Department for Work & Pensions

Pensioners' Incomes Series

United Kingdom, 2017/18

Background information and methodology

28 March 2019

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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 is different from Households Below Average Income (HBAI), where analysis is on a household basis and includes income of adults not in the pensioner unit but living in the same 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 well 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. There are a number of recent reforms affecting current and future pensioners, including:

- Equalisation of State Pension age (SPa);
- Increasing SPa;
- New State Pension;
- Pension freedoms, and
- Private pension reforms including automatic enrolment.

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

Pensioner demographics

Office for National Statistics (ONS) population estimates for mid-2017 found that people aged 65 and over[1] represented 18 per cent of the UK population[2]. The proportion of people aged 16 to 64 years has remained relatively stable over the last 40 years[3]. However, over the past 10 years this proportion has started to decline and is projected to decline further in the future. This is a result of the growth in the population aged 65 and over.

Between 1997 and 2017, there was a 2.3 percentage point increase in the proportion of people aged 65 and over. This increase is projected to continue, with the proportion growing to nearly a quarter of the population by 2037[4]. The ageing of the population of the UK is influenced by many factors including mortality, fertility, healthcare 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), so therefore face minimal housing costs[5].

National Statistics Status

The regulatory arm of the UK Statistics Authority, the Office for Statistics Regulation, has designated the Pensioners' Incomes Series as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Statistics (the Code).

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value and comply with all aspects of the Code. The Office for Statistics Regulation has undertaken this assessment to consider whether the statistics meet the required standard.

It is the Department for Work and Pensions' (DWP) responsibility to maintain compliance with the standards expected of National Statistics. If DWP becomes concerned about whether these statistics are still meeting the appropriate standards, we will discuss any concerns with the Office for Statistics Regulation. National Statistics status can be removed at any point when the highest standards are not maintained, and reinstated when standards are restored.

Further information about National Statistics can be found here.

DWP considers that all Pensioners' Incomes Series statistics in this publication are "Fully Comparable at level A*" of the UK Countries Comparability Scale across countries.

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[1] While a pensioner can not simply be defined as a person over the age of 65 (see page 7 for the definition used in these statistics), it is a reasonable approximation for the purpose of giving context.
[2] ONS Annual Mid-year Population Estimates: 2017
[3] ONS Overview of the UK Population: July 2017
[4] ONS Overview of the UK Population: November 2018
[5] HBAI: An analysis of the income distribution 1994/95 to 2017/18

Quality Statement

The Pensioners' Incomes (PI) Series is based on the Households Below Average Income (HBAI) dataset. This dataset undergoes substantial checking and verification 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.

Feedback

If you have any comments or questions, please contact:

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Acknowledgements

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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. Therefore, it therefore provides more detail on different income sources than other household surveys, making it the foremost source of income data. The FRS also captures contextual information on the household and individual circumstances, such as employment, education level and disability. Therefore, it is a comprehensive data source that allows for a range of different analysis.

The PI publication is based on the Households Below Average Income (HBAI) dataset, which is derived from the FRS. The HBAI publication makes an adjustment for households with very high incomes, as the FRS under-records information about these households. The HBAI 2017/18 Quality and Methodology Information report provides further details on this and other topics.

The FRS is an annual survey based on financial years. Data are available for every year since 1994/95.

FRS 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, such that for each year from 2011/12 onwards, the overall achieved sample size for the UK is around 20,000 households. A published assessment concluded that this reduced sample still allows the core outputs from the FRS, such as the individual measure of income in PI, to be produced.

Coverage: Until 2001/02, the FRS covered Great Britain. Since 2002/03, Northern Ireland has been included, such that the coverage is now the whole of the United Kingdom. Caution should therefore be taken when comparing results across these years.

Definitions and terminology

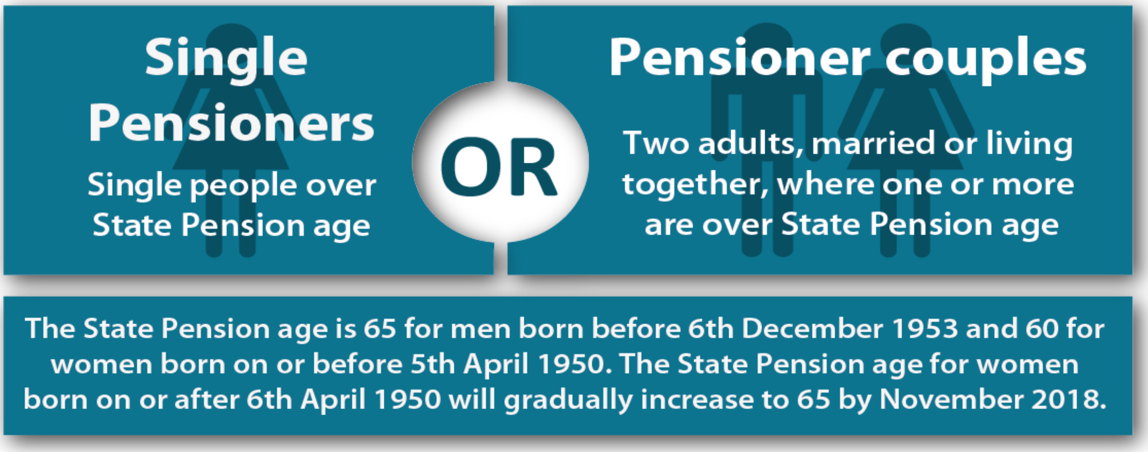
More information can be found in the glossary.

