalised. Equivalisation adjusts incomes to account for variations in both the composition and size of the entire household. More details of the equivalisation process are given in the [Methodology Report](#).

Note that because they are based on equivalised incomes, this second set of results and tables in Section 4.5 are not comparable with tables and figures in previous sections.

When considering changes in incomes over time for pensioners, it is generally considered more appropriate to use the After Housing Costs (AHC) measure because of the high proportion of pensioners owning their home outright. Only Table 4.1, which shows the quintile distribution of median levels of pensioner income by household type, includes figures on both a Before Housing Costs (BHC) and AHC basis. Following this, all figures in this chapter are presented on an AHC basis only.<sup>14</sup>

**Table 4.1 and Figure 4.1** are presented as three-year averages. This is because pensioner unit quintiles are relatively small groups, and as such their values tend to show some volatility from one year to the next. These figures are therefore not directly comparable to single-year estimates.

As the tables are based solely on pensioners' incomes, the quintiles are only a proxy for relative living standards. This is because living standards are influenced by other factors apart from income, such as the 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.

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<sup>14</sup> BHC basis figures for all tables are also contained in the online tables file

## 4.1 Median incomes by quintile

For pensioner couples, over the three-year period 2011 to 2014, the median net income of the top fifth quintile (£886) was more than three and a half times that of the bottom fifth measured on a Before Housing Costs (BHC) basis (£251), and nearly four times After Housing Costs (AHC) (£863 compared to £221). For single pensioners, median net income of the top fifth (£427) was around three times that of the bottom fifth BHC (£136), and more than three and a half times AHC (£392 compared to £105).

Among couples, the rate of growth in both BHC and AHC median incomes between 1998-01 and 2011-14 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 the top and bottom quintiles.

**Table 4.1: The median net income of pensioner units by quintile of the net income distribution, 1998-01 and 2011-14**

| <i>Incomes in £ per week, 2013/14 prices</i> |                                      |               |                 |               |              |                 |
|--|--------------------------------------|---------------|-----------------|---------------|--------------|-----------------|
|  | Quintiles of the income distribution |               |                 |               |              | Overall<br>Mean |
|  | Bottom<br>fifth                      | Next<br>fifth | Middle<br>fifth | Next<br>fifth | Top<br>fifth |                 |
| <b>Medians</b>                               |                                      |               |                 |               |              |                 |
| <b>Pensioner couples</b>                     |                                      |               |                 |               |              |                 |
| <b>Net income before housing costs</b>       |                                      |               |                 |               |              |                 |
| 1998-01                                      | 201                                  | 275           | 349             | 462           | 737          | 446             |
| 2011-14                                      | 251                                  | 348           | 443             | 577           | 886          | 545             |
| % growth 1998-2014                           | 25%                                  | 27%           | 27%             | 25%           | 20%          | 22%             |
| <b>Net income after housing costs</b>        |                                      |               |                 |               |              |                 |
| 1998-01                                      | 170                                  | 240           | 319             | 435           | 706          | 413             |
| 2011-14                                      | 221                                  | 318           | 417             | 554           | 863          | 517             |
| % growth 1998-2014                           | 30%                                  | 33%           | 31%             | 27%           | 22%          | 25%             |
| <b>Medians</b>                               |                                      |               |                 |               |              |                 |
| <b>Single pensioners</b>                     |                                      |               |                 |               |              |                 |
| <b>Net income before housing costs</b>       |                                      |               |                 |               |              |                 |
| 1998-01                                      | 114                                  | 158           | 190             | 239           | 353          | 227             |
| 2011-14                                      | 136                                  | 195           | 241             | 300           | 427          | 276             |
| % growth 1998-2014                           | 19%                                  | 23%           | 27%             | 26%           | 21%          | 22%             |
| <b>Net income after housing costs</b>        |                                      |               |                 |               |              |                 |
| 1998-01                                      | 90                                   | 115           | 146             | 204           | 319          | 190             |
| 2011-14                                      | 105                                  | 155           | 199             | 262           | 392          | 239             |
| % growth 1998-2014                           | 17%                                  | 35%           | 36%             | 28%           | 23%          | 26%             |

**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.

Single pensioners in the bottom and top quintiles AHC saw growth of less than 20 per cent and 25 per cent respectively between 1998-01 and 2011-14, while incomes in the middle three quintiles grew by between almost 30 per cent and 40 per cent (**Table 4.1**). However, since the top quintile has a higher base level in 1998-01, an increase of less than 25 per cent equates to a higher absolute increase in income, of £73 per week compared with an increase of £15 in the bottom quintile.

## 4.2 Age and gender in the income distribution

**Table 4.2** shows the percentages of different groups of pensioners within each quintile in 2013/14. As noted in the Introduction, these are on an After Housing Costs (AHC) basis, since most pensioners (around three-quarters according to the 2013/14 Family Resources Survey) own their own home outright and so tend to have relatively low housing costs. This makes for a more appropriate comparison of living standards with others who do not own their own home outright.

The main points of interest include:

- **Older pensioner couples are more likely to be in the bottom fifth** of the pensioner couples income distribution than younger pensioner couples. After Housing Costs, 24 per cent of pensioner couples with the head 75 or over are in the bottom fifth, compared with 18 per cent of pensioner couples whose head is under 75.
- **Older single pensioners are no more or less likely to be in the bottom fifth** of the single pensioners income distribution than younger single pensioners: 20 per cent of both groups are in the bottom quintile.
- **Recently retired pensioners are more likely to be in the top quintile.** For couples, the AHC distribution shows that 27 per cent of recently-retired people are in the top fifth, with 18 per cent in the bottom; and for single pensioners, 28 per cent are in the top fifth, with 21 per cent in the bottom.
- **Single females are more likely to be in the bottom fifth** of the single pensioners income distribution than single males. After Housing Costs, 21 per cent of single females are in the bottom fifth, compared to 17 per cent of men.

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 single pensioner with low personal income living with their high earning adult child would be shown in a low income quintile, but may enjoy a relatively high standard of living. Some other published analyses do attempt to take account of all incomes in a

household – in particular, the [Households Below Average Income \(HBAI\)](#) analysis, which displays results based on an individual equivalised household income level<sup>15</sup>.

