

The Pensioners' Incomes Series

2010-11



DWP Department for
Work and Pensions

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Chapter 1: Introduction and Summary of Main Results

The publication

This is the latest edition of the annual Pensioners' Incomes (PI) Series. It contains estimates of the levels and trends of pensioners' incomes based on two household surveys: since 1994-95 information is based on the Family Resources Survey (FRS), while historical trends are examined using the Family Expenditure Survey (FES). This chapter of the publication gives an introduction and summarises the main conclusions.

- **Chapter 2 looks at income for different groups of pensioners** by age, for singles and couples, and broken down by region
- **Chapter 3 looks in more detail at various sources of income**, including the proportion of pensioners who receive income from these different sources
- **Chapter 4 looks at the distribution of pensioners' incomes**, both within the pensioner population and within the household population overall
- **Chapter 5 sets out results for additional analysis**, including couples where one member is above state pension age and the other below, married and cohabiting couples and results for ethnic minority groups
- **The appendices include** further details on the methodology behind the publication.

Online access

This publication is on the internet at

http://statistics.dwp.gov.uk/asd/index.php?page=pensioners_income.

The site includes copies of the tables in excel format, including data for the years omitted from the hard copy publication for reasons of space. The PI web page also includes methodological papers and links to other relevant documents. Related statistical reports (for example Households Below Average Income and FRS) published by the Department for Work and Pensions (DWP) can be found on the DWP web site at <http://statistics.dwp.gov.uk/asd/>.

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Any comments or feedback about the publication are more than welcome, sent to the e-mail address above.

Definitions and conventions used in the Pensioners' Incomes Series

The Pensioners' Incomes Series analysis is for **pensioner units**, which are defined as either:

- **Single pensioners:** people over state pension age (SPa)
- **Pensioner couples:** married or cohabiting pensioners where one or more are over SPa.

The SPa is 65 for men born before 6th April 1959. For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th 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. For 2010/11 data, women are defined to be over SPa based on their date of birth and the date of the interview. A pensioner is defined as a person of SPa or above.

All analysis is based on the benefit unit – single pensioners or pensioner couples. The analysis does not reflect income from others in a household. If a pensioner lives with their adult children for example, the children's income is not reflected in this analysis.

This publication presents analysis by different groups of pensioners.

Recently retired pensioner units are defined on the basis of age rather than employment status. In previous years, this has been defined as those units where the head is less than 5 years over SPa, which included single women between 60 and 64, single men between 65 and 69, and pensioner couples where the head is between 65 and 69 if male, or between 60 and 64 if female. For 2010-11, women aged between 60 and 64 are included in recently retired if they are flagged as having reached SPa as defined by the criteria above. Recently retired pensioner units are included in the 'Under 75' age group. This approach is used in the majority of the publication while Chapter 5 looks at retired units defined slightly differently by employment status rather than age.

For analysis by age, pensioner couples are categorised by the age of the head (see Appendix A for definition of the head of benefit unit).

Table 1.1 shows the total pensioner population and the main population subgroups reported on in this publication. For example, the recently retired pensioners group is mostly pensioner couples, and the single pensioner group is mainly single female pensioners.

Table 1.1: The number of pensioner units in the United Kingdom, 2010-11

	Recently retired	Under 75	75 or over	All
All pensioner units	2,000,000	5,050,000	3,650,000	8,700,000
<i>of which</i>				
Pensioner couples	1,150,000	2,900,000	1,200,000	4,150,000
Single pensioners	850,000	2,150,000	2,400,000	4,550,000
<i>of which</i>				
Single male pensioners	300,000	600,000	600,000	1,200,000
Single female pensioners	550,000	1,550,000	1,800,000	3,350,000

The publication is based on data from the FRS, which is a household survey and therefore does not reflect the situation of pensioners in care homes.

Gross income is income from all sources received by the pensioner unit including income from Social Security benefits (including Housing Benefit), earnings from employment or self-employment, any private pension income, and tax credits.

Net income Before Housing Costs (BHC) is gross income with direct taxes including Council Tax payments deducted.

Net income After Housing Costs (AHC) is as above with housing costs including rent, water rates and mortgage interest payments deducted.

A detailed description of gross and net income definitions can be found in Appendix A.

Throughout the publication, figures for incomes are presented in 2010-11 prices and rounded to the nearest pound. Population numbers are rounded to the nearest 50,000 unless otherwise stated. Totals may not equal their components due to rounding. Estimates of less than 50p or 0.5 per cent are labelled *.

Unless otherwise stated, averages are means. Growth rates presented are in real terms (that is, after inflation) and based on un-rounded data.

Graphs showing long-term trends use the Family Expenditure Survey for 1979 to 1996-97 and the Family Resources Survey for 1994-95 to 2010-11 (the most recent year). FES estimates should not be directly compared with FRS estimates due to methodological differences in the surveys.

FES data are for calendar years up to 1993 and for financial years from 1994-95 onwards. 1990-91 data are combined data for the two calendar years 1990 and 1991. FRS data are for financial years.

For reasons of space, the FRS-based tables published within the Pensioners' Incomes Series 2010-11 do not contain data for all years. Complete tables for the period 1994-95 to 2010-11 can be found on the Pensioners' Incomes website, as detailed on page 5. Some income growth comparisons with 1979 use figures not contained in this report. For historical data, covering the period 1979-1996/7, please contact the Pensioners' Incomes team, as detailed on page 5.

Chapters 2, 3 and 5 use historical comparisons to 1996-97 and 1998-99. The year 1998-99 is used because it is the first fully consistent year of data (change from Great Britain to United Kingdom) from the FRS. 1996-97 is then given for comparison as it is a link year, available for both the FES and FRS data and is therefore used regularly for long-term comparisons. Chapter 4 uses historical comparisons to 1998-99, for similar reasons to above; but also includes 3 year averages where the comparison is to 1998-01. This year was used as 1998-99 was the first consistent year and therefore is the earliest year which would provide a completely consistent comparison.

Further details regarding the data sources and methods used within the Pensioners' Incomes Series 2010-11 can be found in Appendix A.

Summary of main results

Income trends

Chapter 2

- Mean net income After Housing Costs has risen faster than Before Housing Costs. After deducting housing costs, mean net income has grown by 40 per cent since 1998-99 compared with 33 per cent Before Housing Costs. Around three quarters of pensioners own their homes outright, **so pensioners' incomes are most often presented on an After Housing Costs basis.**
- Pensioners' mean net income has grown faster than earnings over the last twelve years. **Net income After Housing Costs for pensioner units has grown by 40 per cent** between 1998-99 and 2010-11 in real terms, whereas **Average Weekly Earnings for the whole economy have risen by 11 per cent** in real terms over the same period.
- The **median net income has grown faster than the mean net income** for both Before Housing Costs and After Housing Costs, with the Before Housing Costs median increasing 39 per cent between 1998-99 and 2010-11 and 48 per cent After Housing Costs. This means **pensioners in the middle of the income distribution have seen faster growth** than those in the upper end of the distribution.
- Mean net income After Housing Costs decreased by 5 per cent and mean net income Before Housing Costs decreased by 4 per cent between 2009-10 and 2010-11. **Economic factors over the same time period have limited the general scope for income growth**, with Average Weekly Earnings in the whole economy decreasing by 3 per cent in real terms, inflation rising to 5 per cent (based on the Retail Price Index [RPI]), and interest rates remaining relatively low at 0.5 per cent.

Trends in income sources

Chapter 2

- In 2010-11 **state benefits accounted for 43 per cent of pensioners' incomes**, occupational pensions made up 26 per cent, earnings 20 per cent, investment income 7 per cent, and personal pensions 4 per cent.
- Since 1998-99, the **fastest growing sources of income are earnings**, which has doubled in this time, and **personal pension income**, which has trebled. State pension income has increased by 26 per cent and occupational pension income by 36 per cent over the past 12 years. Investment income has decreased by 14 per cent in real terms from 1998-99.
- In the past year, benefit income fell by 2 per cent, **largely due to the uprating of benefits in April 2010 being lower than inflation during this period.** The Basic State Pension increased by 2.5 per cent and Pension Credit by 2 per cent compared with the 5 per cent increase in inflation (RPI).
- Occupational and personal pensions, earnings and investments showed a decrease in the latest year, **though this was not statistically significant**, therefore results should be treated with caution.

Differences between pensioner units

Chapter 2

There are substantial variations in income within all groups of pensioners. However:

- Pensioner couples on average have around two-and-a-half times the level of occupational pensions and approximately three times the amount of investment income as single pensioners. Pensioner couples also have approximately seven times the level of earnings as single pensioners, though if limited to those in receipt of earnings, couples have less than double that of singles.