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.

In 2017/18, the SPa for men was 65. For women, the SPa was 63 years and 9 months at the beginning of the 2017/18 financial year and had risen to 64 years and 6 months by the end of the 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 the Household Reference Person (HRP, see below) if they belong to the pensioner unit. In households with multiple benefit units, if the HRP is not part of the pensioner unit, the head of the pensioner unit is the first person from the pensioner unit named in the interview. In households where there is one person under SPa and one person over SPa, the younger person may be the HRP and therefore the head of a pensioner unit need not be over SPa.

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.
- If there are two or more householders who have the same income, the HRP is the eldest householder.

In the Pensioners' Incomes Series, a category called **Recently Retired Pensioners** is used. This is an age definition and refers to pensioner units where the head was within five years of SPa at the time of interview. For 2017/18, this included all men aged at least 65 who had not yet reached their 70th birthday. As a result of the increase in the women's SPa, for interviews at the beginning of the 2017/18 financial year, women were included in the recently retired pensioners category if they were aged between 63 years 9 months and 68 years 9 months when interviewed. This age band gradually increased during the financial year, such that women interviewed at the end of the financial year were considered recently retired if they were aged between 64 years 6 months and 69 years 6 months at the time of their 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. For example, if a pensioner lives with their adult children, the younger adults' incomes are not included in this analysis. While the benefit income of dependent children is included in estimates, this was only relevant for one per cent of pensioner units in 2017/18.

Estimates are based on unequivalised income, except when comparing to the overall population distribution on page 10 of the main document and in Tables 4.6 & 4.7. 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.

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 tables this is further divided into:
   - State Pension – Basic and Additional State Pensions, New State Pension, Bereavement Allowance (previously Widow's Pension), and Widowed Parent's Allowance;
   - Income-related benefits – Pension Credit, Housing Benefit, Council Tax Reduction, 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 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

Rounding and Accuracy

In the tables and publication, the following conventions have been used:

0 nil (none recorded in the sample)

- negligible (less than 0.5 per cent or 50p)

.. not available due to small sample size (fewer than 50 for averages, fewer than 100 for percentages) or as a result of less than three years of comparable data in three-year average tables.

Figures have been rounded to the nearest pound or percentage point. Population sizes have been rounded to the nearest 0.1 million. Individual figures have been rounded independently, so the sum of component items do not necessarily equal the totals shown.

Use…..	If…..
Gross	• Interested in how much income pensioners receive before any taxes are applied • Interested in different sources of income
Net	• Interested in income available for pensioners to spend (excluding the income of other household members), either Before or After housing costs
Mean	• 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	• 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	• 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	• Interested in the average 'rate' at which people receive income from a particular source • Interested in an individual source of income
All pensioner units	• Interested in broad trends in cash amounts for pensioners (both in couples and singles) as a whole
Singles and couples separately	• Comparing subgroups that contain different proportions of singles and couples • Looking at distributions of income
After housing costs	• 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	• 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 only take into account the income of the pensioner benefit unit. Pensioners' standards of living may also be affected by the income of other adult members of the household or their dependants. Also, no adjustment (equivalisation) is made for single pensioners compared to couples. 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 2017/18 HBAI publication.

Differences by age

PI 2017/18 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. Furthermore, they are less likely to have a partner who is in work. 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. Therefore, 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 over the past 20 years.
- **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 2017/18 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.

A software package called CALMAR, provided by the French National Statistics Institute, is used to reconcile control variables at different levels and estimate their joint population. This software makes the final weighted sample distributions match the population distributions through a process known as calibration weighting. It should be noted that if a few cases are associated with very small or very large grossing factors, grossed estimates will have relatively wide confidence intervals. In Table 5.4, a large weight in conjunction with a small sample size has heavily influenced the results.

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 Notice[6] published in May 2016, from 2014/15 PI made a methodological change to use variants of the Consumer Prices Index (CPI) when adjusting for inflation. Prior to the 2014/15 PI publication variants of the Retail Prices 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 2017/18, pensioners in Great Britain are subject to the SPI adjustment if their gross income exceeded £81,900 per year (£67,100 in Northern Ireland). Working-age adults (including the working-age partners of pensioners) are subject to the SPI adjustment if their gross income exceeded £274,000 per year (£146,000 per year in Northern Ireland). For more details on the SPI adjustment see the 2017/18 HBAI Quality and Methodology Information report.