**Table 4.2: The age and gender of pensioners by quintile of the net (AHC) income distribution, 2013/14**

|                                      | Quintile of the income distribution |            |              |            |           | All  |
|--------------------------------------|-------------------------------------|------------|--------------|------------|-----------|------|
|                                      | Bottom fifth                        | Next fifth | Middle fifth | Next fifth | Top fifth |      |
| <b>Pensioner couples' net income</b> |                                     |            |              |            |           |      |
| <b>All pensioner couples</b>         | 20%                                 | 20%        | 20%          | 20%        | 20%       | 100% |
| Recently retired                     | 18%                                 | 18%        | 17%          | 20%        | 27%       | 100% |
| Head aged under 75                   | 18%                                 | 18%        | 19%          | 21%        | 24%       | 100% |
| Head aged 75 and over                | 24%                                 | 24%        | 22%          | 18%        | 12%       | 100% |
| <b>Single pensioners' net income</b> |                                     |            |              |            |           |      |
| <b>All single pensioners</b>         | 20%                                 | 20%        | 20%          | 20%        | 20%       | 100% |
| Single males                         | 17%                                 | 19%        | 22%          | 21%        | 22%       | 100% |
| Single females                       | 21%                                 | 21%        | 19%          | 20%        | 19%       | 100% |
| Recently retired                     | 21%                                 | 19%        | 16%          | 16%        | 28%       | 100% |
| Aged under 75                        | 20%                                 | 20%        | 19%          | 18%        | 23%       | 100% |
| Aged 75 and over                     | 20%                                 | 20%        | 21%          | 22%        | 18%       | 100% |

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

**Figure 4.1** shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (AHC) distribution. Figure 4.1 shows the extent to which pensioner incomes, such as the average (mean) incomes shown in the last column of Table 4.1, are skewed by a relatively small number of pensioners with very high gross incomes. In Figure 4.1, the mean gross income of pensioner couples in the top quintile is more than twice that of the next highest quintile.

Regarding individual sources of income, the absolute level of income from state benefits in 2011-14 is fairly even across the distribution of pensioner couples but is

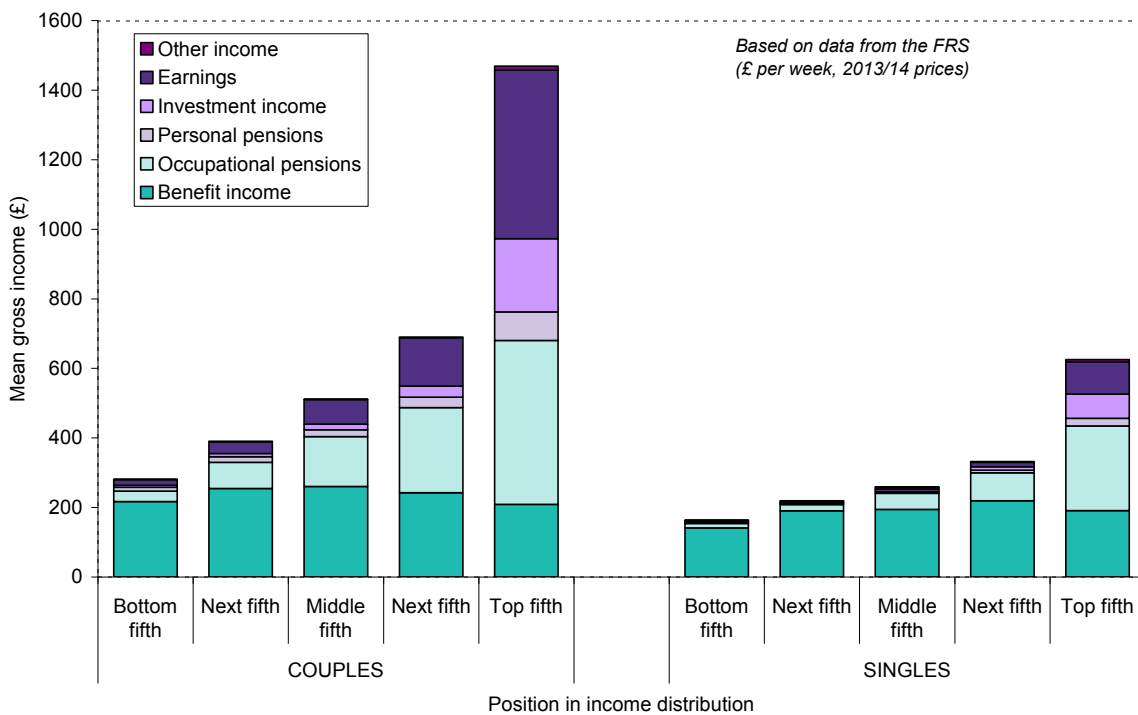
<sup>15</sup> For a fuller discussion see section on income definition in [HBAI income definition](#)

lowest for the bottom fifth of the single pensioner distribution. In relative terms, however, benefit income comprises the largest single component of total income for lower-income quintiles.

For single pensioners, this is the case for all quintiles except the top fifth. The two lowest fifths of single pensioners received only a small proportion of their income from other sources, with benefits (including the state pensions) accounting for more than 85 per cent of gross income in both cases.

Occupational pension income shows large increases, in both absolute and relative terms, as we move up the distribution, reaching an average of £471 for the top fifth of pensioner couples and £244 for the top fifth of single pensioners. Income from investments and earnings also increases as we move up the income distribution for both pensioner couples and single pensioners.

**Figure 4.1: Sources of gross income of pensioner units by quintile in the net income (AHC) distribution, 2011-14**



## 4.4 The importance of different sources of income in different quintiles

The analysis of income receipt in **Table 4.3** shows the percentage of pensioner units within each quintile who received a given source of income on an after housing costs (AHC) basis.

The majority of pensioners receive income from the State Pension, with 94 per cent or more 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 or personal pensions or earnings than in the upper end of the distribution. For example, the proportion of pensioner couples with occupational pension income ranged from 44 per cent in the bottom fifth of the distribution to 81 per cent in the top fifth.

The lowest rates of receipt for disability benefits were generally found towards the bottom and top 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. Substantial proportions further up the income distribution of single pensioners also received income-related benefits. As noted above, this is partly due to these benefits serving to push people up the distribution; particularly disability-related additions to income-related benefits (which are paid on top of disability benefits).

The trend for higher receipt of income-related benefits among single pensioners than among pensioner couples holds true across all quintiles of the income distribution. For example, on an AHC basis, 41 per cent of single pensioners in the middle quintile are in receipt of such benefits, compared with 10 per cent for pensioner couples. In contrast, greater proportions of pensioner couples are in receipt of investment income, occupational and personal pensions and earnings across all quintiles than single pensioners.



**Table 4.3: The percentage of pensioner units with selected sources of income by quintile of the net (AHC) income distribution, 2013/14**

|   | Quintile of the income distribution |            |              |            |           | All |
|---|-------------------------------------|------------|--------------|------------|-----------|-----|
|   | Bottom fifth                        | Next fifth | Middle fifth | Next fifth | Top fifth |     |
| <b>Pensioner couples' net income<br/>After housing costs distribution</b> |                                     |            |              |            |           |     |
| <b>Proportion of each quintile in receipt of:</b>                         |                                     |            |              |            |           |     |
| State Pension   | 96%                                 | 99%        | 99%          | 99%        | 94%       | 97% |
| Income related benefits   | 34%                                 | 20%        | 10%          | 5%         | 1%        | 14% |
| Disability benefits   | 15%                                 | 25%        | 28%          | 19%        | 8%        | 19% |
| Investment income   | 52%                                 | 64%        | 71%          | 83%        | 89%       | 72% |
| Occupational pension  | 44%                                 | 67%        | 75%          | 82%        | 81%       | 70% |
| Personal Pension income   | 23%                                 | 27%        | 25%          | 29%        | 31%       | 27% |
| Earnings  | 11%                                 | 18%        | 26%          | 35%        | 55%       | 29% |
| <b>Single pensioners' net income<br/>After housing costs distribution</b> |                                     |            |              |            |           |     |
| <b>Proportion of each quintile in receipt of:</b>                         |                                     |            |              |            |           |     |
| State Pension   | 94%                                 | 99%        | 99%          | 99%        | 96%       | 97% |
| Income related benefits   | 39%                                 | 67%        | 41%          | 32%        | 12%       | 38% |
| Disability benefits   | 6%                                  | 10%        | 31%          | 39%        | 19%       | 21% |
| Investment income   | 47%                                 | 42%        | 56%          | 62%        | 82%       | 58% |
| Occupational pension  | 29%                                 | 40%        | 59%          | 66%        | 82%       | 55% |
| Personal Pension income   | 7%                                  | 9%         | 11%          | 12%        | 18%       | 11% |
| Earnings  | 3%                                  | 2%         | 4%           | 8%         | 20%       | 7%  |