- On average **older pensioners have lower incomes**. In 2010-11 pensioner couples where the head was aged 75 or over had an average net income of £401 a week After Housing Costs, compared with £495 for those aged under 75.
- On average **male pensioners have higher incomes than female pensioners** within all age groups. Single male pensioners had an average net income After Housing Costs of £257 per week in 2010-11 compared with £211 for single female pensioners.
- Pensioners in London, the East, the South East and the South West have on average higher income than pensioners in other parts of the UK. Average benefit income varies much less between regions than other types of income.

Proportion of pensioners with different sources of income

Chapter 3

- 97 per cent of all pensioner units reported income from the **Basic and Additional State Pension** in 2010-11, at an average of £124 a week for singles and £177 a week for couples.
- 30 per cent of pensioner units received at least one **income-related benefit** in 2010-11, such as Pension Credit, Housing Benefit or Council Tax Benefit.
- 23 per cent of pensioner units were in receipt of **disability benefits**. Pensioner couples received an average £78 a week from disability benefits in 2010-11 compared with £63 for single pensioners.
- In 2010-11, 68 per cent of pensioner units had some **investment income**, for example from savings or stocks and shares, although for most pensioners this was a relatively small amount. For example, half of those who had investment income received £4 a week or less.
- 61 per cent of pensioner units had income from an **occupational pension** at an average amount of £189 per week. 16 per cent had personal pension income in 2010-11.
- The proportion of pensioner units reporting income from occupational pensions rose from 40 per cent in 1979 to 57 per cent in 1996-97 (based on FES data). The proportion with some form of **private** (occupational and/or personal) **pension** income has continued to rise in recent years, increasing from 62 per cent of pensioner units in 1998-99 to 70 per cent in 2010-11 (based on FRS data).

Distribution of pensioners' incomes

Chapter 4

- Between 1979 and 1996-97 incomes rose more quickly at the upper end of the pensioner income distribution than at the bottom (based on FES data). For **pensioner couples'** net income After Housing Costs distribution, the growth rates were 91 per cent in the top fifth and 30 per cent in the bottom fifth. For **single pensioner** net income After Housing Costs distribution, the growth rates were 83 per cent in the top fifth and 21 per cent in the bottom fifth.
- FRS estimates suggest that the pattern of relatively high **growth in average income** for the top fifth of incomes, and lower growth for the bottom fifth was not repeated between 1998-99 and 2010-11, with a more even spread across the income distribution for both single pensioners and pensioner couples. The highest growth rates were in the second and third quintiles.
- Median net income After Housing Costs increased by 25 per cent in the bottom fifth, 45 per cent in middle fifth and 30 per cent in top fifth of the **single pensioner distribution** between 1998-01 and 2008-11. Median net income growth of the **pensioner couple**

Chapter 1: Introduction & Summary of Main Results

distribution was 30 per cent in the bottom quintile, 34 per cent in the middle fifth and 28 per cent in the top fifth After Housing Costs between 1998-01 and 2008-11

- Older pensioners were more likely to be at the bottom of the income distributions, as were single female pensioners.

A summary guide to interpretation of the results within the Pensioners' Incomes Series

Measures of income

Use...	If...
Gross	<ul style="list-style-type: none"> interested in how much income pensioners receive 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 for all	<ul style="list-style-type: none"> interested in all income available to pensioner units in a particular group want to include those with no income from a particular source
Average 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 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 considering changes in 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

Strengths and limitations for use of the publication

- In March 2012, the Pensioners' Incomes series team undertook a review of the use of the publication with the aim of ensuring that the report continues to meet user needs. A summary is published at the following URL:
http://research.dwp.gov.uk/asd/asd6/pi_user_consultation.pdf
- The key strengths of the Pensioners' Incomes Series were identified as the relatively long time series available for assessing trends going back to 1994-95 on the Family Resources Survey (FRS) and further with the Family Expenditure Survey (FES), and the availability of data for a range of income sources.
- A weakness of the publication is the uncertainty in estimates due to the fact they are survey based and are hence subject to sampling variation and other forms of error associated with a survey. The most important of these to note for the FRS are reporting errors, under-reporting, systematic bias and random sampling error. Where available, administrative data often avoids these uncertainties and is therefore a potentially better source when analysing particular income sources in isolation (see Appendix B for methodology).
- The surveys on which the Pensioners' Incomes Series is based are household surveys and so people living in institutions and communal establishments are not represented in the report. These institutions include nursing homes for example and so the PI Series focuses on pensioners living in households only.

Other sources covering similar themes include:

- Households Below Average Income (HBAI)
<http://research.dwp.gov.uk/asd/index.php?page=hbai>
The main focus of HBAI is to present the number and percentage of pensioners living in poverty. The PI series includes both total income and a detailed breakdown by different income components, such as benefits and occupational pension income, which are not included in HBAI. The PI series includes the incomes of pensioner units, singles and couples, of which couples can be both over SPa or one over and one under SPa. HBAI presents household incomes and defines pensioners as all adults over SPa. The PI series is based on unequivalised pension income, where the data is not adjusted for the size of the household, whereas in HBAI income is equivalised to take account of different sized households.
- Family Resources Survey (FRS)
<http://research.dwp.gov.uk/asd/frs/>
Chapter 8 of the FRS publication includes pension participation for working-age individuals. This chapter shows those who are saving for retirement and the type of pension they are saving in (occupational or personal). Pension saving is broken down by economic status for employees, the self-employed and economically inactive, and by gender, age, economic status, total weekly household income and region.
- The DWPs Tabulation Tool
<http://statistics.dwp.gov.uk/asd/index.php?page=tabtool>
The DWPs Tabulation Tool allows users to download DWP benefit caseloads, DWP benefit on and off flows, employment programmes, National Insurance contributions and qualifying years and second tier pension provision (taken from the Lifetime Labour Market Database (LLMDB) or L2) and National Insurance number allocations to adult overseas nationals entering the UK.

- Wealth and Assets Survey (WAS)
www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-2/2008-2010--part-2-/index.html
WAS is a new large scale longitudinal survey with the first wave (2006/08) interviewing over 30,000 private households in Great Britain. 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 the WAS publication provides estimates of the types of private (non-state) pension wealth, split by a wide range of socio-demographic and economic breakdowns.
- English Longitudinal Study of Ageing (ELSA)
<http://www.ifs.org.uk/>
ELSA is a biennial longitudinal study of the health, social and economic circumstances of an initial sample of approximately 12,000 people aged over 50 in England. ELSA started in the early 2000s and now provides longitudinal data on pensions, savings, and labour market participation. It holds information on interactions and transitions over the life courses of respondents as they grow older - sometimes extending their working life - and eventually retire. ELSA also collects both objective and subjective data, such as social participation and networks, expectations of retirement, and the extent to which those expectations are met post retirement.
- Occupational Pension Scheme Survey <http://www.ons.gov.uk/ons/rel/fi/occupational-pension-schemes-survey/2010/index.html>
The Occupational Pension Schemes Survey (OPSS) is an annual survey, conducted by the Office for National Statistics. It covers occupational pension schemes from the public and private sector, not other types of pension, and samples at the level of the scheme. The Occupational Pension Schemes Survey provides the UK's longest consistent time series for estimates of pension scheme membership, with data back to 1953, and it provides a number of estimates of the number of schemes, scheme members, and their level of contributions.
- ONS Annual Survey of Hours and Earnings
<http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2011-provisional-results--soc-2010-/index.html>
The Annual Survey of Hours and Earnings (ASHE) is published by the Office for National Statistics. It has been in place since 1997, although pension statistics are only robust from 2003. This 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 and because of the large sample (1% 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)
<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/june-2012/statistical-bulletin.html>
The Labour Force Survey (LFS) is a continuous household survey conducted in England, Scotland and Wales. The LFS is a large sample survey in which 60,000 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.

- The Purple Book
<http://www.pensionprotectionfund.org.uk/Pages/ThePurpleBook.aspx>.
The Purple Book, jointly published annually by the Pension Protection Fund (PPF), and the Pensions Regulator (TPR), provides estimates of assets, liabilities, and risk in defined benefit schemes. Its focus is predominantly on the private sector, publishing the position of defined benefit schemes at the end of the financial year. It is drawn from administrative data, and is an official statistic.