[6] https://www.gov.uk/government/statistics/changes-to-dwp-family-and-household-income-statistics-201415-statistical-notice

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 2017/18 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 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 FRS provides information on components of income and housing costs which are unavailable in administrative data.
- The relatively long time series available means that trends can be assessed going back to 1994/95, allowing an analysis of the effects of policies and events on the incomes of pensioners over time.
- The range of demographic breakdowns allow comparisons between the incomes of groups of pensioners based on age, gender, ethnicity and marital status.
- Confidence intervals are calculated for a wide range of estimates using a bootstrapping approach (see 'Measuring Uncertainty' below). These measures of uncertainty indicate whether differences between demographic groups and changes between years are likely to be real differences or caused by sampling error.

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. The response rate for the FRS in 2017/18 was 52 per cent. 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.

Furthermore, 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 2017/18 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 includes all the income for the household in which 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 2017/18 prices, rather than equivalised income at 2017/18 prices. PI does however use equivalised income to analyse pensioners' position in the overall population income distribution.

Equivalisation Scales: HBAI 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 2017/18

Policy changes

Up-rating

In April 2017:

- The Basic State Pension was up-rated by 2.5 per cent to £122.30 per week in line with the triple lock.
- The new State Pension was up-rated by 2.5 per cent to £159.55 per week in line with the triple lock.
- The Standard Minimum Guarantee in Pension Credit was increased by earnings resulting in an increase for a single person from £155.60 to £159.35 per week, a cash increase of £3.75.
- 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.

For the period 2016/17 to 2019/20, certain working-age benefits are frozen at 2015/16 cash values.

Benefits excluded from the freeze are:

- Disability Living Allowance
- Personal Independence Payment
- Employment and Support Allowance Support Group component
- UC Limited Capability for Work and Work-Related Activity Element
- Premiums paid to disabled people receiving working-age benefits, where they, their partner and/or their children are disabled
- Carer benefits
- Pension benefits
- Maternity Allowance
- Statutory Sick Pay
- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Shared Parental Pay
- Statutory Adoption Pay

Benefit cap

The benefit cap limits the amount of state benefits a non-working household can receive and is applied through Housing Benefit and Universal Credit. Several exemptions apply.

From November 2016 the cap was reduced and tiered. In addition, new exemptions were introduced for claimants receiving Carer's Allowance, the carer's element within Universal Credit or Guardian's Allowance.

Child Tax Credit

For children born from April 2017, a further child element was no longer payable where two or more children were already included in the CTC award (though some exemptions apply). Also, children born from April 2017 would not alone attract the family element.

Council Tax

In England, the Ministry of Housing, Communities and Local Government estimated that the average Band D council tax set by local authorities in 2017/18 represented an increase of 4.0 per cent on 2016/17 levels. In Wales, the average Band D council tax in 2017/18 represented an increase of 3.3 per cent on 2016/17 levels. In Northern Ireland, the Regional Rate for the 2017/18 tax year increased by 1.6 per cent on 2016/17 levels.

Employment and Support Allowance

The work-related activity component was abolished for new claimants of ESA from 3 April 2017.

Housing Benefit

From April 2017, most Local Housing Allowance (LHA) rates were frozen at 2015/16 cash values.

Income Tax

In 2017/18, the income tax personal allowance increased by £500 to £11,500. The threshold for the 40 per cent rate of income tax increased from £43,000 to £45,000.

National Living Wage

In April 2017, the National Living Wage was increased to £7.50 per hour for employees aged 25 years and over. Employees under the age of 25 continue to get the National Minimum Wage, which increased from April 2017 to £7.05 for those aged 21 to 24 years and £5.60 for those aged 18 to 20 years.

Pension Participation

Automatic enrolment has been implemented using a staged approach, starting with the largest employers (250+ employees) in October 2012. Staging entered its final period in 2017/18, with employers who have come into existence since October 2012 beginning their AE duties. As of February 2019, over one million employers had automatically enrolled over 10 million eligible workers into an automatic enrolment pension scheme.

Personal Independence Payment

The roll-out of the final phase of PIP was brought forward from October to July 2015. In March 2016, there were just over 750,000 PIP claims in payment. This rose to just over 1.3 million PIP claims in payment by March 2017 and about 1.8 million by March 2018.

State Pension

The new single-tier State Pension launched on 6 April 2016 for people who reach SPa on or after April 2016, to replace the basic State Pension and Additional State Pension. This consolidated the basic State Pension and Additional State Pension into one single amount. The amount paid to individuals may be less, depending on recipients' National Insurance contributions.

In April 2017, the basic State Pension increased by 2.5 per cent from £119.30 to £122.30 per week. The new State Pension increased by 2.5 per cent from £155.60 to £159.55 per week.

State Pension Age

Since 6 April 2010, the SPa for women has been gradually increasing. Under the Pensions Act 2011, women's SPa increased to 65 between April 2016 and November 2018. PI data contained in this report were collected throughout the financial year 2017/18, during which the SPa for women increased from 63 years and 9 months to 64 years and 6 months. The changes do not affect the SPa for men, which was 65 years throughout the survey year.

From December 2018 the SPa for both men and women started increasing, and will reach 66 in October 2020.

Universal Credit

During the 2017/18 survey year, the rollout of UC for all claimant groups – including those in work, and with childcare responsibilities – continued to take place on an area-by-area basis.

