



Department
for Work &
Pensions

Pensioners' Incomes Series

United Kingdom, 2016/17

Background information and methodology

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Background

Purpose of the statistics

The Pensioners' Incomes (PI) Series

The Pensioners' Incomes (PI) Series contains estimates of the levels, sources and distribution of pensioners' incomes. It also examines the position of single pensioners and pensioner couples, including any dependent children, within the income distribution of the population as a whole. This analysis is different from Households Below Average Income (HBAI) where analysis is on a household basis and includes income of other adults not in the pensioner unit but living in that household.

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 (as HBAI) are based on data from the Family Resources Survey (FRS).

PI annual reports and accompanying tables, research and technical papers are available here:

<https://www.gov.uk/government/collections/pensioners-incomes-series-statistics--3>

Versions of the dataset are available from the UK Data Service here:

<http://discover.ukdataservice.ac.uk/series/?sn=200017>

Context of the statistics

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 (SPa);
- Increasing SPa;
- New State Pension;
- Pension freedoms, and
- 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.

Pensioner demographics

ONS population estimates for mid-2016 found that people aged 65 and over represent 18 per cent of the UK population¹. The proportion of people aged 16 to 64 years has remained relatively stable over the last 40 years². Over the last 10 years it has started to decline and is projected to decline further in future years. This is a result of the growth in the population aged 65 and over.

Between 1976 and 2016 there was a 3.8 percentage point increase in the proportion of people aged 65 and over. It is projected to continue to grow to nearly a quarter of the population by 2046². The ageing population of the UK is influenced by many factors including mortality, fertility, health provisions and lifestyles.

Home ownership continues to be higher for pensioners compared to those of working age. Around three-quarters of pensioners live in homes that are owned outright (compared to roughly one in five of the working-age population), and so face minimal housing costs³.

National Statistics Status

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

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

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

Quality Statement

The Pensioners' Incomes (PI) Series is based on the Households Below Average Income (HBAI) dataset, which undergoes substantial checking and verification. This is carried out both internally within DWP, and externally by the Institute for Fiscal Studies (IFS). When producing charts and tables for the publication, all content is independently quality assured by different members of the PI team to ensure methodology is robust. All commentary in the PI report is reviewed by the PI team and analysts from the relevant policy areas within DWP to ensure the information presented is accurate and meets user needs.

¹ [ONS Annual Mid-year Population Estimates: 2016](#)

² [ONS Overview of the UK Population: July 2017](#)

³ [HBAI: An analysis of the income distribution 1994/95 to 2016/17](#)

Feedback

If you have any comments or questions, please contact:

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Points to note when using PI

Data sources

The Family Resources Survey

The Family Resources Survey (FRS) is the main underlying data source for PI. It is one of the largest cross-sectional household surveys in the United Kingdom. The focus of the FRS is on capturing information on household incomes and, as such, is the foremost source of income data and provides more detail on different income sources than other household surveys. It also captures a lot of contextual information on the household and individual circumstances, such as employment, education level and disability. It is therefore a very comprehensive data source allowing for a range of different analysis.

The PI publication is based on the FRS derived Households Below Average Income (HBAI) dataset. The HBAI publication makes an adjustment for households with very high incomes as the FRS under-records information about these households. The [HBAI 2016/17 Quality and Methodology Information report](#) provides further details on this and other topics.

The FRS is based on financial years, and data are not available prior to 1994/95.

Family Resources Survey publications are available here:

<https://www.gov.uk/government/collections/family-resources-survey--2>

Households Below Average Income publications are available here:

<https://www.gov.uk/government/collections/households-below-average-income-hbai-2>

Sample size: From April 2011, the target achieved GB sample size for the FRS was reduced by 5,000 households, resulting in an overall achieved sample size for the UK of around 20,000 households for 2011/12 onwards. A published assessment concluded that this reduced sample still allows the core outputs from the FRS to be produced (such as the individual measure of income in PI).

Coverage: Until 2001/02 the FRS covered Great Britain. From 2002/03 this was extended to cover all of the United Kingdom. Caution should therefore be taken when comparing results across these years.

Definitions and terminology

More information can be found in the [glossary](#).

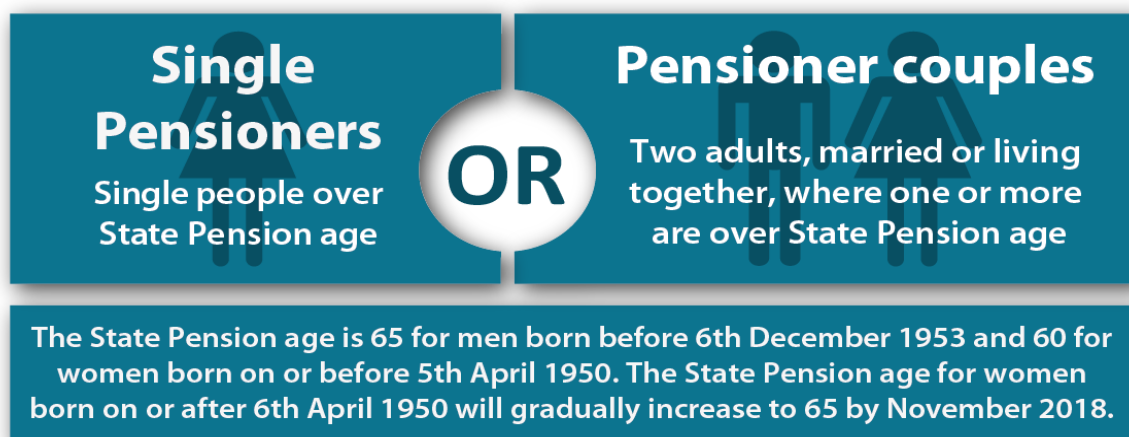
Pensioner units

The Pensioners' Incomes Series provides analysis on pensioner benefit units (known as pensioner units), which include:

- Single pensioners: individuals over State Pension age (SPa).

- Pensioner couples: married or cohabiting pensioners where one or more are over SPa.
- Income related to any dependent children in pensioner units.

In 2016/17 the SPa for men was 65. For women, SPa was 63 at the beginning of the 2016/17 financial year and had risen to 63 years and 9 months by the end of the financial year.