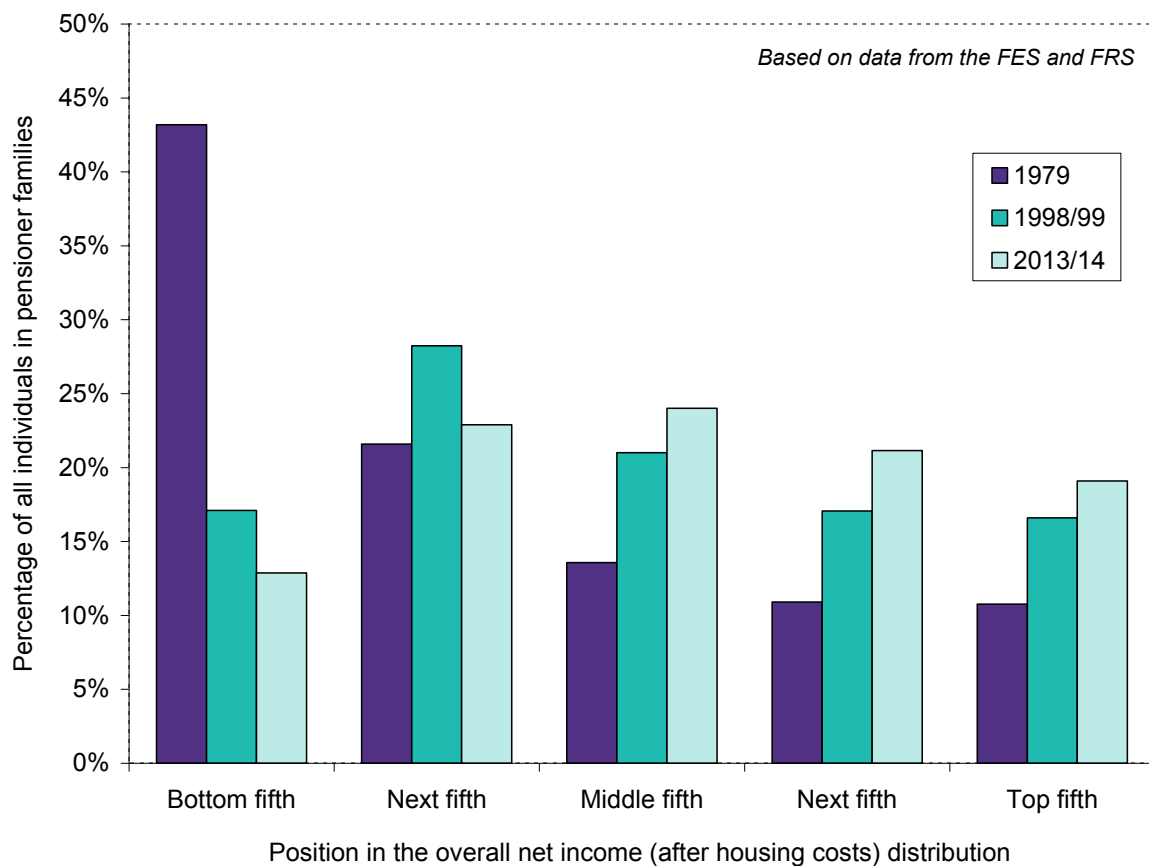
## 4.5 Pensioners in the overall net income distribution

This section looks at the position of individuals in pensioner families within the overall household income distribution i.e. including working-age households. This is the approach used in the HBAI publication, which analyses the overall income distribution. As noted in the Introduction, this part of the chapter is based on equivalised incomes, i.e. incomes are adjusted to take account of the size and composition of households.

The percentage of pensioners in each fifth of the After Housing Costs (AHC) income distribution in 1979, 1998/99 and 2013/14 is shown in **Figure 4.2**. In 1979, 43 per cent of all pensioners were in the bottom fifth, but by 1998/99 this proportion had more than halved to 17 per cent, and decreased further to 13 per cent in 2013/14. As increasing numbers of pensioners now own their home outright, the improvement of

pensioners' position in the net income distribution AHC is more pronounced than in the comparison on a Before Housing Costs (BHC) basis – the 13 per cent in the bottom quintile in 2013/14 on an AHC basis compares with 21 per cent based on BHC. However, even this higher BHC figure is a lot lower than the equivalent BHC figure for 1979, of 44 per cent. A greater proportion of single pensioners are in the bottom fifth both on BHC and AHC bases when compared to couples (16 per cent in 2013/14 compared with 11 per cent for couples, on an AHC basis).

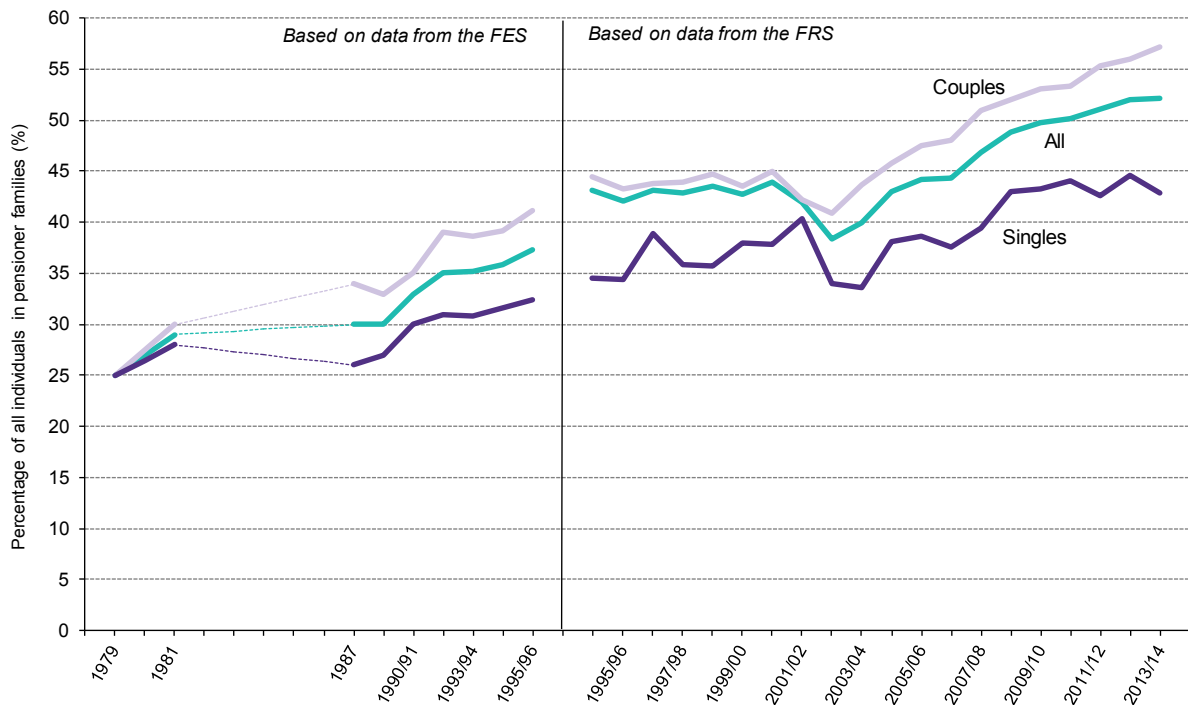
**Figure 4.2: Pensioners' position in the overall net income (AHC) distribution, 1979, 1998/99 and 2013/14**