From April 2017, the Universal Credit "taper" was cut from 65 per cent to 63 per cent, meaning workers were able to keep 37 pence in every pound rather than 35 pence (of amounts in excess of the Work Allowance).

Furthermore, the limited capability for work element was abolished for new claimants and the earnings threshold applying to the benefit cap exemption for Universal Credit claimants changed.

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)**
  Income Dynamics looks 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, as well as data from HBAI. Users can download and analyse statistics on a range of different benefits, programmes, and other administrative information collected and stored by the department.
- **English Longitudinal Study of Ageing (ELSA)**
  ELSA is a biennial longitudinal study of the health, social and economic circumstances of a sample of approximately 8,500 people aged over 50 in England. ELSA started in the early 2000s, with eight waves of data currently published. It provides longitudinal data on pensions, savings, and labour market participation, as well as information on employment, retirement interactions, and transitions over the life courses of respondents as they grow older. ELSA also provides information on health trajectories, disability, and healthy life expectancy.
- **Wealth and Assets Survey (WAS)**
  WAS is a large scale longitudinal survey with five waves currently published. The latest wave (2014-16) had a sample of 18,500 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 is also used to understand how wealth is distributed and the factors which may affect financial planning, as well as a respondents' attitudes and behaviours towards 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 40,000 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.
- **Benefit expenditure and caseload tables**
  The Benefit expenditure and caseload tables produced by DWP contain historic and forecast benefit expenditure and caseload data. These tables include long-term projections of pensioner benefit expenditure, as well as State Pension expenditure by country of residence.
- **DWP benefit statistics**
  DWP provides a high-level summary of National and Official statistics available through Stat-Xplore and Nomis on a range of benefits, including the State Pension and Pension Credit. The main statistical release document is published on a six-monthly basis, with some data also released quarterly via Stat-Xplore, Nomis, and data tables.
- **Personal incomes statistics**
  HMRC publishes summary information about individuals who are UK taxpayers, their income, and the income tax to which they are liable. The data comes from the annual Survey of Personal Incomes, which samples administrative data held by HMRC on people who could be liable to UK income tax for the income tax year. This source includes information on income and tax for taxpayers of pension age.
- **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.
- **Explaining income and earnings**
  Regularly updated information on income and earnings statistics published by government departments, including DWP. Contains information on the gender pay gap, change in earnings over time, the highest and lowest earning occupations, and the amount of people earning below the living and minimum wages.

Reliability of estimates

The figures in this publication come from the Family Resources Survey (FRS). 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. This level of uncertainty around a survey estimate can be calculated and is commonly referred to as sampling error.

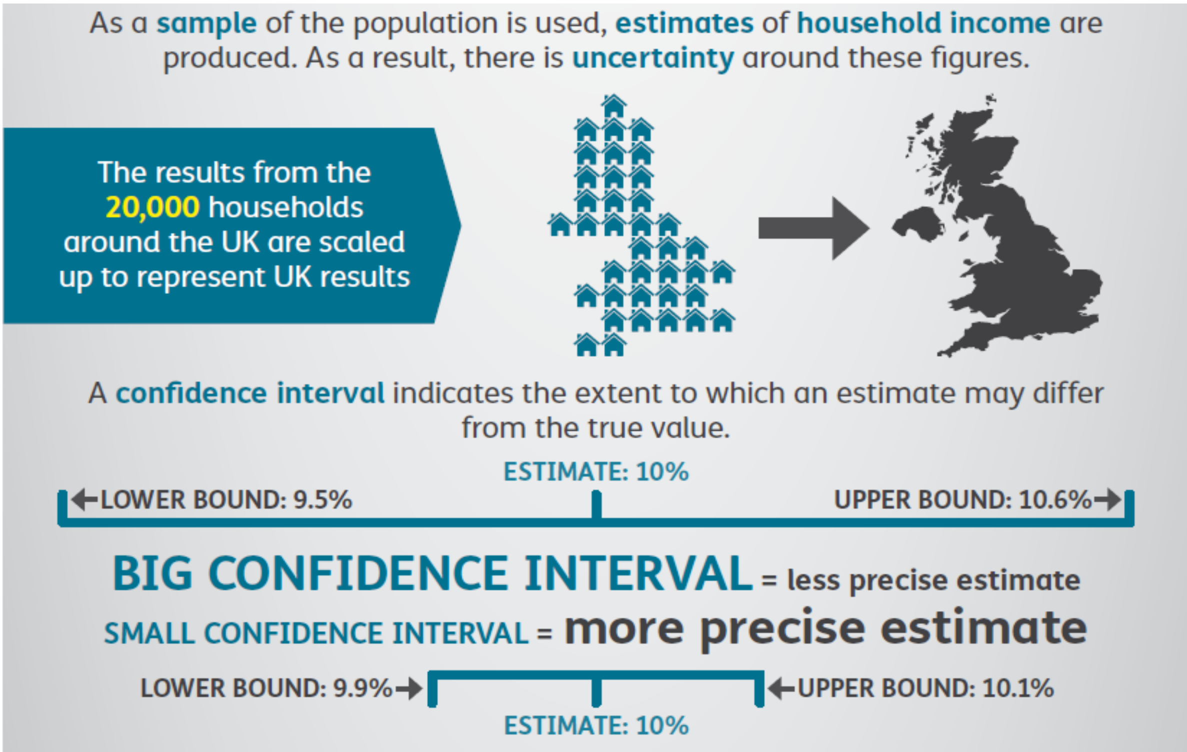
In addition to sampling error, the PI estimates can also be affected by other non-sampling errors. Some of these are:

- **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 (ESA), Attendance Allowance, Working Tax Credit, Personal Independence Payment (PIP) and Pension Credit. It is also thought that household surveys underestimate income from both self-employment and investments so these figures should be treated with caution. The under-reporting of income from investments is particularly likely to affect the estimates for pensioners.
- **Misreporting:** The type of income received is self-reported by survey respondents, and can consequently 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 may still be 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 are 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, creating 500 new samples of the dataset. Each new sample is different and contains multiple copies of some survey observations and none of some others. Exploring the range of results in these samples allows us to generate confidence intervals around the result obtained in the original sample.

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 2017/18. For example, in 2017/18, weekly gross income for all pensioner units is estimated to be £533. 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 £487 and £558.

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 had higher incomes than single women.

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 2007/08 and 2017/18, and 2016/17 and 2017/18. 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 2016/17 and 2017/18 often include zero. This is particularly true for smaller components of income. This means that we cannot be confident that the growth rate is different from zero, and hence the change is not statistically significant.

Over short time periods, it is unlikely that an income measure will change dramatically, so the uncertainty is likely to be large compared with the change itself. **Users are advised to draw conclusions from long-term trends rather than year-on-year changes.**

For growth rates between 2007/08 and 2017/18, 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 example, income from personal pensions has increased by 12 per cent for all pensioners from 2007/08 to 2017/18, but this increase is not statistically significant (see Table M1.2).

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.

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Table M1.1: Uncertainty surrounding estimates in the Pensioners' Incomes Series 2017/18

	Estimate	95% confidence interval		
	£pw	Interval width	Relative width	Interval range
All pensioner units				
Gross income	533	71	13%	487 to 558
of which				
Benefit income	229	9	4%	224 to 233
Occupational pension	148	18	12%	139 to 157
Personal pension income	19	8	44%	14 to 23
Investment income	40	11	28%	34 to 45
Earnings income	92	61	66%	50 to 111
Other income	4	2	52%	3 to 5
Mean net income				
Before housing costs	445	43	10%	419 to 462
After housing costs	411	43	11%	385 to 428
Median net income				
Before housing costs	344	22	6%	332 to 355
After housing costs	304	22	7%	291 to 314
Subgroups of pensioners				
Median net income BHC				
Pensioner couples	482	36	7%	466 to 502
Single pensioners	256	15	6%	248 to 263
Recently retired head	392	48	12%	367 to 415
Not recently retired head	326	26	8%	311 to 336
Head under 75 years	391	32	8%	374 to 406
Head over 75 years	301	23	8%	288 to 311
Single male pensioners	275	28	10%	260 to 289
Single female pensioners	246	17	7%	235 to 252
Median net income AHC				
Pensioner couples	454	35	8%	439 to 474
Single pensioners	213	18	9%	204 to 223
Recently retired head	354	58	17%	322 to 380
Not recently retired head	293	20	7%	283 to 303
Head under 75 years	353	41	12%	330 to 371
Head over 75 years	271	24	9%	258 to 282
Single male pensioners	233	35	15%	217 to 252
Single female pensioners	206	23	11%	194 to 217

1. The interval widths are calculated on unrounded numbers and therefore may not match the interval range.

Table M1.2: Growth in average incomes of pensioner units, 2007/08 to 2017/18, and 2016/17 to 2017/18