Age of pensioner units

For analysis of pensioner units by age, pensioner couples are categorised by the age of the Head. The Head of the pensioner unit is either the Household Reference Person (see below) if they belong to the pensioner unit, or if not it is the first person from the pensioner unit in the order that they were named in the interview.

The Household Reference Person (HRP) is the householder with the highest income, without regard to gender.

- In a single adult household, the HRP is the sole householder (i.e. the person in whose name the accommodation is owned or rented).
- If there are two or more householders, the HRP is the householder with the highest personal income from all sources. In households where there is one person under SPa and one person over SPa, it is possible that the younger person may be the HRP as they are more likely to be working, and therefore have a higher income.
- If there are two or more householders who have the same income, the HRP is the eldest householder.

In the Pensioners' Incomes Series the category of **Recently Retired Pensioners** is used. This is an age definition and refers to pensioner units where the head is within five years of SPa at time of interview. For 2016/17 this includes men aged between 65 and 69. For women, SPa was 63 at the beginning of the 2016/17 financial year and had risen to 63 years and 9 months by the end of the financial year. This gradual increase is taken into account so women are classed as recently retired if they are over 63 and within five years of the women's SPa at the time of interview. Recently retired pensioner units are also included in the 'Under 75' age group.

Income

PI estimates do not reflect income from other adults and their dependent children in a household; therefore if a pensioner lives with their adult children, for example, the younger adult's income is not included in this analysis.

Estimates are based on unequivalised income. Equivalisation makes an adjustment to income to reflect household size and composition in order to compare income across households as a measure of living standards, and is used in the Households Below Average Income (HBAI) publication. In most cases in the PI series, income is shown for single pensioners and pensioner couples separately and while the benefit income of dependent children is included in estimates, this was only relevant for one per cent of pensioner units.

Income measures

Gross income: In the PI Series, gross income is generally separated into six components:

1. **Income from benefits** – including tax credits;

In some instances this is further divided into:

- State Pension – Basic and Additional State Pensions, New State Pension, Widow's Pension and Widowed Parent's Allowance,
- Income-related benefits – Pension Credit, Housing Benefit, Local Council Tax Support and Social Fund Payments,
- Disability benefits – Disability Living Allowance, Attendance Allowance, Incapacity Benefit, Industrial Injuries Disablement Benefit, War Disablement Pension and Personal Independence Payment

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

2. **Income from occupational pensions** – employee pensions associated with an employer and workplace;
3. **Income from personal pensions** – personal pensions, annuities bought with lump sums from personal pensions, trade union and friendly society pensions;

The sum of income from **occupational (2)** and **personal pensions (3)** is income from **private pensions**.

4. **Income from investments** – including interest from Individual Savings Accounts (ISAs) and other savings accounts, unit trusts, bonds, stocks and shares;
5. **Income from earnings** – including employee earnings and profit and loss from self-employment;
6. **Other income** – benefits from friendly societies, income received for or dependent children, maintenance payments and, from November 2000, free TV licences for those aged 75 and over.

More information about the different income sources can be found in the glossary at the end of this document.

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

- Income tax payments;
- National Insurance contributions;
- Contributions to pension schemes;
- Local taxes (i.e. council tax/domestic rates);
- Maintenance and child support payments;
- Student loan repayments, and;
- Parental contributions to students living away from home.

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

- Rent (gross of housing benefits);
- Water rates, community water charges and council water charges;
- Structural insurance premiums (for owner occupiers);
- Mortgage interest payments (net of any tax relief), and;
- Ground rent and service charges.

Income from Housing Benefit is included within gross income as an income-related benefit. Capital mortgage repayments are not deducted as a Housing Cost as this is regarded as an asset being accrued and not a cost.

Interpretation of Estimates

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

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 the Pensioners' Incomes Series do not take account of the income of other adult members of the household or their dependants, 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. 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 the [2016/17 HBAI publication](#).

Differences by age

PI 2016/17 finds that there are differences in average incomes between age groups. There are a number of reasons for this which should be noted when interpreting these results:

- **The 'age' effect:** Older pensioners are less likely to be in work and hence receive a smaller amount from earnings. Any pension(s) they may be in receipt of are related to their earnings, years of scheme membership and pension contributions (including national insurance in the case of the State pension) they made previously in their working lives.
- **The 'cohort' effect:** The rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to later cohorts. Over the past 20 years, each successive cohort of pensioners has in general had a higher income than the older cohort it effectively replaces, and this has pushed 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 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.

Methods

Detailed information on the production of the FRS dataset can be found in the [2016/17 FRS Background note and methodology report](#). This includes information on the survey design, collection and quality assurance processes.

Grossing

Grossing-up is the term usually given to the process of applying factors to sample data so that they yield estimates of the overall population. Estimates in the PI publication incorporate the 2011 Census based mid-year population estimates into the grossing regime from 2012/13 onwards. A consistent back series has been produced from 2002/03 to 2011/12.

In addition to the use of 2011 Census data, a number of minor methodological changes have also been implemented in the FRS dataset. These methodological changes were made on the recommendation of the ONS Methodological Advisory Service during an Initial Review of the FRS weighting scheme. A [report of the changes made to the grossing regime is available](#).

Adjusting for inflation

The PI Series uses uprating factors to adjust for inflation, by bringing values from previous years into current price terms for the most recent year of the publication. As advised in a Statistical Notice⁴ published in May 2016, from 2014/15 PI made a methodological change to use variants of Consumer Price Index (CPI) when adjusting for inflation. Prior to the 2014/15 PI publication variants of Retail Price Index (RPI) were used to adjust for inflation.

More information is available in the 2014/15 PI publication's background information and methodology note, available here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563431/pensioners-incomes-series-2014-15-methodology-quality.pdf

Adjustment for individuals with very high incomes

An adjustment is made to sample cases at the top of the income distribution to correct for volatility in the highest incomes captured in the survey. This adjustment uses data from [HM Revenue and Customs Survey of Personal Incomes \(SPI\)](#) to control the numbers and income levels of the 'very rich' while retaining the FRS data on the characteristics of the households. For 2016/17, pensioners in Great Britain are subject to the SPI adjustment if their gross income exceeded £80,100 per year (£63,400 in Northern Ireland). For more details on the SPI adjustment see the [2016/17 HBAI Quality and Methodology Information report](#).