## The percentage of pensioners in the top half of the income distribution

Since 1979, the percentage of pensioners in the top half of the overall population income distribution has increased (see **Figure 4.3**). As pensioners are more likely to own their own home outright than the rest of the population, the proportion of pensioners in the top half of the distribution is higher on the After Housing Costs (AHC) measure. According to this measure, 52 per cent of all pensioners were in the top half in 2013/14, comprising 57 per cent of individuals in pensioner couples and 43 per cent of single pensioners.

**Figure 4.3: Percentage of individuals in pensioner families in the top half of the overall population net income (AHC) distribution**



## 5. Additional Analysis and Context

### Key Findings

- Couples where the woman is over State Pension age (Spa) and the man is of working age have the highest average earnings. However, earnings for this group have been falling since Spa equalisation began in 2010/11.
- Ethnic minority pensioners have lower overall income than their White counterparts. This is largely due to them being less likely to receive occupational, personal and state pension income.
- Mixed status couples have on average 5 to 15 per cent higher incomes than the average for all pensioner couples primarily due to higher earnings from the working age partner, which account for nearly half of all income.
- Cohabiting pensioner couples have higher overall income than married pensioner couples mainly due to this group being younger and having a much higher level of earnings compared to married pensioner couples.
- There are 150,000 singles (1.1 per cent) that have retired under Spa and 360,000 couples (3.1 per cent) where both members are under Spa and at least one member has retired.
- Single benefit units who retire below Spa (compared to those over Spa) generally have high occupational pension income and low income from income-related benefits.

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 (due to lower sample sizes) so the results should be treated with caution. Differences in incomes between groups and changes over time may not be statistically significant. This chapter includes results on:

- **Mixed status pensioner couples** (where one member is above State Pension age and the other is below), highlighting the different income profile of these pensioners compared with couples where both members are over SPa;
- **Retired pensioners**: figures are presented on benefit units which report their employment status as retired, including those who report their employment status as retired but who are under SPa;
- **Pensioners aged 65 and over**: results are presented on the average incomes of pensioners aged 65 and over only which allows figures to be compared across years on a constant age basis. This is not possible with many other tables in the publication, which reflect the increases in SPa which began in April 2010;
- **Ethnicity**: results are presented for pensioners broken down by their ethnicity, which highlight differences in the income received from state and private pensions between the different groups. The sample size for minority ethnic groups is small, smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages;
- **Married and cohabiting pensioner couples**: finally, this chapter presents the different income profiles of married and cohabiting pensioner couples. Similar to ethnicity breakdowns, the sample size for cohabiting couples is small so three years of data have been used.

Future publications will review the content of this chapter and ensure the content is topical and provides insights not captured elsewhere in the publication. The topics covered in this chapter may therefore change in future publications.

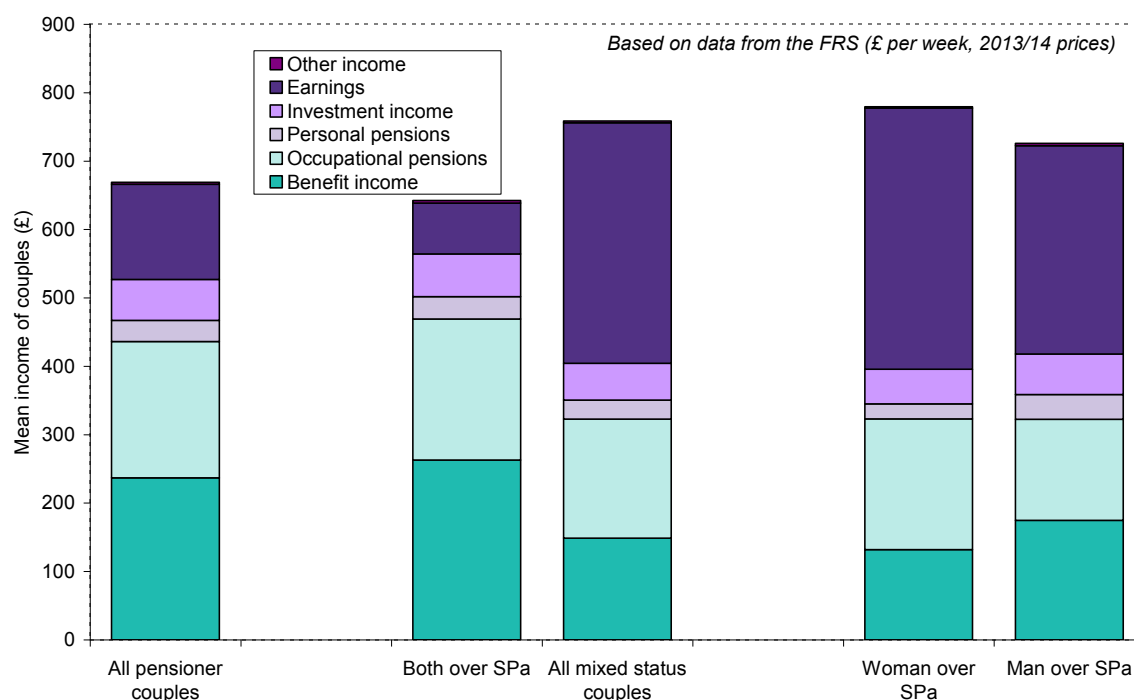
For any suggestions of analysis that could be useful to include in this chapter, please contact us using the contact details found at the start of the publication.

## 5.1 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 one partner is above SPa and one is below<sup>16</sup>.

In 2013/14 there were approximately 950,000 mixed status pensioner couples, accounting for around 23 per cent of all pensioner couples. In the last five years their average income levels have been between 5 and 15 per cent higher than the average for all pensioner couples. These differences are mainly due to higher earnings for mixed status couples and go some way in explaining differences with all pensioner couples presented in Chapter 2. **Online Table 5.1** contains a full breakdown of average incomes for this group.