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 or expenditure. Furthermore, estimates of pensioner unit income in the Pensioners' Incomes Series do not take account of the income of other members of the household, which could affect pensioners' standards of living. Therefore income estimates should only be regarded as broadly indicative of overall living standards.
- Material deprivation for pensioners, an additional indicator for measuring living standards has been included in the Households Below Average Income (HBAI) publication since 2009/10. This indicator is derived from a suite of questions in the Family Resources Survey, in which pensioners are asked whether they have access to 15 goods and services. A final score is calculated from the set of questions and compared with a threshold score to determine whether a pensioner is in material deprivation.
- For details of the material deprivation indicator, see the Department for Work and Pensions Working Paper Number 54 available at:
http://research.dwp.gov.uk/asd/hbai/technical_note_20110307.pdf.
For the 2010/11 results, see Chapter 6 of HBAI at:
http://research.dwp.gov.uk/asd/hbai/hbai2011/pdf_files/chapters/chapter_6_hbai12.pdf

Reliability of estimates in the Pensioners' Incomes Series (see Appendix B for more details)

- All estimates presented in this publication are based on sample surveys and are therefore subject to a degree of uncertainty. The presence of uncertainty in sampling estimates means that caution should be exercised in drawing conclusions.
- Uncertainty is larger for smaller groups. It is also larger for components of income which vary widely between different people. Estimates with relatively low levels of variability, such as benefit income that is pre-determined by benefit entitlement rules, will have lower levels of uncertainty (see **Table B1.1** for standard errors and confidence intervals for estimates of pensioners' average incomes in 2010/11).
- There is greater uncertainty when comparing two estimates of income (such as the income of two different groups of pensioners, or the change in incomes between two points in time). If the difference is large relative to the uncertainty in the estimates, then the growth estimate is likely to be meaningful.
- For other measures, a relatively large uncertainty in the original estimate will mean that the growth rate is subject to a wide margin of error. In some cases, the uncertainty is so great that we cannot say for certain whether the income measure has increased or decreased over the period.

- For most tables in this publication, the latest year-on-year growth estimates are subject to confidence intervals so wide it is not possible to say for certain whether there has been a positive or negative change. Growth estimates and their measure of uncertainty are included in **Table B1.2** of **Appendix B** only. Users are advised to draw only broad conclusions about recent trends by looking at the full time series of estimates in the tables and charts.

Revisions to 2008-09 and 2009-10 results

For this publication, we have revised the 2008-09 and 2009-10 results. This was due to two reasons:

- Changes to the direct tax system in Northern Ireland: In 2007-08 a new rates system was introduced in Northern Ireland. However, within the Family Resources Survey dataset, information under the old property specific values were being used for 2008-09 and 2009-10, resulting in higher rate values being calculated which overestimated housing costs in Northern Ireland.
- New tenure data from the Department of Communities and Local Government (CLG): CLG tenure data is used as a control total within the FRS grossing regime. CLG has published more up to date information and has revised previously published estimates. Due to the size of the changes to the tenure totals a decision was taken to revise the FRS grossing/weighting factors for 2008-09 and 2009-10. Revisions have hence been made to this publication for consistency.

More information can be found at:

http://research.dwp.gov.uk/asd/hbai/hbai_revision_due_to_ni_tax_changes.pdf

Revised tables for earlier years are available on request. The grossing issue will particularly affect analysis by tenure, while the Northern Ireland direct tax system revision will mainly affect results for Northern Ireland.

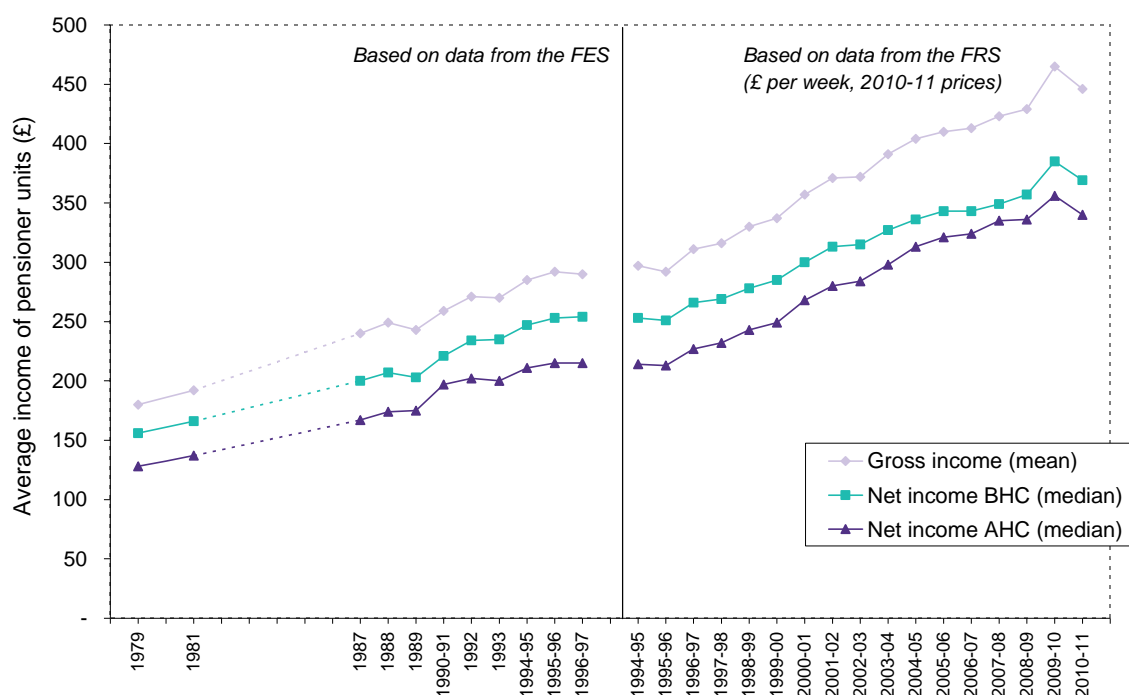
Chapter 2: Pensioners' Incomes

Trends in income for all pensioner units

Pensioner units on average received £446 a week in gross income in 2010-11 (**Table 2.1**). Using the same methodology for calculating incomes, working-age benefit units were found to receive an average of £632 a week in gross income. After deduction of direct taxes, pensioner units received an average of £369 a week in net income compared with £462 for the working-age population. After deduction of housing costs, average income stood at £340 a week, compared with £396 for working-age benefit units. The difference between pensioner and working-age benefit units is less pronounced with After Housing Costs than Before Housing Costs. Comparisons with working-age benefit units may be inappropriate as a relative guide to standards of living due to the larger size of families with children. The median gross income for pensioner units in 2010-11 was £325 compared with £439 for working-age benefit units. The median net income for pensioner units was £291 Before Housing Costs and £260 After Housing Costs. For working-age benefit units, the corresponding figures were £350 and £286.

Pensioner incomes have grown faster than average earnings across the economy as a whole since 1998-99. Net income for pensioners has grown in real terms by 33 per cent (39 per cent growth in median) since 1998-99, compared to real average earnings growth of about 11 per cent over the same period (based on ONS Average Earnings Index data to 2000/01 and Average Weekly Earnings data from 2000/01, adjusted to real terms). Net income After Housing Costs has grown more quickly, increasing by 40 per cent in real terms since 1998-99 (48 per cent growth in median). This is partly due to the fact that pensioners are now more likely to own their home outright than they were in 1998-99, and so have lower housing costs (Households Below Average Income: An analysis of the income distribution 1994/95 – 2010/11 http://research.dwp.gov.uk/asd/hbai/hbai2011/pdf_files/full_hbai12.pdf).

Figure 2.1: Real income of pensioners, 1979-1996-97 and 1994-95-2010-11



In **Table 2.2** we give the central estimate of growth for each income component between 1996-97 and 2010-11 and between 1998-99 and 2010-11. We also give a 95 per cent confidence interval for the growth between 1996-97 and 2010-11. (A 95 per cent confidence interval is the range in which we think the actual change has a 95 per cent chance of falling). The confidence intervals are relatively narrow compared with the growth estimates from 1998-99, so users can be confident in the long-term trends highlighted.

The 95 per cent confidence intervals for the growth between 1998-99 and 2010-11 and the confidence intervals for growth in the latest year are shown in **Table B1.2** in Appendix B. For the latest year, the gross income was £19 lower than in 2009-10, which was a 4 per cent fall but the difference was not statistically significant. The net Before Housing Costs average income fell by 4 per cent for mean and median, both of which were statistically significant changes. For net income After Housing Costs, there was a statistically significant fall of 5 per cent in mean and 4 per cent in median. There was a reduction in most income sources, but only benefit income was calculated to be statistically significant. Hence users are advised to treat the latest year-on-year changes for income other than benefit income with caution.