Negative incomes

Negative incomes are not thought to be indicative of standards of living. Pensioner units with negative net income Before Housing Costs have the gross income components of income, and their net income Before Housing Costs, set to zero. Net income After Housing Costs is set to zero minus housing costs, and so for a small number of cases will be negative. See the [PI methodological paper number two](#) for more information on negative incomes.

Output standards for ethnic groups

The Pensioners' Incomes Series 2016/17 publication has adopted the latest harmonised output standards for ethnic groups for the UK, however 'mixed' and 'other' ethnic groups have been merged together due to small sample sizes. The latest harmonised standards were published in August 2011 and cover the ethnic group question in England, Wales, Scotland and Northern Ireland. They also cover harmonised data presentation for ethnic group outputs. The standards were updated

⁴ <https://www.gov.uk/government/statistics/changes-to-dwp-family-and-household-income-statistics-201415-statistical-notice>

in February 2013 detailing how Gypsy, Traveller and Irish Traveller should be recorded in the outputs, due to differences across the UK.

For further details please see the [ONS harmonised concept for ethnic groups](#).

Further information

A collection of methodological papers on the PI series are available here:

http://webarchive.nationalarchives.gov.uk/20130513214236/http://statistics.dwp.gov.uk/asd/index.php?page=pensioners_income_arc. These include papers on negative incomes, personal pension income, and definitions of pensioner units.

Strengths of the statistics

- The FRS captures more detail on different income sources compared to other household surveys; this allows the PI series to analyse and report on the different income sources for pensioners.
- The relatively long time series available means that trends can be assessed going back to 1994/95.

Limitations of the statistics

This publication is based on survey data. It is therefore subject to potential limitations inherent in all surveys, including:

- **Sampling error:** This will vary to a greater or lesser extent depending on the level of disaggregation at which results are presented.
- **Non-response error:** Systematic bias due to non-response by households selected for interview in the FRS. In an attempt to correct for differential non-response, estimates are weighted using population totals.
- **Survey coverage:** The FRS covers private households in the UK. Therefore individuals in nursing or retirement homes, for example, will not be included. This means that figures relating to the most elderly individuals may not be representative of the United Kingdom population, as some individuals in this age group will have moved into homes where they can receive more frequent help.
- **Survey design:** The FRS uses a clustered sample design to produce robust regional estimates. The FRS is therefore not suitable for analysis below region level.
- **Sample size:** Although the FRS has a relatively large sample size for a household survey, small sample sizes may require several years of data to be combined for some analysis.
- **Under reporting of benefit receipt:** Relative to administrative records, the FRS is known to under-report benefit receipt. However, the FRS is considered to be the best source for looking at benefit and tax credit receipt by characteristics not captured on administrative sources, and for looking at total benefit receipt on a benefit unit or household basis. It is often inappropriate to look at benefit receipt on an individual basis because means-tested benefits are paid on behalf of the

benefit unit. For further information on the under-reporting of benefit receipt, see the [2016/17 FRS Background note and methodology report](#).

Households Below Average Income (HBAI) and the Pensioners' Incomes Series

Two of the tables in the PI publication (Tables 4.6 and 4.7) provide information on the position of pensioners within the overall income distribution. These tables define pensioners as adults in families where at least one member is over SPa, consistent with the rest of the PI publication. This is different to the definition used in the Households Below Average Income (HBAI) which defines pensioners as those over SPa.

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

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

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

Equivalisation: To allow comparison of living standards of different households, the HBAI 'equivalises' household income – that is, adjusts it to take account of household size and composition. One of the main functions of the PI series is to provide information on the income of pensioner units in monetary terms, split by sources of income. This can only be done using unequivalised income.

Equivalisation is not necessary for most results, which are presented separately for pensioner couples and single pensioners. To avoid unnecessary complexity, the main PI results are presented in monetary terms, at constant 2016/17 prices, rather than equivalised income at 2016/17 prices. PI does however use equivalised income to analyse pensioners' position in the overall population income distribution.

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

Changes in PI for 2016/17

Policy changes

This section summarises some of the major benefit and tax reforms which came into effect in 2016/17. It is not intended to represent an exhaustive list.

Up-rating⁵

From 2016/17 to 2019/20 certain working-age benefits were frozen at 2015/16 cash values.

In April 2016:

- The Basic State Pension was up-rated by 2.9 per cent in line with the triple lock.
- The Guarantee element of Pension Credit for singles and couples was increased by around 2.9 per cent.
- Working-age benefits such as Jobseeker's Allowance, Income Support, Universal Credit and Employment Support Allowance (work-related activity group) were frozen at 2015/16 cash values.
- Child benefit, along with some elements of tax credits, was frozen at 2015/16 cash values. Family and childcare elements of tax credit were frozen in cash terms.
- Disability benefits (Personal Independence Payment, Disability Living Allowance and Attendance Allowance) were frozen at 2015/16 cash values.
- Carer's Allowance was frozen at 2015/16 cash values.

Housing Benefit (HB)

From April 2016, increases in most Local Housing Allowance (LHA) rates were frozen at 2015/16 cash values.

Council Tax

In 2016/17, there was no Council Tax freeze grant. This was the offer from central government of a grant to those authorities that set their basic amount of council tax either at or below the level for 2014/15.

The Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government) [estimate](#) that the average Band D council tax set by local authorities in England in 2016/17 represented an increase of 3.1 per cent on 2015/16 levels. On a comparable basis to last year, the increase would be 1.6 per cent, with the adult social care precept adding 1.5 percentage points.

Personal Independence Payment

By March 2017 there were just over 1.3 million PIP claims in payment⁶.

⁵ See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/480317/proposed_benefit_and_pension_rates_2016_to_2017.pdf for details of the 2016/17 uprating rules.

⁶ More information on Stat-Xplore can be accessed here: <https://stat-xplore.dwp.gov.uk/>

Income Tax

In 2016/17, the income tax personal allowance increased by £400 to £11,000.

The threshold for the 40 per cent higher rate of income tax increased to £43,000 from £42,385.

State Pension

From 6 April 2010, the SPa for women has been gradually increasing. FRS data contained in this report were collected throughout the financial year 2016/17, during which the SPa for women increased from 63 years and 0 months to 63 years and 9 months. The changes do not affect the SPa for men, currently 65 years⁷.