**Figure 5.1: Sources of gross income for different types of pensioner couples, 2013/14**



<sup>16</sup> Although same sex couples are included in the main tables as part of the definition of pensioner couples for 2013/14, 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 different types of pensioner couples. For pensioner couples with one member over SPa earnings were the biggest contributor to gross income, accounting for 46 per cent of the average compared to 21 per cent for all pensioner couples. In contrast mixed status couples tend to receive less income from benefits than couples with both partners over SPa.

Pensioner couples where the woman is over SPa but the man is under have the highest average amount of income from earnings and the lowest average benefit income. This situation is reversed for couples with both members over SPa. Of all pensioner couples, those with both members over SPa are the most common composing 77 per cent of all pensioner couples, they also saw the smallest change in earnings income from the previous year (see **Online Table 3.10**). Couples with both members over SPa are also the least likely to be in receipt of income from earnings (only 18 per cent are in receipt). This group also has the lowest average income from earnings.

Pensioner couples in which only the woman is over SPa (i.e. the man is still of working age) have the highest average income from earnings and make up 14 per cent of all couples. The size of this subgroup has declined 37 per cent since 2010/11 as a proportion of all pensioner units. Mean earnings for this group also fell by just over 20 per cent from last year, this was the largest drop for any of the groups and puts mean earnings for mixed status couples closer to the overall average. Both these declines are likely to be influenced by the increases in female SPa from 2010. The changing composition of these subgroups may be driving part of the overall changes observed in average earnings income.

**Table 5.1: The percentage of different groups of pensioner couples with income from earnings and the average amounts for those in receipt, 2013/14**

|  |  | <i>Incomes in £ per week, 2013/14 prices</i>                             |               |
|--|--|--|---------------|
|  | <b>Proportion in receipt of income from earnings (%)</b> | <b>Average amount of income from earnings for those in receipt (£pw)</b> |               |
|  |  | <b>Mean</b>  | <b>Median</b> |
| Published "Pensioner Income" results, 2012/13 (Table 3.10) | 29%  | 480  | 362           |
| Man over SPa, Woman under SPa                              | 62%  | 490  | 364           |
| Woman over SPa, Man under SPa                              | 67%  | 571  | 472           |
| Strictly one member over SPa, one under SPa                | 65%  | 541  | 438           |
| Both members over SPa                                      | 18%  | 414  | 276           |

## 5.2 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 5.2** shows the numbers of singles and couples who have retired and whether they are under or over SPa. This shows that:

- There are 150,000 singles (1 per cent) that have retired under SPa and 360,000 couples (3 per cent) where both members are under SPa and at least one member has retired. These groups are not included in the results in earlier chapters of this report.
- 540,000 singles (12 per cent) over SPa have not retired and 590,000 couples (14 per cent) have at least one member over SPa and neither partner in retirement. These are included in the results in earlier chapters of this report.

**Table 5.2: The number of benefit units that have retired or not, by state pension age, 2013/14**

|                 | Under SPa         |                  | Over SPa      |               | All        |
|-----------------|-------------------|------------------|---------------|---------------|------------|
|                 | Males             | Females          | Males         | Females       |            |
| <b>Singles</b>  |                   |                  |               |               |            |
| Not retired     | <i>6,770,000</i>  | <i>6,250,000</i> | 170,000       | 370,000       | 13,560,000 |
| Retired         | 100,000           | 50,000           | 1,150,000     | 2,900,000     | 4,210,000  |
| All             | 6,870,000         | 6,300,000        | 1,320,000     | 3,280,000     | 17,770,000 |
|                 | Both under SPa    | Female over SPa  | Male over SPa | Both over SPa | All        |
| <b>Couples</b>  |                   |                  |               |               |            |
| Neither retired | <i>11,390,000</i> | 230,000          | 140,000       | 220,000       | 11,980,000 |
| One retired     | 260,000           | 250,000          | 200,000       | 460,000       | 1,170,000  |
| Both retired    | 100,000           | 120,000          | 40,000        | 2,500,000     | 2,760,000  |
| All             | 11,750,000        | 590,000          | 380,000       | 3,180,000     | 15,910,000 |

1. All figures in this table have been rounded to the nearest 10,000.

2. Figures in italics denote individuals under SPa whose income is not included in this report.

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

Looking at changes in these numbers over the last five years reveals a trend of fewer single females working past SPa. Data from the *Labour Force Survey* shows that this is wholly due to a fall in the female participation rate from mid 2010 (around the start of SPa changes). The explanation for this is that as the female SPa has increased



fewer women are working past the new higher SPa. In comparison the male participation rate has continued to display an upwards trend.

The percentage of individuals retiring early has remained stable for both singles and couples. A breakdown of the income of early retirees is explored in **Online Table 5.4** which looks at the income components of single retired benefit units under SPa. It is worth noting from **Table 5.2** that one third of all single retired benefit units below SPa are female. The estimates in Table 5.4 should be treated 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.

From Table 5.4 (online) we can see that single benefit units who retire below SPa (compared to those who are recently retired) generally have similar occupational pension income and low income from income-related benefits. Investment income has been falling since 2009/10 for this group and has more than halved since then. This group has also seen a fall of 21 percentage points in the proportion of individuals who are in receipt of benefit income since 2010/11.

Their net median income AHC level of £155 per week (for 2013/14) is lower than the corresponding median income for singles over SPa (£197) (see **Table 5.2**) and would place these retired singles in the third quintile of the single pensioners income distribution (AHC).

## 5.3 Pensioners 65 or over

In earlier chapters, pensioner units are included in results if they are a single pensioner of SPa or over, or a couple, one or more of which are of SPa or over. The SPa for women has been increasing since April 2010, and will reach age 65 (the same as male SPa) by November 2018. SPa for both men and women will increase to reach age 66 by October 2020.

**Table 5.3** 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.

This allows figures to be compared across years on a constant age basis. For example, these estimates are in contrast with those in **Table 2.1**; some female pensioners in Table 2.1 will be under 65, whereas they are excluded from Table 5.3. Using this definition of pensioner units produces approximately 8 per cent fewer pensioner units than the definition used throughout the publication. These missing units were distributed evenly amongst couples and singles.

The biggest difference between Table 2.1 and Table 5.3 is the fall in earnings when looking only at estimates for over 65s. This is the result of a fall in earnings from excluding those women who are over SPa but under 65, and leads to the differences in gross and net measures seen in the two tables. Another notable difference is that the over 65s group have continuously had higher average benefit incomes compared to the over SPa group.