The overall economic climate will have affected the trends in overall income and the different sources of income for pensioners over time. Key economic indicators for recent years:

- Using the same measure as above for long-term trend in real average earnings (based on Average Weekly Earnings adjusted to real terms), Average Weekly Earnings fell by 3 per cent from 2009-10 to 2010-11.
- The inflation rate in 2010-11 was 5.0 per cent for the Retail Price Index (RPI) and 3.5 per cent for the Consumer Price Index (CPI).¹ For 2009-10, RPI was 0.5 per cent and CPI was 2.2 per cent.
- Base interest rates were 0.5 per cent in 2010-11 and have remained unchanged since April 2009.

The fall in earnings for pensioners in the latest year is similar to the overall situation for average wages over the same time period in 2010-11.

The Basic State Pension, Pension Credit and some private pensions in payment are adjusted each year using price or earnings growth from the previous year. In April 2010, Pension Credit increased by 2 per cent, slightly above the 1.8 per cent growth in average earnings, to ensure that most pensioners retained the full value of the increase in their Basic State Pension. A 2.5 per cent floor for the increase to the Basic State Pension and a zero per cent floor for Additional State Pension and most private pensions were applied in April 2010 to prevent payments decreasing because of negative RPI in September 2009.

Benefits and private pension income adjustments in April 2010 therefore did not keep pace with the high inflation rate for 2010-11, contributing to the overall reduction in real incomes in that year.

Low interest rates will have affected the level of income received from savings accounts and contributed to reductions in investment income over the past few years.

¹ All Before Housing Costs incomes in this publication have been adjusted for inflation using a bespoke index supplied by the Office for National Statistics, consisting of the Retail Price Index excluding Council Tax, while all After Housing Costs incomes in this publication have been adjusted for inflation using the Retail Price Index excluding housing.

Chapter 2: Pensioners' Incomes

Table 2.1: The average incomes of pensioner units, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>						
	1996-97	1998-99	2007-08	2008-09	2009-10	2010-11	As a % of gross income in 2010-11
All pensioner units							
Gross income	311	330	423	429	465	446	100%
<i>of which</i>							
Benefit income	148	152	179	186	196	191	43%
Occupational pension	80	85	102	105	117	115	26%
Personal pension income	3	5	15	15	17	16	4%
Investment income	36	38	47	40	36	33	7%
Earnings	42	47	76	80	95	87	20%
Other income	2	2	3	4	4	4	1%
Net income BHC							
Mean	266	278	349	357	385	369	83%
Median	206	210	266	281	302	291	
Net income AHC							
Mean	227	243	335	336	356	340	76%
Median	166	176	251	258	270	260	
Pensioner couples							
Gross income	446	473	593	594	638	610	100%
<i>of which</i>							
Benefit income	169	171	197	203	214	210	34%
Occupational pension	124	133	150	153	168	164	27%
Personal pension income	6	10	26	26	27	25	4%
Investment income	56	59	72	60	54	50	8%
Earnings	88	98	143	148	169	157	26%
Other income	2	3	4	5	4	5	1%
Net income BHC							
Mean	375	391	479	484	515	493	81%
Median	294	303	384	394	408	396	
Net income AHC							
Mean	334	357	473	470	491	467	77%
Median	255	274	374	378	386	372	
Single pensioners							
Gross income	209	224	280	290	299	296	100%
<i>of which</i>							
Benefit income	132	138	163	171	179	174	59%
Occupational pension	46	49	62	64	67	71	24%
Personal pension income	1	2	6	7	8	7	2%
Investment income	20	23	26	23	18	17	6%
Earnings	8	10	20	22	24	23	8%
Other income	1	2	3	3	3	3	1%
Net income BHC							
Mean	184	195	240	251	260	256	86%
Median	158	163	210	218	228	225	
Net income AHC							
Mean	146	159	219	224	226	223	75%
Median	110	120	177	185	189	188	

Table 2.2: Growth in average incomes of pensioner units, 1996-97-2010-11

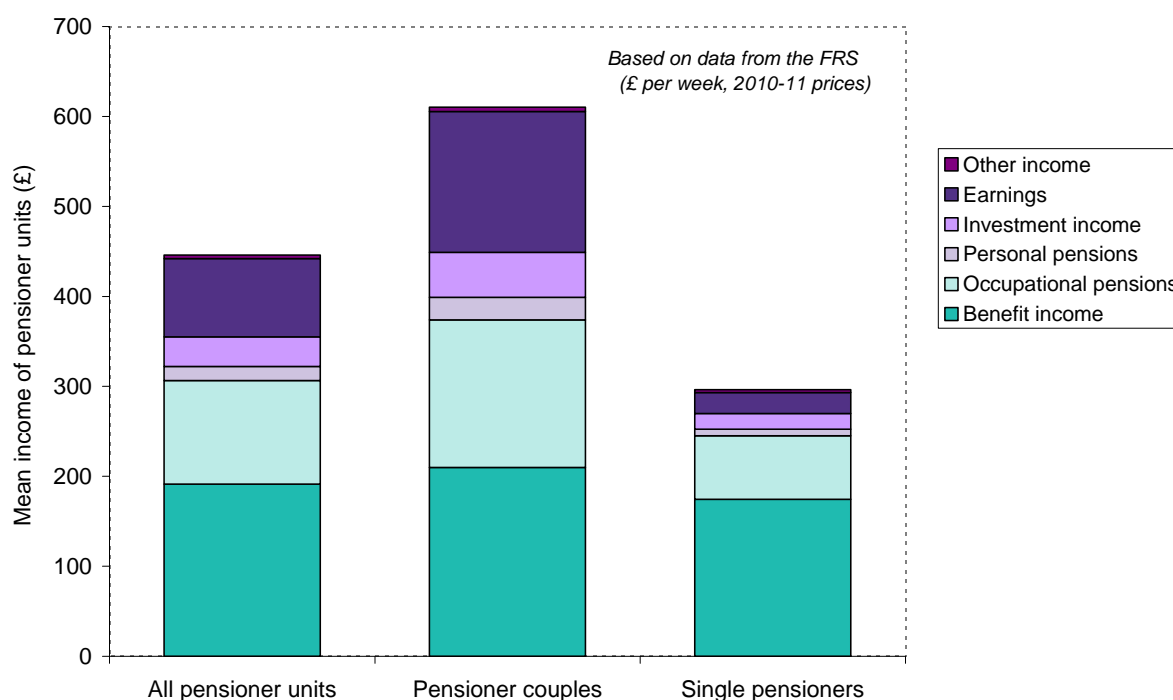
	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2010-11	% growth 1996-97-2010-11	% growth 1998-99-2010-11	95% confidence interval 1996-97-2010-11
All pensioner units						
Gross income	311	330	446	43%	35%	38% to 49%
<i>of which</i>						
Benefit income	148	152	191	29%	26%	27% to 31%
Occupational pension	80	85	115	45%	36%	37% to 52%
Personal pension income	3	5	16	364%	199%	264% to 463%
Investment income	36	38	33	-8%	-14%	-20% to 5%
Earnings	42	47	87	105%	83%	79% to 131%
Other income	2	2	4	151%	67%	69% to 232%
Net income BHC						
Mean	266	278	369	39%	33%	34% to 43%
Median	206	210	291	41%	39%	38% to 45%
Net income AHC						
Mean	227	243	340	50%	40%	45% to 55%
Median	166	176	260	57%	48%	52% to 62%
Pensioner couples						
Gross income	446	473	610	37%	29%	30% to 44%
<i>of which</i>						
Benefit income	169	171	210	24%	23%	21% to 26%
Occupational pension	124	133	164	32%	23%	24% to 40%
Personal pension income	6	10	25	292%	157%	197% to 388%
Investment income	56	59	50	-11%	-15%	-26% to 4%
Earnings	88	98	157	78%	60%	54% to 102%
Other income	2	3	5	144%	58%	10% to 279%
Net income BHC						
Mean	375	391	493	31%	26%	26% to 36%
Median	294	303	396	35%	31%	32% to 38%
Net income AHC						
Mean	334	357	467	40%	31%	34% to 46%
Median	255	274	372	46%	36%	41% to 50%
Single pensioners						
Gross income	209	224	296	42%	32%	36% to 47%
<i>of which</i>						
Benefit income	132	138	174	32%	26%	30% to 34%
Occupational pension	46	49	71	54%	44%	42% to 67%
Personal pension income	1	2	7	546%	273%	222% to 871%
Investment income	20	23	17	-14%	-25%	-32% to 4%
Earnings	8	10	23	197%	134%	112% to 282%
Other income	1	2	3	149%	69%	77% to 220%
Net income BHC						
Mean	184	195	256	40%	32%	35% to 44%
Median	158	163	225	42%	38%	40% to 45%
Net income AHC						
Mean	146	159	223	53%	41%	48% to 59%
Median	110	120	188	70%	56%	65% to 76%

Trends in income sources for pensioner units

Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2010-11:

- 43 per cent of average gross income came from state benefits (including the State Pension)
- Occupational pensions provided 26 per cent of average gross pensioner income
- 7 per cent of average gross income came from investment income
- On average 20 per cent of gross income came from earnings, although this is concentrated among a relatively small group of pensioners (18 per cent).