Pension Participation

Automatic enrolment has been implemented using a staged approach starting with the largest employers (250+ employees) in October 2012. Staging reached the small (5-49) and micro (1-4) employers who began to be subject to their duties from June 2015. As of February 2018, over one million employers have automatically enrolled over 9 million eligible workers into an automatic enrolment pension scheme.

Pension Credit

The qualifying age for Pension Credit is gradually going up to 66 in line with the increase in the SPa for women to 65 (by November 2018) and the further increase to 66 for men and women (by October 2020).

Alternative data sources

There are other data sources that can provide information on areas of interest similar to those in the PI publication.

- **[Households Below Average Income \(HBAI\)](#)**

HBAI presents the number and percentage of pensioners living in low income households and material deprivation.

- **[Family Resources Survey \(FRS\)](#)**

The FRS publication includes pension participation for working-age individuals. This shows those who are saving for retirement and the type of pension they are saving in (occupational or personal).

- **[Income Dynamics \(ID\)](#)**

A publication looking at changes in household income including a measure of persistent low income, based on Understanding Society data.

- **[The DWP Stat-Xplore Tool](#)**

This DWP tool provides users with access to administrative data. Users can download and analyse statistics on a range of different benefits, programmes, and other administrative information collected and stored by the department.

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/310231/spa-timetable.pdf

- **[English Longitudinal Study of Ageing \(ELSA\)](#)**

ELSA is a biennial longitudinal study of the health, social and economic circumstances of a sample of approximately 12,000 people aged over 50 in England. ELSA started in the early 2000s and provides longitudinal data on pensions, savings, and labour market participation. It provides information on the employment and retirement interactions and transitions over the life courses of respondents as they grow older.

- **[Wealth and Assets Survey \(WAS\)](#)**

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

- **[Occupational Pension Scheme Survey \(OPSS\)](#)**

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

- **[Annual Survey of Hours and Earnings \(ASHE\)](#)**

The ASHE is published by the ONS. It has been in place since 1997, and can be used to provide information on earnings for individuals close to or over SPa. It also collects significant information on employee pension membership and contributions. Due to the large sample size (one per cent of National Insurance numbers) and the fact it is completed by the employer – rather than the employee – it is generally thought to provide the most robust indicator of employee pension membership.

- **[Labour Force Survey \(LFS\)](#)**

The LFS is a continuous, large scale sample survey conducted by the ONS, in which 45,000 UK households are interviewed each quarter. The survey provides information on the labour market, including employment, unemployment and economic activity rates. This source can be used to provide information on individuals close to or over SPa in the labour market.

- **[A guide to sources of data on income and earnings](#)**

The ONS has produced a guide for users of official statistics on earnings and income. This guide compares the main sources of data available and outlines which sources will best meet user needs.

Reliability of estimates

The figures in this publication come from the Family Resources Survey. Like all surveys, it gathers information from a sample rather than from the whole population. The size of the sample and the way in which the sample is selected is carefully designed to ensure that it is representative of the UK as whole, whilst bearing in mind practical considerations like time and cost constraints. Survey results are always estimates, not precise figures. This means that they are subject to a level of uncertainty which can affect how changes, especially over the short term, should be interpreted.

Estimating and reporting uncertainty

Two different random samples from one population, for example the UK, are unlikely to give exactly the same survey results, which are likely to differ again from the results that would be obtained if the whole population was surveyed. The level of uncertainty around a survey estimate can be calculated and is commonly referred to as sampling error. In addition to sampling error the PI estimates can also be affected by other non-sampling errors. Some of these are:

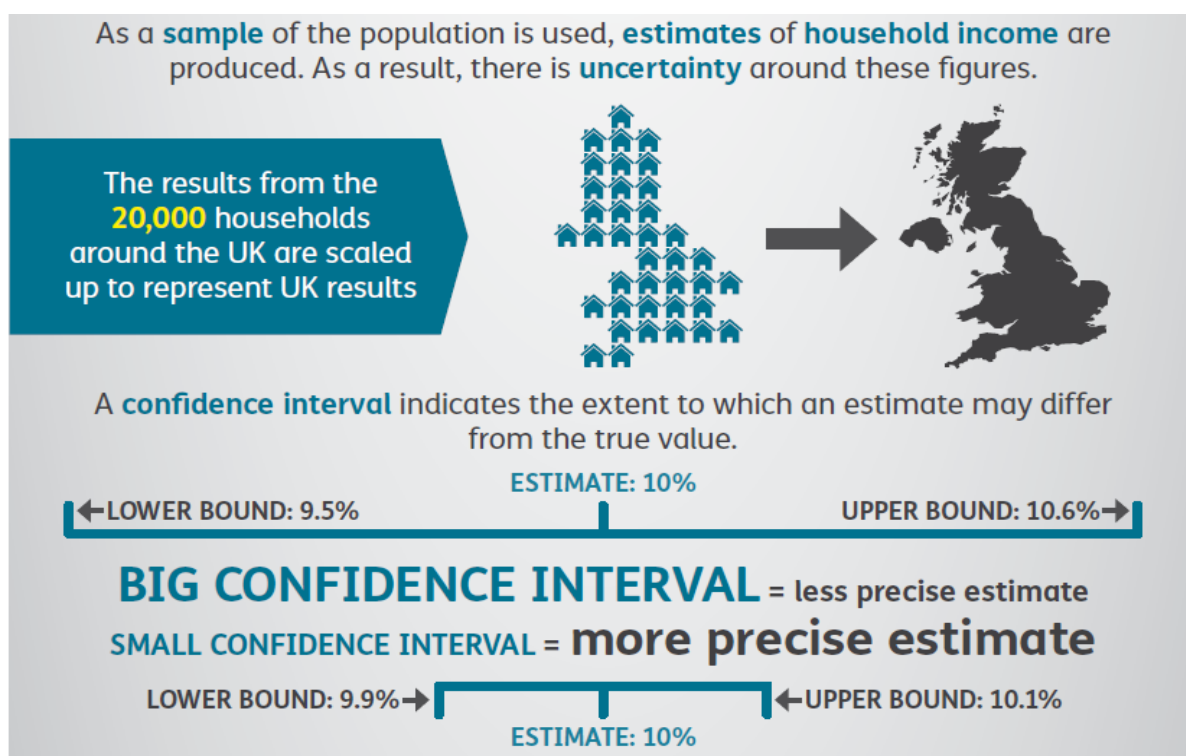
- **Reporting errors:** Imperfect recall and respondents choosing to deliberately give incorrect answers are examples of reporting error. If these errors are systematic they may lead to bias in the survey estimates.
- **Under-reporting:** The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. This reliance leads to under-reporting in receipt for many benefits. The discrepancies between FRS and administrative data are particularly pronounced for Employment and Support Allowance, Attendance Allowance, Carer's Allowance, Disability Living Allowance and Pension Credit. It is also thought that household surveys underestimate income from both self-employment and investments (particularly affecting the picture for pensioners), so these figures should be treated with caution.
- **Misreporting:** The type of income received is self-reported by survey respondents, and consequently can be misreported. For example, some survey respondents may not be able to distinguish between the State Pension and Pension Credit because these benefits can be paid jointly.
- **Systematic bias:** This arises in the sample if certain groups are less likely to respond to a survey than others. This is corrected to some extent in the FRS by weighting to match subgroups of the population by age, sex, family status, tenure, council tax band and broad geographic region. Nevertheless, it is difficult to account for all possible bias, so some results are still affected.