**Table 5.3: The average incomes of pensioner units 65 or over, 1996/97 to 2013/14**

|                            | Incomes in £ per week, 2013/14 prices |         |         |         |         |                                   |
|----------------------------|---------------------------------------|---------|---------|---------|---------|-----------------------------------|
|                            | 1996/97                               | 1998/99 | 2011/12 | 2012/13 | 2013/14 | As a % of gross income in 2013/14 |
| <b>All pensioner units</b> |                                       |         |         |         |         |                                   |
| <b>Gross income</b>        | 333                                   | 345     | 469     | 476     | 476     | 100%                              |
| <i>of which</i>            |                                       |         |         |         |         |                                   |
| Benefit income             | 172                                   | 177     | 220     | 222     | 214     | 45%                               |
| Occupational pension       | 86                                    | 91      | 132     | 134     | 138     | 29%                               |
| Personal pension income    | 4                                     | 6       | 19      | 21      | 20      | 4%                                |
| Investment income          | 40                                    | 41      | 36      | 33      | 40      | 8%                                |
| Earnings                   | 29                                    | 28      | 58      | 63      | 61      | 13%                               |
| Other income               | 1                                     | 2       | 4       | 3       | 3       | 1%                                |
| <b>Net income BHC</b>      |                                       |         |         |         |         |                                   |
| Mean                       | 288                                   | 295     | 395     | 400     | 401     | 84%                               |
| Median                     | 224                                   | 228     | 313     | 320     | 312     |                                   |
| <b>Net income AHC</b>      |                                       |         |         |         |         |                                   |
| Mean                       | 248                                   | 259     | 364     | 367     | 368     | 77%                               |
| Median                     | 182                                   | 192     | 278     | 287     | 280     |                                   |
| <b>Pensioner couples</b>   |                                       |         |         |         |         |                                   |
| <b>Gross income</b>        | 480                                   | 493     | 634     | 649     | 654     | 100%                              |
| <i>of which</i>            |                                       |         |         |         |         |                                   |
| Benefit income             | 206                                   | 209     | 250     | 255     | 248     | 38%                               |
| Occupational pension       | 137                                   | 145     | 190     | 190     | 199     | 30%                               |
| Personal pension income    | 8                                     | 12      | 32      | 36      | 33      | 5%                                |
| Investment income          | 65                                    | 65      | 55      | 51      | 61      | 9%                                |
| Earnings                   | 62                                    | 59      | 102     | 113     | 110     | 17%                               |
| Other income               | 1                                     | 3       | 4       | 3       | 4       | 1%                                |
| <b>Net income BHC</b>      |                                       |         |         |         |         |                                   |
| Mean                       | 410                                   | 415     | 526     | 534     | 542     | 83%                               |
| Median                     | 323                                   | 328     | 430     | 436     | 440     |                                   |
| <b>Net income AHC</b>      |                                       |         |         |         |         |                                   |
| Mean                       | 370                                   | 383     | 499     | 507     | 515     | 79%                               |
| Median                     | 283                                   | 298     | 406     | 410     | 414     |                                   |
| <b>Single pensioners</b>   |                                       |         |         |         |         |                                   |
| <b>Gross income</b>        | 230                                   | 244     | 311     | 318     | 319     | 100%                              |
| <i>of which</i>            |                                       |         |         |         |         |                                   |
| Benefit income             | 148                                   | 155     | 191     | 192     | 185     | 58%                               |
| Occupational pension       | 50                                    | 54      | 77      | 82      | 84      | 26%                               |
| Personal pension income    | 1                                     | 2       | 7       | 8       | 9       | 3%                                |
| Investment income          | 23                                    | 25      | 18      | 17      | 21      | 7%                                |
| Earnings                   | 6                                     | 6       | 15      | 17      | 18      | 6%                                |
| Other income               | 1                                     | 2       | 3       | 3       | 3       | 1%                                |
| <b>Net income BHC</b>      |                                       |         |         |         |         |                                   |
| Mean                       | 203                                   | 214     | 270     | 277     | 276     | 86%                               |
| Median                     | 175                                   | 181     | 236     | 244     | 238     |                                   |
| <b>Net income AHC</b>      |                                       |         |         |         |         |                                   |
| Mean                       | 163                                   | 176     | 234     | 240     | 239     | 75%                               |
| Median                     | 123                                   | 134     | 197     | 201     | 197     |                                   |

## 5.4 Ethnic minority groups

Ethnic minorities account for around four per cent of all pensioner units in the UK according to the FRS 2013/14 (based on head of pensioner unit). This is consistent with the 2011 Census which reported that ethnic minorities accounted for just over four per cent of all over 65s.

The results in **Table 5.4** show that:

- Ethnic minority pensioners have lower overall income than their White counterparts (for example, median net income (AHC) of White pensioner units is £290 per week compared with £217 per week and £227 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 they tend to receive lower amounts when they are in receipt.

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.

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

**Table 5.4: The components of mean gross income of pensioner units, and the percentage in receipt by ethnic group, 2011-14**

*Incomes in £ per week, in 2013/14 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>                                    | 489       | 492       | 423                                   | 350  | 570    |
| <i>of which</i>  |           |           |                                       |  |        |
| Benefit income   | 211       | 211       | 194                                   | 204  | 210    |
| <i>of which</i>  |           |           |                                       |  |        |
| State Pension  | 163       | 165       | 114                                   | 128  | 132    |
| Income related benefits                                | 23        | 22        | 50                                    | 53   | 45     |
| Disability benefits                                    | 17        | 17        | 19                                    | 17   | 18     |
| Occupational pension                                   | 135       | 137       | 82                                    | 74   | 135    |
| Personal pension income                                | 19        | 20        | 5                                     | 8  | 45     |
| Investment income                                      | 36        | 37        | 37                                    | 6  | 46     |
| Earnings   | 84        | 84        | 101                                   | 56   | 130    |
| Other income   | 3         | 3         | 5                                     | 2  | 4      |
| <b>Net income BHC</b>                                  |           |           |                                       |  |        |
| Mean   | 408       | 410       | 347                                   | 307  | 463    |
| Median   | 321       | 323       | 258                                   | 258  | 324    |
| <b>Net income AHC</b>                                  |           |           |                                       |  |        |
| Mean   | 375       | 378       | 312                                   | 253  | 421    |
| Median   | 287       | 290       | 227                                   | 217  | 266    |
| <b>Proportion of pensioners in receipt of:</b>         |           |           |                                       |  |        |
| Benefit income   | 100%      | 100%      | 100%                                  | 100%   | 100%   |
| <i>of which</i>  |           |           |                                       |  |        |
| State Pension  | 97%       | 98%       | 84%                                   | 88%  | 89%    |
| Income related benefits                                | 28%       | 27%       | 44%                                   | 45%  | 36%    |
| Disability benefits                                    | 22%       | 22%       | 25%                                   | 24%  | 19%    |
| Occupational pension                                   | 62%       | 63%       | 30%                                   | 47%  | 43%    |
| Personal pension income                                | 18%       | 18%       | 7%                                    | 13%  | 18%    |
| Investment income                                      | 64%       | 65%       | 38%                                   | 32%  | 53%    |
| Earnings   | 18%       | 18%       | 21%                                   | 15%  | 22%    |
| <b>Total population figures</b><br>(rounded to 10,000) | 8,680,000 | 8,310,000 | 170,000                               | 120,000  | 64,000 |
| <b>Sample sizes</b>                                    | 21,452    | 20,721    | 329                                   | 230  | 172    |

**Notes:**

(1) Data based on the average of three years of FRS results from 2011/12, 2012/13 and 2013/14 updated to 2013/14 prices

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

## 5.5 Marital status of couples

In 2013/14, two per cent of all pensioner units were cohabiting couples and 46 per cent were married couples, with the remaining 51 per cent being single pensioners (**see Table 1.1**). 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 in **Table 5.5** show that:

- Cohabiting pensioner couples have higher overall income than married pensioner couples (for example, median net income (AHC) of cohabiting pensioner couples is £440 per week, compared with £417 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 £260 per week compared with £143 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;
- Conversely, occupational pension income is higher for married couples, while levels of benefit income and personal pension income are similar for both groups.