Figure 2.2: Sources of gross income, 2010-11



Some sources of income have contributed more than others to the overall growth in pensioners' incomes over the last 30 years (**Figure 2.3**). Though some sources with very high growth, such as personal pensions, start from a much lower base and contribute a relatively low amount to the overall gross income in the latest year.

- **Benefit income** has seen 26 per cent growth in real terms over the twelve years since 1998-99 to £191 per week in 2010-11.
- **Occupational pensions** increased by 84 per cent in real terms between 1979 and 1996-97. In more recent years average incomes from occupational pensions have continued to grow, increasing by 36 per cent between 1998-99 and 2010-11, reaching £115 per week.
- **Personal pensions**, where the average income received from this source has trebled in real terms to £16 per week (almost 200 per cent growth) since 1998-99, although it is still only a minority (16 per cent) of pensioners who receive income from personal pensions.
- **Investment income** approximately doubled in real terms between 1979 and 1996-97. It fell between 2000-01 and 2002-03 and rose slowly up to 2007-08. Average investment income has fallen by 30 per cent in the last three years to £33 per week. In real terms, the 2010-11 average investment income is lower than in 1998-99.

- **Earnings** increased between 1998-99 and 2010-11 from £47 to £87 per week in real terms, which equates to 83 per cent growth.

Increases in these average amounts reflect both increases in the number of people receiving different types of income (for example, more people receiving occupational pensions) and increased amounts for those people who are in receipt. More information on these two effects for different sources of income can be found in Chapter 3. It should be noted that changes in average income do not simply reflect the changes experienced by individual pensioners. They also reflect changes in the composition of the pensioner population, for example as new retirees with higher incomes join the group.

Figure 2.3: Growth in sources of gross income, 1979-1996-97 and 1994-95-2010-11



Pensioner couples and single pensioners

Average figures for all pensioner units mask the differences between single pensioners and pensioners living as part of a couple.

On average pensioner couples have around two-and-a-half times the level of occupational pensions and around three times the amount of investment income as single pensioners. Pensioner couples also have around seven times the level of earnings as single pensioners. Pensioner couples include some couples (around 30 per cent) where one partner is under SPa (see Chapter 5 for more information regarding mixed status couples).

Average net income After Housing Costs grew by 68 per cent between 1979 and 1996-97 for couples and by 59 per cent for singles. Between 1998-99 and 2010-11 net income After Housing Costs increased by 31 per cent for pensioner couples, and 41 per cent for singles. As pensioners are increasingly likely to own their own home these increases are smaller Before Housing Costs; 26 per cent for couples and 32 per cent for single pensioners over the same period.

Differences by age

The sources of income for pensioners and the average amounts received vary with age. **Tables 2.3 – 2.5** give the average incomes of pensioner couples, single pensioners and all pensioner units split into two clear groups and a sub-group: pensioner units aged 75 and over; pensioner units aged under 75; and a subset of the under 75's, recently retired pensioner units (single pensioner or head of pensioner couple less than 5 years over SPa). For couples, the age used is that of the head of the household. Note that recently retired is a subset of the under 75 group.

There are a number of reasons why there are differences caused by age:

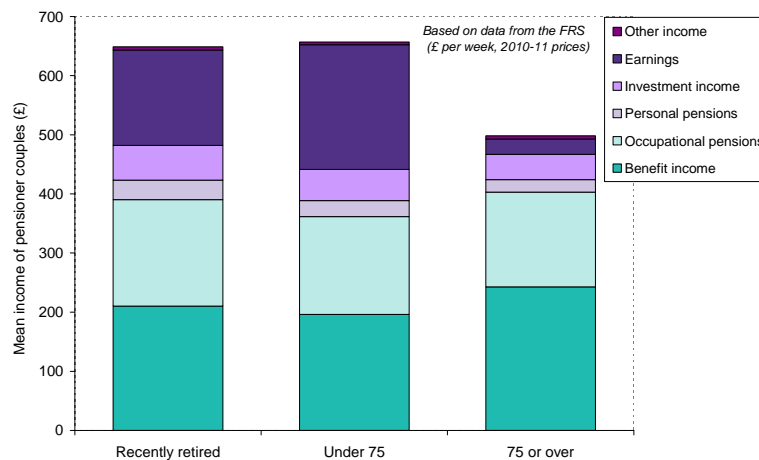
- **The 'age' effect:** Due to their age, older pensioners tend to have less income from earnings because they are less likely to be in work.
- **The 'cohort' effect based on historical factors:** Cohort effects are an important factor behind the growth in average incomes of pensioners. The rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to someone born in 1940 than in 1910 for example. Each successive cohort of pensioners has a higher income than the older cohort it effectively replaces and thus pushes up the average income of the pensioner group as a whole.
- **The length of time since retirement:** Before retirement the value of defined benefit pensions are linked to salary for those accruing pensions and price inflation for those with deferred pensions. The value of defined contribution pensions change in line with investments. Earnings-related Additional State Pension (SERPS, S2P) is linked to earnings growth during working life (see Chapter 3 for definition). After retirement, the value of defined benefit pensions in payment is generally linked to price inflation, which normally grows at a slower rate than earnings. The Basic State Pension is linked to the highest of RPI or 2.5 per cent and Additional State Pension is linked to RPI (note that changes have been made to State Pension uprating since 2011). Annuities bought with occupational or private pension funds mostly do not increase at all, although annuities adjusted with inflation (RPI) are purchased by some people. Therefore, other things being equal, pensioners who have been retired for longer will have lower pensions than the equivalent younger pensioner.

Pensioner couples by age

The main sources of income for pensioner couples are shown in **Figure 2.4**.

Older pensioner couples (as defined by the age of the head of the household) tend to have less income than younger couples. This difference is mainly due to younger couples having greater earnings from employment. Almost half of mean gross income for pensioner couples 75 or over is sourced from benefits compared with 32 per cent and 30 per cent for recently retired and under 75 groups respectively. Pensioner couples include some couples where one partner is under SPA (see Chapter 5 for more information regarding mixed status couples).