We can calculate the level of uncertainty around a survey estimate by exploring how that estimate would change if we were to draw many survey samples for the same time period instead of just one. This allows us to define a range around the estimate (known as a "confidence interval") and to state how likely it is that the real value that the survey is trying to measure lies within that range. Confidence intervals are

typically set up so that we can be 95 per cent sure that the true value lies within the range – in which case this range is referred to as a “95 per cent confidence interval”.

Measuring the size of sampling error

Accuracy of the statistics: Confidence intervals can be used as a guide to the size 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 a 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.



Statistical significance: Some changes in estimates from one year to the next will be the result of different samples being chosen, whilst other changes will reflect underlying changes in income across the population. Confidence intervals can be used to identify changes in the data that are statistically significant; that is, they are unlikely to have occurred by chance due to a particular sample being chosen. Confidence intervals can give a range around the difference in a result from one year to the next. If the range does not include zero it indicates this change is unlikely to be the result of chance.

Working with uncertain estimates: Some changes between years will be small in relation to sampling variation and other sources of error and may not be statistically significant. This is relevant for particular sub-groups, as these will have smaller sample sizes than the overall survey sample size. For these sub-groups it is important to look at long-term trends.

Calculating uncertainty in the PI report

Since the 2013/14 publication confidence intervals have been calculated using a bootstrapping approach, using the statistical package SAS. This has allowed confidence intervals to be calculated for a wider range of estimates.

Bootstrapping takes into account the design of the sample. It replicates the sampling design of the survey and takes re-samples with replacement from the dataset. Multiple new samples of the dataset are created, with some samples containing multiple copies of one case with none of another. Exploring how an estimate would change if we were to draw many survey samples for the same time period instead of just one sample allows us to generate confidence intervals around the estimate.

From the 2015/16 publication and onwards, new bootstrapping methodology has provided an improved measure of uncertainty around key PI estimates by creating resamples of the HBAI dataset by simulating stratified, cluster sampling for Great Britain (GB) and stratified sampling for Northern Ireland (NI). It also creates a unique set of grossing factors for each resample using the HBAI grossing process to gross the GB and NI resamples to the UK population. For a more technical guide to the approach used to generate confidence intervals in this report, please see the [statistical notice](#) or the [HBAI Quality and Methodology Information Report](#).

Interpreting estimates of uncertainty in PI

Table M1.1 provides confidence intervals for key estimates of pensioners' incomes in 2016/17. The table shows that, while there is a degree of uncertainty about the estimates, it does not affect the broad conclusions drawn, such as the relative importance of different types of income, or the fact that single men on average have higher incomes than single women.

For example, in 2016/17, gross income for all pensioner units is estimated to be £522. We can be 95 per cent confident that the true value of gross income per week, if we were to take a census of the population, would lie between £498 and £538 (see interval range in Table M1.1).

When comparing two or more estimates, we must factor in the uncertainty surrounding each of the estimates. Table M1.2 shows the growth in sources of income between 2006/07 and 2016/17, and 2015/16 and 2016/17. Statistically significant results (at the 95 per cent confidence level) are marked with an asterisk (*). As can be seen, the confidence intervals around the estimates of various different growth rates between 2015/16 and 2016/17 often include 0. This is particularly true for smaller components of income. This means that we cannot be confident that the growth rate is different from 0, and hence the change is not statistically significant.

Over short time periods it is likely that an income measure will not change dramatically, and so any uncertainty is likely to be large compared with the change itself. However, this is still possible. Between 2015/16 and 2016/17, investment

income for all pensioners decreased by 16%, which is statistically significant (see Table M1.2). **Users are advised to draw conclusions from long-term trends rather than year-on-year changes.** However, it should be noted that even increases over a longer time period may still not be statistically significant. For example, income from personal pension has increased by 45% for all pensioners from 2006/07 to 2016/17, but this increase is not statistically significant (see Table M1.2).

For growth rates between 2006/07 and 2016/17, the majority of results are statistically significant. However, even some longer-term changes need to be interpreted with care. For income sources where the amount received per week varies greatly between pensioner units, such as investment income, even long term comparisons may not be statistically significant. For more information about uncertainty around FRS derived estimates see the [2014 uncertainty in FRS based analysis report](#). There is also the [2017 statistical notice for the change](#) implemented from 2015/16 onwards.