**Table 5.5: The components of mean gross income of married and cohabiting pensioner units, 2011-14***Incomes in £ per week, 2013/14 prices*

| <b>Marital status of couples</b> | <b>All</b> | <b>Married pensioner couples</b> | <b>Cohabiting pensioner couples</b> |
|----------------------------------|------------|----------------------------------|-------------------------------------|
| <b>Gross income</b>              | 667        | 665                              | 705                                 |
| <i>of which</i>                  |            |                                  |                                     |
| Benefit income                   | 236        | 237                              | 225                                 |
| Occupational pension             | 192        | 195                              | 135                                 |
| Personal pension income          | 32         | 32                               | 26                                  |
| Investment income                | 55         | 55                               | 55                                  |
| Earnings                         | 148        | 143                              | 260                                 |
| Other income                     | 4          | 4                                | 3                                   |
| <b>Net income BHC</b>            |            |                                  |                                     |
| Mean                             | 545        | 544                              | 569                                 |
| Median                           | 443        | 442                              | 471                                 |
| <b>Net income AHC</b>            |            |                                  |                                     |
| Mean                             | 517        | 517                              | 529                                 |
| Median                           | 417        | 417                              | 440                                 |
| <b>Sample size</b>               | 10,637     | 10,173                           | 464                                 |

Notes:

1. Data based on the average of three years of FRS results from 2011/12, 2012/13 and 2013/14 uprated to 2013/14 prices

# PI Glossary

## Adult

All those individuals who are aged 16 and over (unless defined as a dependent child (all adults in the household are interviewed as part of the **Family Resources Survey**)).

## Age

Respondent's age at last birthday (i.e. at the time of the interview).

## Attendance Allowance

A Social Security benefit for people aged 65 or over that need help with personal care because of a mental or physical disability. There are two rates, a lower rate for attendance during day or night, and a higher rate for day and night.

## Benefits

The government pays money to individuals in order to support them financially under various circumstances. Most of these benefits are administered by DWP. The exceptions are **Housing Benefit** and local **Council Tax Support**, which are administered by local authorities. *Tax Credits* are not treated as benefits, but both Tax Credits and benefits are included in the term State Support.

Benefits are often divided into Income-related benefits and Non-income-related benefits:

- Income-related benefit awards vary depending on the recipient's income and savings.
- Non-income-related benefit awards can vary depending on the recipient's circumstances (level of disability, for example), but not on income and savings.

## Carer's Allowance

A Social Security benefit for people who are:

- aged 16 or over
- not in full-time education with 21 hours or more a week of supervised study
- not earning more than the lower earnings limit for *National Insurance* after certain deductions have been made (such as Income Tax)



- spending at least 35 hours a week caring for someone who is ill or disabled.

The ill or disabled person must be getting either higher or middle rate **Disability Living Allowance** Care component or **Attendance Allowance** or a Constant Attendance Allowance at the maximum rate under the *War Pensions or Industrial Injuries Scheme*.

### **Confidence interval**

A measure of sampling error; a confidence interval is a range around an estimate which states how likely it is that the real value that the survey is trying to measure lies within that range. A wider confidence interval indicates greater uncertainty around the estimate. Generally, a smaller sample size will lead to estimates that have a wider confidence interval than estimates from larger sample sizes. This is because a smaller sample is less likely than a larger sample to reflect the characteristics of the total population and therefore there will be more uncertainty around the estimate derived from the sample.

Note that a confidence interval ignores any systematic errors which may be present in the survey and analysis processes.

### **Council Tax**

The tax is based on the property value of a dwelling (which is split into bands) and assumes two adults per household. The bill consists of both a property and personal element.

Status discounts (which reduce or eliminate the personal element of the tax) are available to single adult and certain other household types. An exemption may apply to some households, the most common type being accommodation occupied solely by students or where the accommodation is owned by the Ministry of Defence as armed forces accommodation.

### **Council Tax Support**

A Social Security benefit, administered by the local authority, designed to help people on low incomes pay their **Council Tax**.

### **Couple**

Two adults, of same or different sex, who are married (spouse), or from January 2006 in a civil partnership (partner), or are assumed to be living together as such (cohabitee). See also [Partnership status](#).

## **Disability Living Allowance**

A Social Security benefit for people who become disabled before the age of 65 and who require help with personal care, getting around or both. This benefit has two components:

- *Care component*: For assistance with personal care, e.g. washing, dressing, using the toilet or cooking a meal. It is paid at three rates depending on the extent of care needed.
- *Mobility component*: For those who cannot walk or have difficulty in walking. It is paid at two rates depending on the extent of the difficulties.

## **Employment and Support Allowance (ESA)**

A Social Security benefit that replaced *Incapacity Benefit* and *Income Support* (paid on grounds of incapacity) for new claims from 30 October 2008. There are contributory and income-related components to the benefit.

## **Equivalisation**

Equivalisation adjusts incomes to account for variations in both the composition and size of the entire household. For information on how equivalisation relates to PI please refer to the methodology section.

## **Ethnic group**

The ethnic group to which respondents consider themselves belonging to. The **FRS** questions on ethnicity are in line with National Statistics' harmonisation guidance published in February 2013.

The categories are:

- White
- Asian / Asian British / Chinese
- Black / African / Caribbean / Black British
- Other (includes mixed or multiple ethnic groups)

## **Family Resources Survey (FRS)**

The FRS is one of the largest cross-sectional household surveys in the country surveying 20,000 private households across all ages. Prior to 2002/03 the survey covered Great Britain; from 2002/03 the survey was extended to cover the UK.

## Family Expenditure Survey (FES)

The FES was a comparatively smaller cross-sectional household survey which ran from 1961-2001 and was subsequently superseded by the **FRS**.

## Gross Income

Total income a Pensioner receives from all sources before any outgoings, tax or housing costs.

## Head of Pensioner Unit

The Pensioners' Incomes 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, otherwise it is the first person from the pensioner unit in the order they were named in the **Family Resources Survey** interview process.

## Housing Benefit

A Social Security benefit that is administered by local authorities, which is designed to assist people who rent their homes and have difficulty meeting their housing costs. Council tenants on Housing Benefit receive a rent rebate which means that their rent due is reduced by the amount of that rebate. Private and Social housing tenants usually receive Housing Benefit (or rent allowance) personally, although sometimes it is paid direct to the landlord.

## Housing costs

Housing costs are made up of: rent (gross of housing benefit); water rates, community water charges and council water charges; mortgage interest payments (net of tax relief); structural insurance premiums (for owner occupiers); and ground rent and service charges.