	2007/08	2016/17	2017/18	% growth 2007/08 to 2017/18	% growth 2016/17 to 2017/18	95% confidence interval 2007/08 to 2017/18	95% confidence interval 2016/17 to 2017/18
All pensioner units							
Gross income	**482**	**536**	**533**	**11%***	**-1%**	**0% to 18%**	**-10% to 6%**
of which							
Benefit income	205	229	229	12%*	0%	8% to 15%	-3% to 3%
Occupational pension income	115	160	148	29%*	-7%	16% to 39%	-16% to 1%
Personal pension income	17	23	19	12%	-18%	-31% to 43%	-44% to 2%
Investment income	53	37	40	-24%*	9%	-39% to -12%	-12% to 28%
Earnings income	88	83	92	4%	11%	-46% to 30%	-42% to 43%
Other income	4	5	4	15%	-3%	-32% to 49%	-48% to 28%
Net income BHC							
Mean	398	448	445	12%*	-1%	4% to 17%	-7% to 4%
Median	304	351	344	13%*	-2%	8% to 18%	-7% to 2%
Net income AHC							
Mean	375	415	411	10%*	-1%	2% to 16%	-9% to 4%
Median	281	317	304	8%*	-4%	2% to 12%	-10% to 1%
Pensioner couples							
Gross income	**666**	**736**	**751**	**13%**	**2%**	**-3% to 24%**	**-11% to 13%**
of which							
Benefit income	224	263	265	18%*	1%	13% to 22%	-3% to 3%
Occupational pension income	168	228	219	30%*	-4%	15% to 44%	-14% to 8%
Personal pension income	29	37	29	2%	-21%	-47% to 35%	-52% to 3%
Investment income	80	58	65	-18%*	13%	-39% to -1%	-21% to 38%
Earnings income	161	146	168	5%	16%	-53% to 36%	-46% to 54%
Other income	4	6	5	25%	-2%	-44% to 73%	-66% to 34%
Net income BHC							
Mean	538	605	614	14%*	1%	2% to 22%	-8% to 9%
Median	432	492	482	11%*	-2%	6% to 17%	-7% to 3%
Net income AHC							
Mean	521	578	584	12%*	1%	0% to 21%	-9% to 9%
Median	414	465	454	10%*	-2%	4% to 16%	-8% to 4%
Single pensioners							
Gross income	**314**	**351**	**331**	**5%**	**-6%**	**-3% to 13%**	**-15% to 1%**
of which							
Benefit income	187	197	196	5%*	-1%	1% to 9%	-4% to 3%
Occupational pension	68	97	83	24%*	-14%*	2% to 42%	-31% to -1%
Personal pension	6	11	9	55%	-10%	-79% to 122%	-75% to 24%
Investment income	28	17	17	-40%*	-2%	-68% to -18%	-62% to 31%
Earnings	22	26	22	-1%	-14%	-53% to 34%	-65% to 17%
Other income	3	4	4	4%	-3%	-75% to 46%	-91% to 42%
Net income BHC							
Mean	271	303	291	7%*	-4%	1% to 14%	-11% to 2%
Median	236	261	256	8%*	-2%	4% to 13%	-7% to 2%
Net income AHC							
Mean	241	264	252	5%	-5%	-3% to 11%	-13% to 2%
Median	195	220	213	9%*	-3%	3% to 15%	-9% to 2%

1. Results that are statistically significant are denoted with an asterisk (*).
2. Confidence intervals are calculated on unrounded numbers. Changes are indicated as statistically significant if the confidence interval before rounding does not include zero.
3. The percentage changes are calculated on unrounded numbers and therefore may not match those calculated for the rounded numbers shown in the table.

Glossary

This glossary gives a brief explanation for each of the key terms used in the Pensioners' Incomes Series. 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.gov.uk

Adult

All individuals who are aged 16 and over are classified as an adult, unless the individual is defined as a dependent child (see ***Child***). All adults in the household are interviewed as part of the FRS.

Age

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

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 completed for all employers in 2018. 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

Benefit unit or Family

A benefit unit may consist of: a single adult, or a married or cohabiting couple, plus any dependent children. Same-sex partners (civil partners and cohabitees) have been included in the same benefit unit since January 2006. Where a total for a benefit unit is presented (such as total benefit unit income) this includes both income from adults plus any income from dependent children. There 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 in which at least one partner is over SPa and the couple are either married or in a civil partnership.
- *Pensioner couple, cohabiting*: Benefit units headed by a couple in which at least one partner 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.

Benefits

Financial support from the Government. Most of these benefits are administered by DWP. The major exceptions are *Housing Benefit* and *Council Tax Reduction*, which are administered by local authorities. *Child Benefit* is administered by HM Revenue and Customs, who also administer ***Tax Credits.*** These are not treated as benefits, but both Tax Credits and benefits are included in the term ***State Support***. Tax Credits will ultimately be replacement by Universal Credit.

Benefits are often divided into *income-related benefits* and *non-income-related benefits.* In assessing entitlement to the former, the claimant’s income and savings will be checked against the rules of the benefit. In contrast, eligibility for non-income-related benefits is instead dependent on the claimant’s circumstances (a recent bereavement, for example), rather than their income and savings. A list of the main state benefits divided into these two categories is below.

Disability-related benefits is the term used to describe all benefits paid on grounds of disability. These are: Personal Independence Payment, Disability Living Allowance, Severe Disablement Allowance, Attendance Allowance, the Armed Forces Compensation Scheme, Industrial Injuries Disablement Benefit and Northern Ireland Disability Rate Rebate. Before 2008/09, Incapacity Benefit and Severe Disablement Allowance were also in this group. Numbers on these two benefits have decreased over time, as both were replaced by Employment Support Allowance from October 2008.