Table M1.1: Uncertainty surrounding estimates in the Pensioners' Incomes Series 2016/17

	Estimate £pw	95% confidence interval		
		Interval width	Relative width	Interval range
All pensioner units				
Gross income	522	40	8%	498 to 538
<i>of which</i>				
Benefit income	223	8	4%	219 to 227
Occupational pension	156	19	12%	146 to 165
Personal pension	22	9	39%	18 to 27
Investment income	36	8	23%	32 to 40
Earnings	81	34	42%	59 to 92
Other income	4	2	54%	3 to 5
Mean net income				
Before housing costs	436	26	6%	421 to 447
After housing costs	403	27	7%	387 to 414
Median net income				
Before housing costs	342	20	6%	331 to 351
After housing costs	307	22	7%	295 to 318
Subgroups of pensioners				
Mean net income BHC				
Pensioner couples	590	53	9%	557 to 610
Single pensioners	295	26	9%	282 to 308
Recently retired head	526	66	13%	492 to 559
Head under 75 years	499	50	10%	472 to 522
Head over 75 years	358	38	11%	337 to 375
Single male pensioners	337	66	20%	304 to 370
Single female pensioners	276	26	9%	262 to 287
Mean net income AHC				
Pensioner couples	562	53	9%	529 to 582
Single pensioners	257	25	10%	245 to 270
Recently retired head	490	67	14%	456 to 523
Head under 75 years	464	50	11%	436 to 487
Head over 75 years	327	39	12%	305 to 344
Single male pensioners	295	69	23%	259 to 328
Single female pensioners	239	25	10%	226 to 251

1. Interval width may not match the reported interval range due to rounding

Table M1.2: Growth in average incomes of pensioner units, 2006/07 to 2016/17, and 2015/16 to 2016/17

	2006/07	2015/16	2016/17	% growth 2006/07 to 2016/17	% growth 2015/16 to 2016/17	95% confidence interval 2006/07 to 2016/17	95% confidence interval 2015/16 to 2016/17
All pensioner units							
Gross income	452	517	522	15%*	1%	9% to 21%	-5% to 5%
<i>of which</i>							
Benefit income	198	220	223	12%*	1%	9% to 15%	-1% to 4%
Occupational pension	112	150	156	38%*	4%	24% to 50%	-6% to 12%
Personal pension	16	19	22	45%	18%	-9% to 84%	-17% to 46%
Investment income	45	42	36	-21%*	-16%*	-33% to -11%	-30% to -3%
Earnings	77	82	81	5%	-1%	-31% to 28%	-36% to 21%
Other income	4	4	4	19%	11%	-26% to 56%	-45% to 49%
Net income BHC							
Mean	376	432	436	16%*	1%	11% to 21%	-3% to 5%
Median	289	337	342	19%*	2%	13% to 23%	-3% to 6%
Net income AHC							
Mean	349	398	403	16%*	1%	10% to 20%	-3% to 5%
Median	260	299	307	18%*	3%	12% to 23%	-3% to 8%
Pensioner couples							
Gross income	624	720	717	15%*	0%	4% to 22%	-9% to 6%
<i>of which</i>							
Benefit income	217	252	256	18%*	2%	14% to 22%	-2% to 5%
Occupational pension	168	218	222	32%*	2%	14% to 46%	-12% to 12%
Personal pension	26	30	36	40%	20%	-22% to 81%	-25% to 56%
Investment income	68	69	56	-18%*	-18%*	-37% to -3%	-38% to -2%
Earnings	142	146	142	0%	-3%	-41% to 25%	-47% to 21%
Other income	4	5	5	51%	5%	-54% to 105%	-75% to 50%
Net income BHC							
Mean	508	591	590	16%*	0%	8% to 23%	-7% to 6%
Median	405	471	480	18%*	2%	12% to 24%	-4% to 8%
Net income AHC							
Mean	486	560	562	16%*	0%	7% to 22%	-7% to 6%
Median	381	441	452	19%*	3%	12% to 25%	-3% to 9%
Single pensioners							
Gross income	301	330	342	14%*	4%	6% to 22%	-4% to 12%
<i>of which</i>							
Benefit income	182	190	192	6%*	1%	2% to 9%	-3% to 5%
Occupational pension	64	87	95	48%*	9%	24% to 70%	-10% to 26%
Personal pension	7	9	10	53%	11%	-60% to 122%	-45% to 55%
Investment income	26	18	17	-34%*	-6%	-63% to -11%	-47% to 32%
Earnings	20	23	25	26%	10%	-33% to 67%	-49% to 52%
Other income	4	3	4	-9%	19%	-58% to 26%	-79% to 82%
Net income BHC							
Mean	261	286	295	13%*	3%	7% to 20%	-3% to 10%
Median	226	252	254	13%*	1%	8% to 17%	-4% to 6%
Net income AHC							
Mean	228	248	257	13%*	4%	6% to 21%	-4% to 12%
Median	185	207	214	16%*	3%	10% to 22%	-3% to 10%

1. Results that are statistically significant are denoted with an asterisk (*).

Glossary

Definitions below are split into separate sections:

- **Household composition**
- **Personal characteristics**
- **State support**
- **Pension schemes**
- **All other definitions**

Further details on these definitions, including full derivations of variables, are available on request from the DWP Pensioners' Incomes Series Team at

pensioners-incomes@dwp.gsi.gov.uk

Household composition

Adult

All those individuals who are aged 16 and over, unless defined as a dependent child (see **Child**); all adults in the household are interviewed as part of the FRS.

Benefit unit or Family

A single adult or a married or cohabiting couple and any dependent children; since January 2006 same-sex partners (civil partners and cohabitees) have been included in the same benefit unit. Where a total value for a benefit unit is presented, such as total benefit unit income, this includes both income from adults and income from children. Below are various types of benefit unit:

- *Pensioner couple*: **Benefit units** where either adult in the couple is over SPa.
- *Pensioner couple, married or civil partnered*: Benefit units headed by a couple where the **Head of the benefit unit** is over SPa and the couple are either 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 neither 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.

It should be noted that 'benefit unit' is used throughout the report as a description of groups of individuals regardless of whether they are in receipt of any state support.

Child

A dependent child is defined as an individual aged under 16. A person will also be defined as a child if they are 16 to 19 years old and they are:

- Not married nor in a civil partnership nor living with a partner; and
- Living with parents/a responsible adult; and
- In full-time non-advanced education or in unwaged government training.

Head of benefit unit

The Head of ***benefit unit*** is either the ***Household Reference Person*** if the Household Reference Person belongs to the benefit unit or if not it is the first person from the benefit unit in the order that they were named in the interview.

Household

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***. Where a total value for a household is presented, such as total household income, this includes both income from adults and income from children.

Household Reference Person (HRP)

The highest income householder, without regard to gender.

- In a single adult household, the HRP is the sole householder (i.e. the person in whose name the accommodation is owned or rented).
- If there are two or more householders, the HRP is the householder with the highest personal income from all sources.
- If there are two or more householders who have the same income, the HRP is the eldest householder.

Before April 2001, the Household Reference Person (HRP) was known as the Head of Household. Where we refer to 'Head' in tables relating to households, this is the HRP. The ***Head of benefit unit*** will not necessarily be the HRP (see Head of benefit unit).