Net incomes in the **Pensioners' Incomes Series** report are presented either on a BHC or AHC basis the definitions of which are:

- **Before Housing Costs (BHC):** Net income before the housing cost aspects listed above are taken away.
- **After Housing Costs (AHC):** Net income after the housing cost aspects listed above are taken away.

## In Receipt

The number (or percentage) of pensioner units (or households) that receive income from a specified income type. See [Sources of pensioner's income](#).

## Mixed status pensioner couples

Where one member is above **State Pension age (SPa)** and the other is below, highlighting the different income profile of these pensioners compared with couples where both members are over SPa.

## Mean

Mean income of individuals is found by adding up incomes for each individual in a population and dividing the result by the number of people.

## Median

Median income divides the population, when ranked by income, into two equal-sized groups such that 50 per cent of individuals are below the median income and 50 per cent are above.

## Net Income

Net income is gross income with direct taxes including **Council Tax** payments deducted. Net income may be presented on a **before housing costs** or **after housing costs** basis. See [Housing costs](#) for more detail.

## Partnership status

The **Pensioners' Income Series** recognises 4 distinct partnership arrangements:

- *Pensioner couple, married or civil partnered*: Benefit units headed by a couple where the head of the benefit unit is over **State Pension age (SPa)** and the couple are married or in a civil partnership.
- *Pensioner couple, cohabiting*: Benefit units headed by a couple where the head of the benefit unit is over SPa and the couple are not married nor in a civil partnership.
- *Single male pensioner*: Benefit units headed by a single male adult over SPa.
- *Single female pensioner*: Benefit units headed by a single female adult over SPa.

## Pension Credit

A Social Security benefit paid to those who have reached the Pension Credit qualifying age. This is gradually increasing from 60 in April 2010 to 66 by 2020. It is

administered by *The Pension Service*, a part of DWP. There are two main elements to Pension Credit:

- *Guarantee Credit*: an amount paid to bring a recipient's income up to the minimum amount a pensioner can be expected to live on. There are additional amounts for owner occupiers' housing costs, disability and caring responsibilities.
- *Savings Credit*: this is available only to pensioners aged 65 and over and pays an additional amount to those who have made provision for their retirement over and above the State Pension.

### **Pensioner units**

A pensioner unit is a single adult or a couple living as married, together with any dependent children. An adult living in the same household as his or her parents, for example, is a separate benefit unit from the parents. A pensioner unit could also be one person living alone or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area. A household will consist of one or more benefit units. See also [Head of Pensioner Unit](#).

### **Quintiles**

These are income values which divide the whole population, when ranked by household income, into five equal-sized groups - the lowest quintile describes individuals with incomes in the bottom 20 per cent of the income distribution. This helps to compare different groups of the population.

Quintiles are often used as a standard shorthand term for quintile group.

### **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 **State Pension age (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 2013/14, women aged between 61 and 65 are included in recently retired – as female SPa was 61 and a half at the start of 2013/14 – provided they have reached SPa as defined by the criteria above.

Recently retired pensioner units are included in the 'Under 75' age group.

## Region

Regional classifications are based on the standard statistical geography of the former *Government Office Regions*: nine in England, and a single region for each of Scotland, Wales and Northern Ireland. These regions are built up of complete counties or unitary authorities. Tables also include statistics for England as a whole. For more information on National Statistics geography see [ONS Guidance: Geography in National Statistics](#).

## Sampling error

The uncertainty in the estimates which arises from taking a random sample of the household population. The likely size of this error for a particular statistic can be identified and expressed as a **confidence interval**.

## Social Fund

The Social Fund is an amount of money reserved by the government to make one-off payments for various reasons. These include Funeral, Winter Fuel and Cold Weather Payments, Maternity and Community Care Grants and Budgeting and Crisis Loans. They are available to people who are receiving certain Social Security benefits and who meet various other conditions. Loans are interest free and the amounts, along with Community Care Grants, are discretionary, not a standard amount.

## Sources of Pensioners' Incomes:

- **State Pension:** pensioners in receipt of state pensions includes basic and additional state pension. To qualify for state pension you must be over 65 for men born before 6 April 1959. For women born on or before 5 April 1950, State Pension age is 60. From 6 April 2010, the State Pension age for women born on or after 6 April 1950 will increase gradually between April 2010 and November 2018. From December 2018, the State Pension age for both men and women will start to increase to reach 66 in October 2020.
- **Income related benefit:** Benefits are often divided into income-related benefits and non-income-related benefits. Income-related benefit awards vary depending on the recipient's income and savings. Examples of income-related benefit include; *Pension credit*, *local Council Tax Support* and the Social Fund.
- **Disability benefit:** Non-income-related benefit awards (such as disability benefit). Can vary depending on the recipient's circumstances (level of disability, for example), but not on income and savings.
- **Investment income:** Income from interest, *Individual Savings Allowance* (ISAs) and other savings accounts, such as unit trusts, bonds, stocks and shares.

- **Occupational pension:** many employers offer an occupational pension scheme, whereby employees can make pre-tax contributions. Income can be received on retirement as a lump sum or be used to purchase an annuity that provides monthly income payments for the remainder of one's life.
- **Personal pension:** A pension provided through a contract between an individual and the pension provider. The pension which is produced will be based upon the level of contributions, investment returns and annuity rates; a personal pension can be either employer provided or privately purchased (see Private pension).
- **Private pension:** Includes occupational pensions (also known as Employer-Sponsored pensions) and **Personal pensions** (including Stakeholder pensions).
- **Earnings:** Income from earnings refers to gross earnings from employment and self-employment. Wages and salaries for a respondent currently working, income from wages and salaries is equal to: gross pay before any deductions, less any refunds of income tax, any motoring and mileage expenses, any refunds for items of household expenditure and any Statutory Sick Pay or Statutory Maternity Pay, plus bonuses received over the last 12 months (converted to a weekly amount).

### **State Pension age (SPa)**

Pensioners are defined as all those adults above State Pension age. For women born on or before 5th April 1950, SPa is 60. For men SPa is 65. Since 6th April 2010, the SPa for men and women born on or after 6th April 1950 has been increasing gradually. By November 2018 SPa will be 65 for both men and women. From December 2018 to October 2020 the SPa for both men and women will increase to 66. Further increases to bring the SPa to 67 are planned to be phased in between 2026 and 2028. These changes are published at: [Changes to State Pension](#)

### **Widowed Parent's Allowance**

A widow or widower is eligible if his or her late husband or wife met certain National Insurance contribution conditions. Widowed Mother's Allowance or Widowed Parent's Allowance can be paid to a widow or widower as long as he or she is entitled to Child Benefit for at least one qualifying child, or she is pregnant by her late husband, or in certain cases of artificial insemination. Child dependency increases are paid for each child.

### **Working-age**

Working-age adults are defined as all adults below **State Pension age**.

### **Weeklyisation**

All monetary amounts in the Pensioners' Incomes Series are presented as weekly values. If a respondent reported a payment covering a period other than a week (for

example a monthly salary), the average weekly amount is calculated. Lump sums and one-off payments are treated as if they were annual payments for this purpose.