Income-related benefits	**Non-income-related benefits**
Council Tax Reduction	Armed Forces Compensation Scheme
Employment and Support Allowance (income-related element)	Attendance Allowance
Extended Payments (Council Tax Reduction and Housing Benefit)	Bereavement or Widowed Parent’s Allowance
	Bereavement Support Payment
	Carer’s Allowance
Housing Benefit	Child Benefit
Income Support	Disability Living Allowance (both mobility and care components)
Jobseeker’s Allowance (income-based element)	Employment and Support Allowance (contributory element)
Northern Ireland Other Rate Rebate	Guardian’s Allowance
Northern Ireland Rate Rebate through energy efficient homes	Incapacity Benefit
Northern Ireland Rate Relief	Industrial Injuries Disablement Benefit

Income-related benefits	Non-income-related benefits
Pension Credit	Jobseeker's Allowance (contributory element)
Rates Rebate	Maternity Allowance
Social Fund – Community Care Grant	Northern Ireland Disability Rate Rebate
Social Fund – Funeral Grant	Northern Ireland Lone Pensioner Rate Rebate
Social Fund – Sure Start Maternity Grant	Personal Independence Payment (Daily Living and Mobility components)
Universal Credit	Severe Disablement Allowance
	State Pension
	Statutory Maternity/Paternity/Adoption Pay
	Statutory Sick Pay
	Winter Fuel Payments

Child

A dependent child is defined as an individual aged under 16. A person is also 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.

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.

Council Tax

The tax is based on which, of a set of bands, a property's value falls into. Its headline rate is based on two adults per household.

For more information see: https://www.gov.uk/council-tax

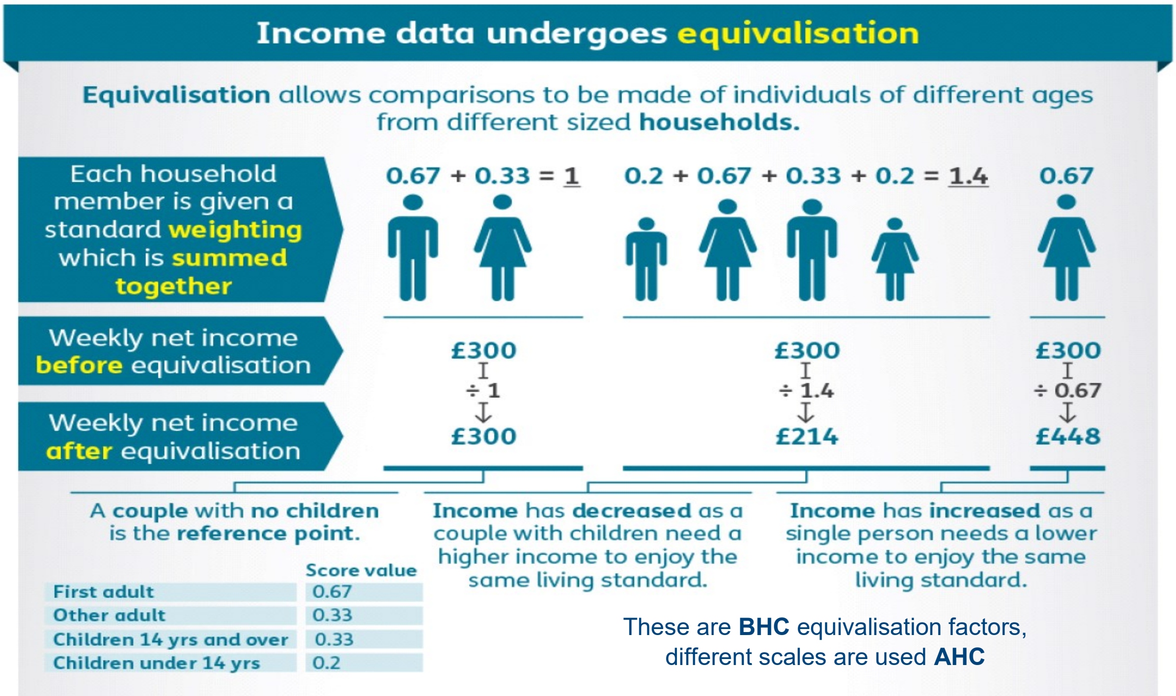
https://www.gov.uk/government/statistics/council-tax-stock-of-properties-2018

http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/DatasetsCouncilTax/Dwellings04-09-2017

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.

We do not use equivalisation in PI, except on page 10 of the main document and when comparing to the overall distribution in Tables 4.6 & 4.7.



Ethnic group

The ethnic group to which respondents consider that they belong. The FRS questions are in line with National Statistics' harmonisation guidance[7]. The categories are:

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

For Northern Ireland, 'Irish Traveller' is included in 'Other ethnic group'. For England, Wales and Scotland, 'Gypsy or Irish Traveller' is included in 'White'.

[7] https://webarchive.nationalarchives.gov.uk/20180207131052/https://gss.civilservice.gov.uk/wp-content/uploads/2017/08/Ethnic-Group-June-17.pdf

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.

Gross income

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

Head of benefit unit

If the ***Household Reference Person*** does not belong to the ***benefit unit***, then the Head of benefit unit is simply the first person from that benefit unit, in the order they were named in the interview. If the Household Reference Person does belong to the benefit unit, they are also the Head of that benefit unit.

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 consists of one or more ***benefit units***.

Household Reference Person (HRP)

The highest income householder.

- In a single-adult ***household***, the HRP is simply 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, taking all sources of income into account.
- If there are two or more householders who have the same income, the HRP is the elder.