Mixed status pensioner couples

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

Pensioner benefit unit

Benefit units who are a pensioner couple, single male pensioner or single female pensioner. Pensioner benefit units may also include any dependent children, but this is uncommon. In 2016/17 one per cent of pensioner units included dependent children.

Personal characteristics

Age

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

Ethnic group

The ethnic group to which respondents consider that they belong. The FRS questions are in line with National Statistics' harmonisation guidance published in February 2013⁸. The categories are:

- White
- Irish Traveller
- Mixed/ Multiple ethnic groups
- Asian/ Asian British
- Black/ African/ Caribbean/ Black British
- Other ethnic group

Sample sizes for 'Gypsy, Traveller or Irish Traveller' are small so for Northern Ireland, 'Irish Traveller' is included in 'Other ethnic group'. For England, Wales and Scotland, 'Gypsy or Irish Traveller' is included in 'White'.

Recently retired

Pensioner units are defined on the basis of age, rather than employment status. For women, SPa was 63 at the beginning of the 2016/17 financial year and had risen to 63 years and 9 months by the end of the financial year. In order to allow for the gradual increase in women's SPa, single women or pensioner couples where the head of the household is female are classed as recently retired if they are within five years of the SPa on the day that they are interviewed. Single men and pensioner couples where the head of the household is male are classified as recently retired if they are between the ages of 65 and 69.

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

State Pension age

The SPa is 65 for men born before 6 April 1959. For women born on or before 5 April 1950, SPa is 60. From 6 April 2010, the SPa for women born on or after 6 April 1950 will increase gradually between April 2010 and November 2018. From December 2018, the SPa for both men and women will start to increase to reach 66 in October 2020.

Details of further planned changes to SPa can be seen at:

<https://www.gov.uk/government/news/proposed-new-timetable-for-state-pension-age-increases>.

For 2016/17 data, women are defined to be of SPa based on their date of birth and the date of interview. For further guidance on calculating State Pension eligibility age, see: <https://www.gov.uk/calculate-state-pension>.

Working

All respondents with an employment status of full/part-time employed or full/part-time self-employed.

⁸ New harmonised categories are now available via the ONS harmonisation website: <http://webarchive.nationalarchives.gov.uk/20160106185646/http://www.ons.gov.uk/ons/guide-method/harmonisation/primary-set-of-harmonised-concepts-and-questions/index.html>

Working Age

Adults (see **Adult** and **Child**) under **State Pension age**.

State support

An individual is in receipt of state support if they receive either a **Benefit** (including the State Pension) or a payable **Tax Credit**.

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 **Council Tax Reduction**, 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*. Entitlement to income-related benefits is dependent on the recipient's income and savings. Entitlement to non-income-related benefits is dependent on the recipient's circumstances (age, level of disability, for example), but not on income and savings. A list of benefits divided into income-related and non-income-related is presented on the next page.

Disability-related benefits is the term used to describe all benefits paid on the grounds of disability. These are Personal Independence Payment, Disability Living Allowance, Employment and Support Allowance, Severe Disablement Allowance, Attendance Allowance, War Disablement Pension, Industrial Injuries Disablement Benefit and Northern Ireland Disability Rate Rebate. Prior to 2008/09, Incapacity Benefit was included in this group.

For more information about specific benefits see: <https://www.gov.uk/browse/benefits>

Tax Credits

Working Tax Credits and Child Tax Credits are paid by HM Revenue & Customs. For more information see: <http://www.hmrc.gov.uk/taxcredits/>

Income-related benefits	Non-income-related benefits
Local Council Tax Support	Armed Forces Compensation Scheme
Employment and Support Allowance (income-related element)	Attendance Allowance
Extended Payments (Council Tax Reduction and Housing Benefit)	Carer's Allowance
Housing Benefit	Child Benefit
In Work Credit	Disability Living Allowance (both mobility and care components)
Income Support	Employment and Support Allowance (contributory element)
Job Grant	Guardian's Allowance
Jobseeker's Allowance (income-based element)	Incapacity Benefit
Northern Ireland Other Rate Rebate	Industrial Injuries Disablement Benefit
Northern Ireland Rate Rebate through energy efficient homes	Jobseeker's Allowance (contributory element)
Northern Ireland Rate Relief for full-time students, trainees, under 18s and those leaving care	Maternity Allowance
	Northern Ireland Disability Rate Rebate
Pension Credit	Northern Ireland Lone Pensioner Rate Rebate
Rates Rebate	Personal Independence Payment (Daily Living and Mobility components)
Return to Work Credit	Severe Disablement Allowance
Social Fund – Community Care Grant	State Pension
Social Fund – Funeral Grant	Statutory Maternity/Paternity/Adoption Pay
Social Fund – Sure Start Maternity Grant	Statutory Sick Pay
Universal Credit	Widow's Pension/Bereavement Allowance
	Widow's/Bereavement Payment
	Widowed Mother's/Parent's Allowance
	Winter Fuel Payments
	Other State Benefits

Pension schemes

Automatic Enrolment

Automatic enrolment requires all employers to enrol their eligible workers into a workplace pension scheme if they are not already in one. The staged timetable began in October 2012 for larger firms, and has now reached the small and micro employers who began to be subject to their duties from June 2015. In order to preserve individual responsibility for the decision to save, workers can opt out of the

scheme. To be eligible for automatic enrolment, the jobholder must be at least 22 years old, under **State Pension age**, earn above the earnings trigger for automatic enrolment, and work or usually work in the UK. For more information see <https://www.gov.uk/workplace-pensions>

Occupational pension

An occupational pension scheme is an arrangement an employer makes to give their employees a pension when they retire. Employees may become a member of an employer's pension scheme on a voluntary basis. Until 6th April 2016 Defined Benefit occupational pension schemes could be contracted in to or out of the **State Second Pension**. This was abolished with the introduction of the New State Pension. The contracting out of Defined Contribution occupational pension schemes was abolished in 2012.