Figure 2.4: Sources of gross income of pensioner couples by age of head, 2010-11



Chapter 2: Pensioners' Incomes

Table 2.3: The average incomes of pensioner couples by age, 1996-97-2010-11

Incomes in £ per week, 2010-11 prices

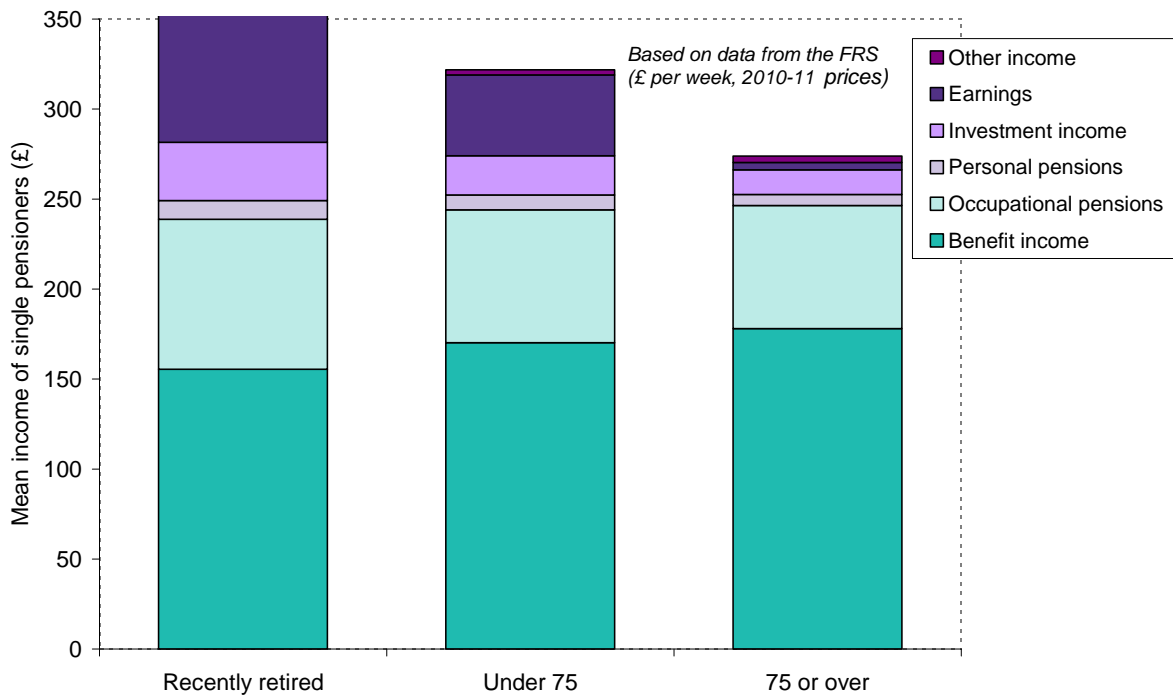
	1996-97	1998-99	2007-08	2008-09	2009-10	2010-11	As a % of gross income in 2010-11
Recently retired pensioner couples							
Gross income	494	520	640	645	709	649	100%
<i>of which</i>							
Benefit income	181	186	206	203	210	210	32%
Occupational pension	148	149	158	166	185	180	28%
Personal pension income	10	15	28	28	33	33	5%
Investment income	67	77	90	71	69	59	9%
Earnings	86	87	153	173	208	161	25%
Other income	2	6	5	4	5	5	1%
Net income BHC							
Mean	417	429	514	522	570	522	80%
Median	320	333	396	425	442	416	
Net income AHC							
Mean	376	396	510	509	547	496	76%
Median	287	303	389	410	424	393	
Pensioner couples where the head is under 75							
Gross income	478	508	625	635	687	657	100%
<i>of which</i>							
Benefit income	160	162	182	186	198	196	30%
Occupational pension	134	140	149	156	170	165	25%
Personal pension income	8	11	26	26	30	27	4%
Investment income	59	63	73	64	58	53	8%
Earnings	115	128	192	198	227	211	32%
Other income	2	4	4	5	4	5	1%
Net income BHC							
Mean	397	415	497	508	545	522	79%
Median	309	322	396	415	424	415	
Net income AHC							
Mean	356	380	490	494	519	495	75%
Median	271	294	387	397	401	391	
Pensioner couples where the head is 75 or over							
Gross income	353	380	510	495	516	498	100%
<i>of which</i>							
Benefit income	195	194	235	243	255	243	49%
Occupational pension	96	115	155	145	164	161	32%
Personal pension income	3	6	24	27	22	21	4%
Investment income	47	48	70	50	45	43	9%
Earnings	12	16	22	25	25	26	5%
Other income	1	1	4	4	4	5	1%
Net income BHC							
Mean	312	328	432	424	443	422	85%
Median	262	259	352	356	374	355	
Net income AHC							
Mean	275	295	429	410	421	401	81%
Median	220	225	346	340	348	336	

Single pensioners by age

Figure 2.5 below shows the main components of income for single pensioners.

Younger single pensioners are likely to have higher income than older single pensioners. This is mainly due to a higher level of earnings. Older single pensioners tend to have a higher level of benefit income, though the absolute amount is marginal. As a percentage of gross income, the contribution of benefits is greater for older single pensioners, at 65 per cent for the 75 or over age group compared with 53 per cent for the under 75 age group.

Figure 2.5: Sources of gross income of single pensioners by age, 2010-11



Chapter 2: Pensioners' Incomes

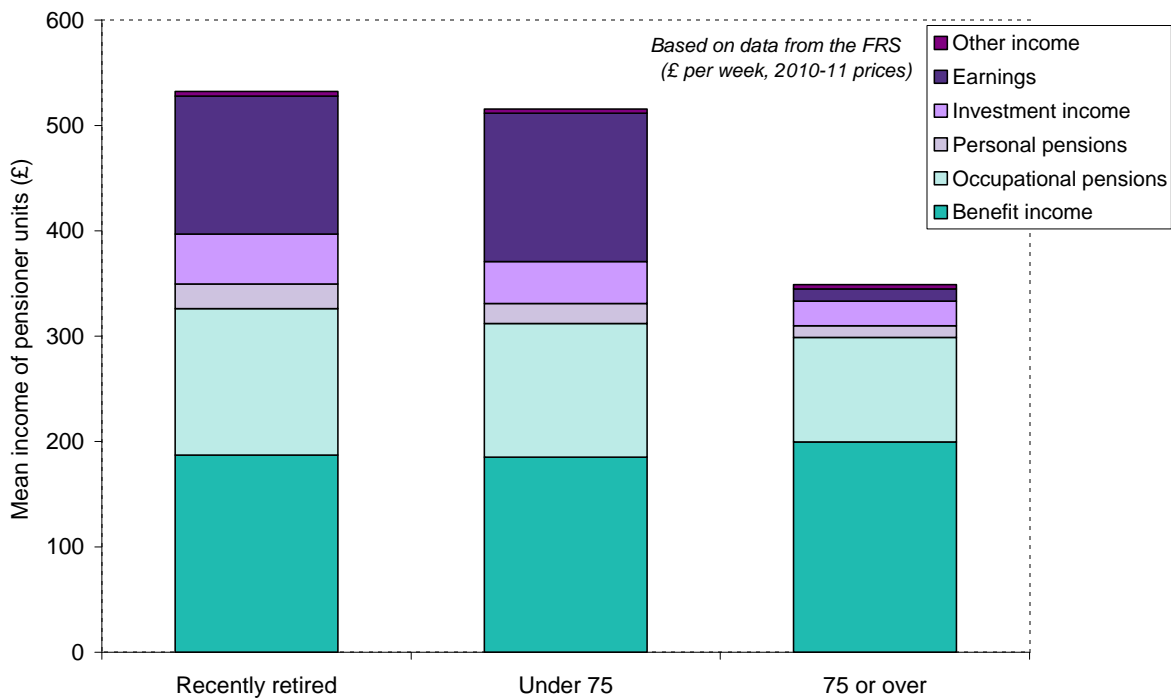
Table 2.4: The average incomes of single pensioners by age, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>						
	1996-97	1998-99	2007-08	2008-09	2009-10	2010-11	As a % of gross income in 2010-11
Recently retired single pensioners							
Gross income	244	277	346	325	341	374	100%
<i>of which</i>							
Benefit income	129	132	146	156	161	155	41%
Occupational pension	62	63	64	63	63	83	22%
Personal pension income	2	4	9	9	10	10	3%
Investment income	22	31	41	22	19	32	9%
Earnings	26	42	82	72	82	89	24%
Other income	3	6	4	3	5	4	1%
Net income BHC							
Mean	208	232	281	274	286	308	82%
Median	176	179	220	224	242	247	
Net income AHC							
Mean	166	194	256	242	245	270	72%
Median	134	140	181	188	198	209	
Single pensioners under 75							
Gross income	226	244	308	303	319	322	100%
<i>of which</i>							
Benefit income	130	134	159	167	171	170	53%
Occupational pension	56	57	66	65	69	74	23%
Personal pension income	2	3	8	8	10	8	2%
Investment income	22	27	32	22	20	22	7%
Earnings	14	19	41	39	45	45	14%
Other income	2	3	3	2	3	3	1%
Net income BHC							
Mean	196	208	258	259	272	274	85%
Median	163	167	212	223	231	232	
Net income AHC							
Mean	157	172	234	230	235	238	74%
Median	117	124	175	186	189	191	
Single pensioners 75 or over							
Gross income	193	206	257	278	283	274	100%
<i>of which</i>							
Benefit income	135	142	167	176	185	178	65%
Occupational pension	36	42	59	63	66	68	25%
Personal pension income	1	1	4	6	6	6	2%
Investment income	19	19	21	23	17	14	5%
Earnings	2	2	3	7	6	4	1%
Other income	1	1	3	3	4	4	1%
Net income BHC							
Mean	172	183	226	244	250	241	88%
Median	155	160	206	215	226	221	
Net income AHC							
Mean	135	148	207	219	219	211	77%
Median	105	116	180	185	190	185	

All pensioner units by age

Figure 2.6 shows the proportions of income from different sources by age group for all pensioner units. Table 2.5 sets out the different sources of income. As with pensioner couples and single pensioners, higher earnings and higher private pension income are the main sources of difference between younger and older pensioners' incomes. For the 75 or over group, the lack of earnings mean that a greater proportion of gross income comes from benefits, at 57 per cent compared with 35 per cent for recently retired and 36 per cent for under 75 age groups.