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).

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.

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.

Marital status

This is the person’s marital status:

- *Married / Civil partnership*: currently married or in a civil partnership, and not separated from spouse (excludes temporary absences).
- *Cohabiting*: not married nor in a civil partnership, but living as a couple.
- *Single*: is not currently cohabiting and is not married nor in a civil partnership.

Mixed age pensioner couples

A couple where one member is above SPa and the other is below. Used in comparison with couples where both members are over SPa.

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.

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 6 April 2016, Defined Benefit occupational pension schemes could be contracted in to or out of the Additional State 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.

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 2017/18, one per cent of pensioner units included dependent children.

Pension Credit

An income-related benefit made up of Guarantee Credit and Savings Credit.

Guarantee credit tops up the claimant’s income to a guaranteed level. Savings Credit is an extra amount for people who have made provision for their retirement above a certain threshold. Savings Credit was abolished for new claimants on 6 April 2016, so most people who reached SPa after 6 April 2016 are not eligible for Savings Credit.

The qualifying age for Pension Credit is gradually increasing to 66 in line with the increase in the *State Pension age* for women to 65 by November 2018 and the further increase to 66 for men and women by October 2020.

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.

Recently retired

Pensioner units are defined on the basis of age, rather than employment status. For women, SPa was 63 and 9 months at the beginning of the 2017/18 financial year and had risen to 64 years and 6 months by the end of the financial year. As a result of the increase in the women's SPa, for interviews at the beginning of the 2017/18 financial year, women were included in the recently retired pensioners category if they were aged between 63 years 9 months and 68 years 9 months when interviewed. This age band gradually increased during the financial year, such that women interviewed at the end of the financial year were considered recently retired if they were aged between 64 years 6 months and 69 years 6 months at the time of their interview. Single men and pensioner couples where the head of the household is male are classified as recently retired if they are at least 65 years old but have not yet reached their 70th birthday.

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

Region

Regional classifications are based on the standard statistical geography of UK Regions, as defined by ONS: nine in England, and a single region for each of Wales, Scotland and Northern Ireland. Tables will also show statistics for the United Kingdom, Great Britain, England as a whole. For more information on geographical terms used in official statistics, see https://www.ons.gov.uk/methodology/geography/ukgeographies.

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 differences in the cost of living, as the necessary data is not available.

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.

Sources of income

- *Benefit income*, including income from the State Pension, Income-related benefits and Disability-related benefits, as well as other types of benefits such as Winter Fuel Payments and Carers’ Allowance.
- *Earnings income*, including:
- *Wages and salaries:* for a respondent currently working as an employee, 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) and any children's earnings from part-time jobs.
- *Self-employed income:* the total amount of income received from self-employment gross of tax and national insurance payments, based on profits (where the individual considers themselves as running a business) or on estimated earnings/drawings otherwise. Excludes any profits due to partners in the business. Any losses are recorded as such.
- *Investment income:* including interest from Individual Savings Accounts (ISAs) and other savings accounts, unit trusts, bonds, stocks and shares;

- *Occupational pension income* – employee pensions associated with an employer and workplace;
- *Personal pension income*, including personal pensions, annuities bought with lump sums from personal pensions, trade union and friendly society pensions;
- *Other income* – benefits from friendly societies, income received for or dependent children, maintenance payments and free TV licences for those aged 75 and over.

State Pension

The state pension is a payment made to qualifying individuals who have reached the SPa. A new single-tier State Pension launched on 6 April 2016 for people who reach SPa on or after April 2016, to replace the previous system. This consolidated the basic State Pension and Additional State Pension into one single amount.

People who reached SPa before 6 April 2016 continue to receive the basic State Pension and Additional State Pension if eligible. Details can be seen at https://www.gov.uk/state-pension.

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 increased gradually to 65 between April 2010 and November 2018. From December 2018, the SPa for both men and women started to increase and will reach 66 in October 2020.

Details of planned changes to SPa can be seen at: https://www.gov.uk/government/news/proposed-new-timetable-for-state-pension-age-increases.

For 2017/18 data, women are defined to be of SPa based on their date of birth and the date of interview. For women, the SPa was 63 years and 9 months at the beginning of the 2017/18 financial year and had risen to 64 years and 6 months by the end of the financial year. For men, the SPa was 65. For further guidance on calculating State Pension eligibility age, see: https://www.gov.uk/calculate-state-pension.

State support

An individual is in receipt of state support if they receive one or more ***Benefits,*** or are being paid ***Tax Credits***.

Tax Credits

Working Tax Credits and Child Tax Credits are paid by HM Revenue & Customs. Tax Credits are being phased out, as they are replaced by *Universal Credit*.

For more information see: https://www.gov.uk/browse/benefits/tax-credits

Triple Lock

The basic ***State Pension*** and the new State Pension increases every year by whichever is the highest of the following:

- earnings - the average percentage growth in wages (in Great Britain)
- prices - the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI)
- 2.5 per cent

In 2017/18, the increase was 2.5 per cent.

Working Age

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