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. Different forms of personal pension include:

- *Group Personal Pension*: some employers who do not offer an occupational pension scheme may arrange for a pension provider to offer their employees a personal pension instead. The employer may have negotiated special terms with the provider which means that administration charges are lower than those for individual personal pensions. Although they are sometimes referred to as company pensions, they are not run by employers and should not be confused with occupational pensions, which have different tax, benefit and contribution rules.
- *Group Stakeholder Pension*: like Group Personal Pensions, an employer can make an arrangement with a pension provider and offer their employees a Group Stakeholder Pension (see *Stakeholder Pension*).
- *Stakeholder pension*: enable those without earnings, such as non-earning partners, carers, pensioners and students, to pay into a pension scheme. Almost anybody up to the age of 75 may take out a stakeholder pension and it is not necessary to make regular contributions. For more information, see: <https://www.gov.uk/personal-pensions-your-rights>.

Private pension

Private pensions include occupational pensions (also known as Employer-Sponsored pensions) and Personal pensions (including Stakeholder pensions). People can have several different private pensions at once. In previous years only one of these pensions could be contracted out. The contracting out of Defined Benefit occupational schemes was abolished in April 2016 with the introduction of the New State Pension. The contracting out of Defined Contribution pension schemes was abolished in 2012.

All other definitions

Confidence interval

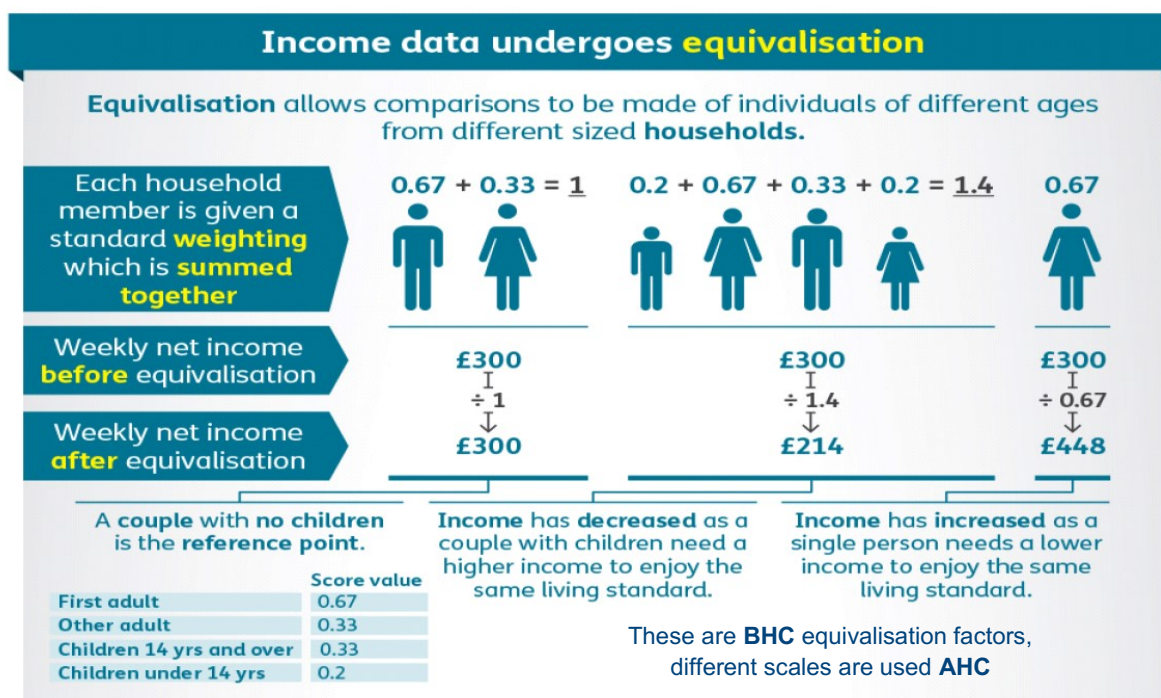
A measure of **sampling error**. A confidence interval is a range around an estimate which states how likely it is that the real value that the survey is trying to measure lies within that range. A wider confidence interval indicates a greater uncertainty around the estimate. Generally, a smaller sample 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.

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.

Equivalisation

Income measures used in HBAI take into account variations in the size and composition of the households in which people live. This process is called equivalisation. Equivalisation reflects the fact that a family of several people needs a higher income than a single individual in order for them to enjoy a comparable standard of living. Equivalence scales conventionally take a couple with no children as the reference point. The process then increases relatively the income of single person households (since their incomes are divided by a value less than one) and reduced relatively the incomes of households with three or more persons, which have an equivalence value of greater than one.



Family Resources Survey (FRS)

The FRS is one of the largest cross-sectional household surveys in the country surveying around 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.

Region and country

Regional⁹ 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 <https://www.ons.gov.uk/methodology/geography>

Disaggregation by geographical regions is presented as three-year averages. This presentation has been used as single-year regional estimates are considered too volatile. Estimates for the UK, however, are shown as single-year estimates for the latest available year.

Although the FRS sample is large enough to allow some analysis to be performed at a regional level, it should be noted that no adjustment has been made for regional cost of living differences, as the necessary data are not available. In the analysis here it is therefore assumed that there is no difference in the cost of living between regions, although the AHC measure will partly take into account differences in housing costs.

Council Tax

The tax is based on the property value of a dwelling (which is split into bands) and assumes two adults per household. For more information see: <https://www.gov.uk/council-tax>

Gross income

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

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.

⁹ Regional information is at [NUTS1](#) level.

Capital mortgage repayments are not deducted as a Housing Cost as this is regarded as an asset being accrued and not a cost.

In a multi-benefit unit household, housing costs are ascribed to the first benefit unit (the benefit unit with the Household Reference Person). This means that for a minority of pensioner units, housing costs will not be attributed to them.

Income distribution

The spread of incomes across the population.

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.

Sources of pensioner income

- **State Pension:** State pension income includes basic and additional state pension. To qualify for State Pension you must have reached SPa (see ***State Pension age***).
- **Income-related benefit:** Income from income-related benefits (see ***Benefits***).
- **Disability benefit:** Income from disability benefits (see ***Benefits***).
- **Investment income:** Income from interest, Individual Savings Allowance (ISAs) and other savings accounts, such as unit trusts, bonds, stocks and shares.
- **Occupational pension:** Income from any occupational pension (see ***Pension Schemes***).
- **Personal pension:** Income from any personal pension (see ***Pension Schemes***).
- **Private pension:** Income from any private pension (see ***Pension Schemes***).
- **Earnings:** Income from earnings refers to gross earnings from employment and self-employment.