Figure 2.6: Sources of gross income of all pensioner units by age of head, 2010-11



Chapter 2: Pensioners' Incomes

Table 2.5: The average incomes of pensioner units by age, 1996-97-2010-11

Incomes in £ per week, 2010-11 prices

	1996-97	1998-99	2007-08	2008-09	2009-10	2010-11	As a % of gross income in 2010-11
Recently retired pensioner units							
Gross income	392	422	514	501	561	532	100%
<i>of which</i>							
Benefit income	160	164	180	182	191	187	35%
Occupational pension	113	114	118	120	136	139	26%
Personal pension income	7	11	20	20	24	23	4%
Investment income	49	59	69	49	49	48	9%
Earnings	61	69	122	128	157	131	25%
Other income	2	6	5	3	5	5	1%
Net income BHC							
Mean	332	350	414	410	456	431	81%
Median	256	266	313	324	349	334	
Net income AHC							
Mean	290	314	401	389	426	400	75%
Median	218	234	302	300	324	303	
Pensioner units where the head is under 75							
Gross income	362	385	489	489	539	515	100%
<i>of which</i>							
Benefit income	146	149	172	178	187	185	36%
Occupational pension	98	101	113	116	130	127	25%
Personal pension income	5	7	18	18	22	19	4%
Investment income	42	46	55	45	43	40	8%
Earnings	68	77	127	128	154	141	27%
Other income	2	4	3	4	4	4	1%
Net income BHC							
Mean	304	318	394	399	435	417	81%
Median	230	239	302	311	335	325	
Net income AHC							
Mean	264	283	380	378	405	386	75%
Median	194	204	286	290	307	295	
Pensioner units where the head is 75 or over							
Gross income	237	254	334	346	361	349	100%
<i>of which</i>							
Benefit income	151	156	188	197	209	200	57%
Occupational pension	53	62	88	89	99	99	28%
Personal pension income	1	2	10	12	11	11	3%
Investment income	27	27	36	32	26	23	7%
Earnings	5	6	8	12	12	12	3%
Other income	1	1	3	4	4	4	1%
Net income BHC							
Mean	211	223	289	300	314	301	86%
Median	174	180	237	249	261	255	
Net income AHC							
Mean	174	188	275	279	287	274	79%
Median	139	149	220	228	234	225	

Differences by gender

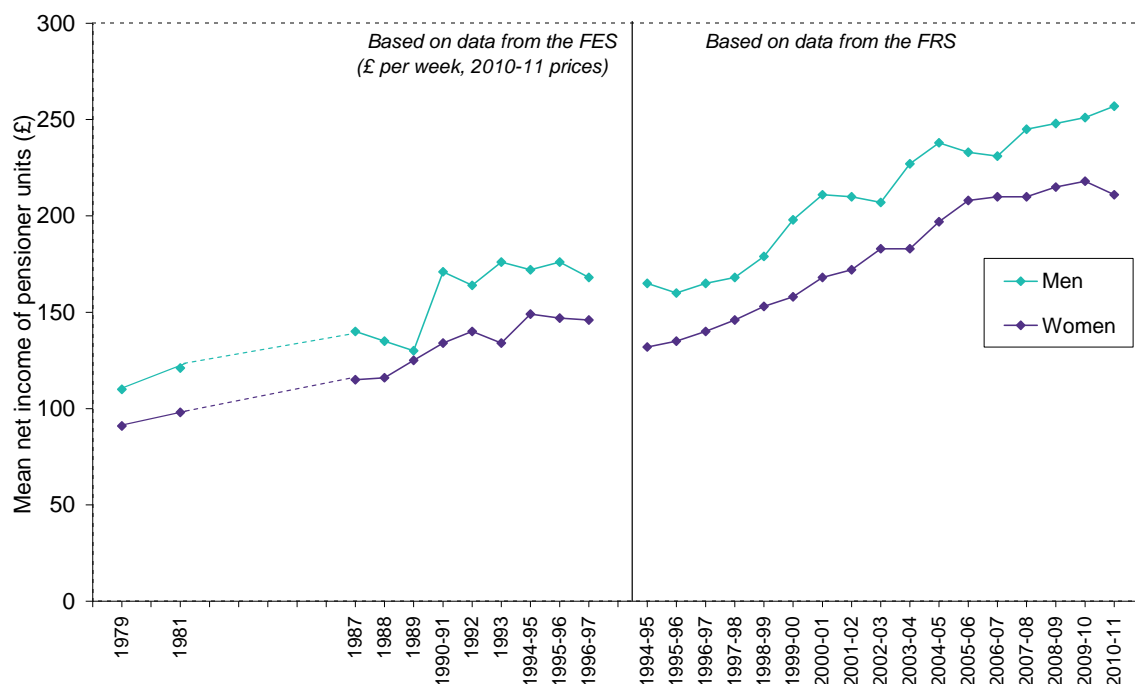
Average incomes of pensioners differ for men and women. **Table 2.6** gives components of income for single male and single female pensioners. Estimates for pensioner couples by gender are not presented because income-related benefits are calculated on a couple basis and it is not meaningful to split these.

Average net income After Housing Costs for single men was higher (at £257 per week) than for single women (£211 per week) in 2010-11. **Figure 2.7** shows the growth in net incomes (AHC) over time. Net incomes measured Before Housing Costs follow a similar trend. The gross and net income amounts are subject to relatively large sampling errors and short-term changes need to be treated with caution. The changes from 2009-10 to 2010-11 are not statistically significant. Incomes may also be affected by the different age distributions for single men and women.

The main difference between the genders occurs for occupational pension income. In 2010-11, single men received £99 per week on average from this source, compared with £61 per week for single women. Single men also received more investment and personal pension income, while average incomes from other sources were more consistent for single men and women.

Table 2.6 also shows gross and net income results for single men and women aged under 75, and 75 or over. Results show that single male pensioners have higher incomes than single female pensioners within each age group, however this does not hold for all individual components of gross income as illustrated by average benefit income among single pensioners aged 75 or over.

Figure 2.7: Net income (AHC) of single pensioners by gender 1979-1996-97 and 1994-95-2010-11



Chapter 2: Pensioners' Incomes

Table 2.6: The average incomes of single pensioners by gender, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>						
	1996-97	1998-99	2007-08	2008-09	2009-10	2010-11	As a % of gross income in 2010-11
Single male pensioners							
Gross income	238	251	313	320	334	345	100%
<i>of which</i>							
Benefit income	132	136	164	173	180	172	50%
Occupational pension	68	70	82	85	88	99	29%
Personal pension income	2	5	12	13	13	14	4%
Investment income	28	28	34	30	25	28	8%
Earnings	7	10	18	18	25	26	8%
Other income	*	2	3	2	3	4	1%
Net income BHC							
Mean	205	216	265	276	287	291	84%
Median	170	172	223	231	243	239	
Net income AHC							
Mean	165	179	245	248	251	257	74%
Median	129	131	194	200	205	206	
Single female pensioners							
Gross income	200	216	268	279	288	279	100%
<i>of which</i>							
Benefit income	132	139	163	171	178	175	63%
Occupational pension	39	43	55	57	60	61	22%
Personal pension income	1	1	3	4	6	5	2%
Investment income	18	22	23	20	16	14	5%
Earnings	8	10	21	24	23	22	8%
Other income	2	2	3	3	4	3	1%
Net income BHC							
Mean	177	188	232	242	251	244	87%
Median	155	160	203	214	224	221	
Net income AHC							
Mean	140	153	210	215	218	211	76%
Median	106	117	172	182	184	181	
Single male pensioners under 75							
Gross income	260	275	337	324	340	367	100%
Benefit income	135	137	164	173	177	172	47%
Mean Net Income BHC	220	233	280	279	290	308	84%
Mean Net Income AHC	178	194	256	249	247	271	74%
Single male pensioners 75 or over							
Gross income	216	229	293	317	329	323	100%
Benefit income	129	135	164	172	182	173	54%
Mean Net Income BHC	190	201	254	274	285	275	85%
Mean Net Income AHC	153	165	236	247	253	244	76%
Single female pensioners under 75							
Gross income	216	234	298	295	311	305	100%
Benefit income	128	133	157	164	169	170	56%
Mean Net Income BHC	188	200	250	252	266	261	86%
Mean Net Income AHC	151	165	226	222	231	226	74%
Single female pensioners 75 or over							
Gross income	186	199	244	264	268	257	100%
Benefit income	137	144	168	177	186	180	70%
Mean Net Income BHC	168	178	216	233	239	229	89%
Mean Net Income AHC	131	142	197	209	208	199	77%

Differences by region

Pensioner incomes vary by region within the UK. Single pensioners and pensioner couples in London, the East, the South East and the South West have gross incomes above the average for the UK. However, there are smaller differences in average benefit incomes across the regions.

These figures are based on the average of three years of data and users should not read too much into small differences between regions. Statistical significance testing has not been carried out on these estimates.

Table 2.7 shows average gross incomes, average benefit incomes and net income Before and After Housing Costs for each of the regions.

Table 2.7: The average income of pensioner units by region / country, 2008-11

Incomes in £ per week, in 2010-11 prices

	Pensioner couples				Single pensioners			
	Gross income	Benefit income	Net income BHC	Net income AHC	Gross income	Benefit income	Net income BHC	Net income AHC
England	617	208	499	477	299	174	258	225
North East	515	224	434	413	270	185	242	210
North West	558	224	462	442	275	181	243	213
Yorkshire and the Humber	527	208	440	419	262	178	234	204
East Midlands	599	210	481	465	272	172	238	211
West Midlands	543	218	454	435	287	182	252	222
East	631	203	507	484	318	170	270	240
London	717	199	560	528	329	174	278	232
South East	734	195	574	551	343	166	285	252
South West	625	202	510	487	292	167	252	223
Wales	609	214	494	475	282	182	249	222
Scotland	615	214	501	481	285	177	251	225
Northern Ireland	520	221	439	429	242	177	220	201
Great Britain	617	209	499	477	296	175	257	225
United Kingdom	614	209	497	476	295	175	256	225

Notes:

(1) Data based on the average of three years of results from 2008-09, 2009-10 and 2010-11 FRS data and updated to 2010-11 prices

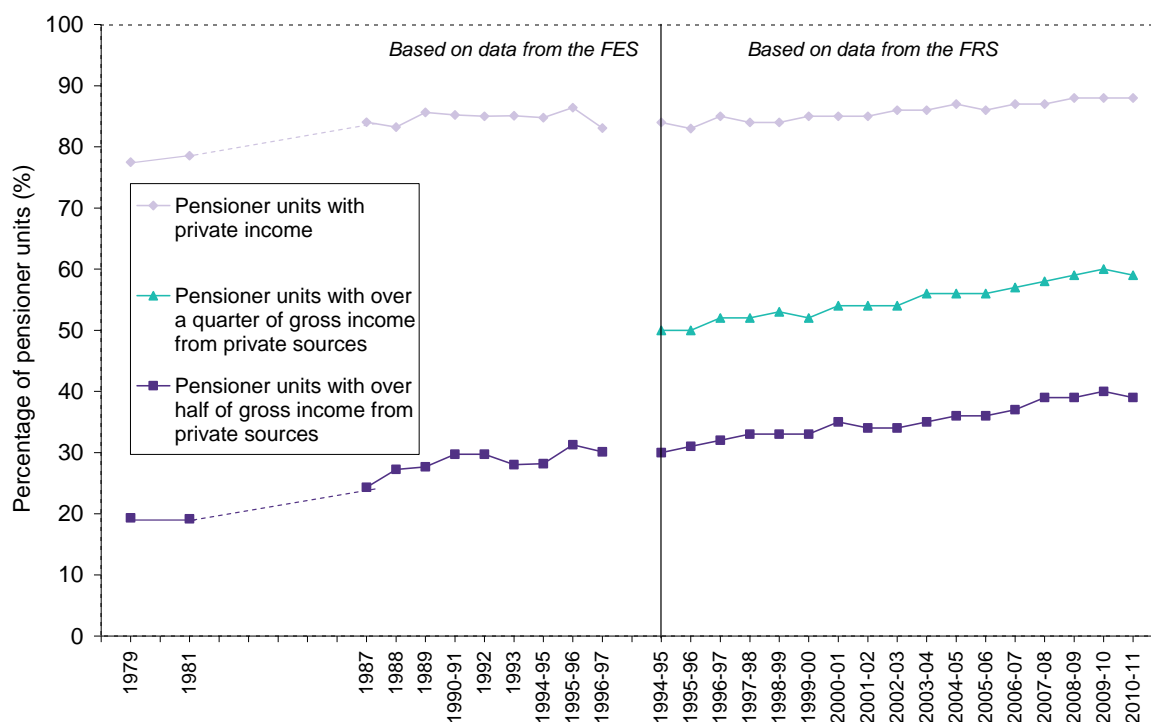
Chapter 3: Sources of Pensioners' Incomes

Benefit income (including State Pension) serves as the main source of income for pensioners as a whole. However, the importance of benefit income varies between different pensioner units.

In 2010-11, the vast majority of pensioner units had some private income on top of state benefits (93 per cent of pensioner couples and 83 per cent of single pensioners – **Table 3.1**). The overall proportion was 77 per cent in 1979 and continued to gradually increase over the next three decades but appears to have levelled off in recent years, standing at 88 per cent for pensioner units.

For over a third (39 per cent) of pensioner units, more than half of their gross income came from private sources in 2010-11 (**Table 3.2**). This proportion was higher for couples (53 per cent) than singles (27 per cent). **Figure 3.1** shows that the overall proportion with over half of income from private sources increased from 19 per cent in 1979 to 30 per cent in 1996-97 (based on FES data). It also shows the proportion of pensioners with over one quarter of gross income from private sources rising slowly since 1994-95, and was 59 per cent in 2010-11.

Figure 3.1: Benefit and private income, 1979-1996-97 and 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.1: The proportion of pensioner units with income in addition to state benefits, 1996-97-2010-11

	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
All pensioner units						
Total	85%	84%	87%	88%	88%	88%
Pensioner couples	93%	92%	93%	95%	94%	93%
Single pensioners	78%	78%	83%	83%	83%	83%
Recently retired pensioner units						
Total	87%	86%	86%	87%	88%	88%
Pensioner couples	93%	92%	92%	94%	94%	93%
Single pensioners	79%	76%	78%	79%	80%	82%

Table 3.2: The proportion of pensioner units with more than 50 per cent of income from private sources, 1996-97-2010-11

	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
All pensioner units						
Total	32%	33%	39%	39%	40%	39%
Pensioner couples	46%	49%	55%	54%	54%	53%
Single pensioners	22%	22%	27%	27%	27%	27%
Recently retired pensioner units						
Total	43%	45%	51%	51%	54%	52%
Pensioner couples	50%	52%	57%	60%	62%	57%
Single pensioners	34%	35%	42%	40%	42%	44%

The proportions of pensioner units in receipt of different types of state benefit, and the average amounts for those in receipt of these benefits, are examined in more detail in **Tables 3.3 – 3.5**. Some groups have relatively small sample sizes, so users should be careful about drawing conclusions about movements in data between single years. For example, year-on-year changes in average reported benefit income based on the FRS do not necessarily match changes in average benefit income seen in administrative data sources. Results based on survey respondents' identification of different elements of income may be subject to misreporting. More information on sampling and reporting errors can be found in Appendix B.

Pensioner units in receipt of different sources of income

Pensioners receive a number of different sources of income. Some sources have contributed more than others to the overall growth in incomes since 1979. **Figure 3.2** shows the proportion of pensioner units in receipt of different types of income.

Tables 3.3 to 3.11 show the proportion of pensioner units in receipt of the main sources of income and the mean and median amounts they receive.

Tables 3.3 to 3.5 include the three broad types of benefit income: State Pension (Basic and Additional State Pension and widow's benefits), income-related benefits and disability-related benefits. These three benefit types are not exhaustive as there are benefits, such as Carer's Allowance, which do not fit into any of these categories but are still included in total benefit income.

Table 3.11 shows average income from annual lump sum payments converted into a weekly amount. Such payments include Winter Fuel Payments and the free TV licence for those aged 75 or over. Note that Winter Fuel Payments are counted in total benefit income. Free TV licences are included in other income.

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. A full description of components of gross income is given in Appendix A.

For **Figures 3.2** and **3.3**, note that private pension income is the sum of occupational pension and personal pension income.

The most common source of income amongst pensioners is the State Pension, with nearly all pensioner units (97 per cent) receiving income from this source (**Figure 3.2**). Less than half of pensioner units received other types of benefit income. In total, 70 per cent of pensioner units received private pension income, of which 61 per cent had occupational pension and 16 per cent a personal pension. Among other sources, 68 per cent of pensioner units received some investment income and 18 per cent earnings income.

Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2010-11

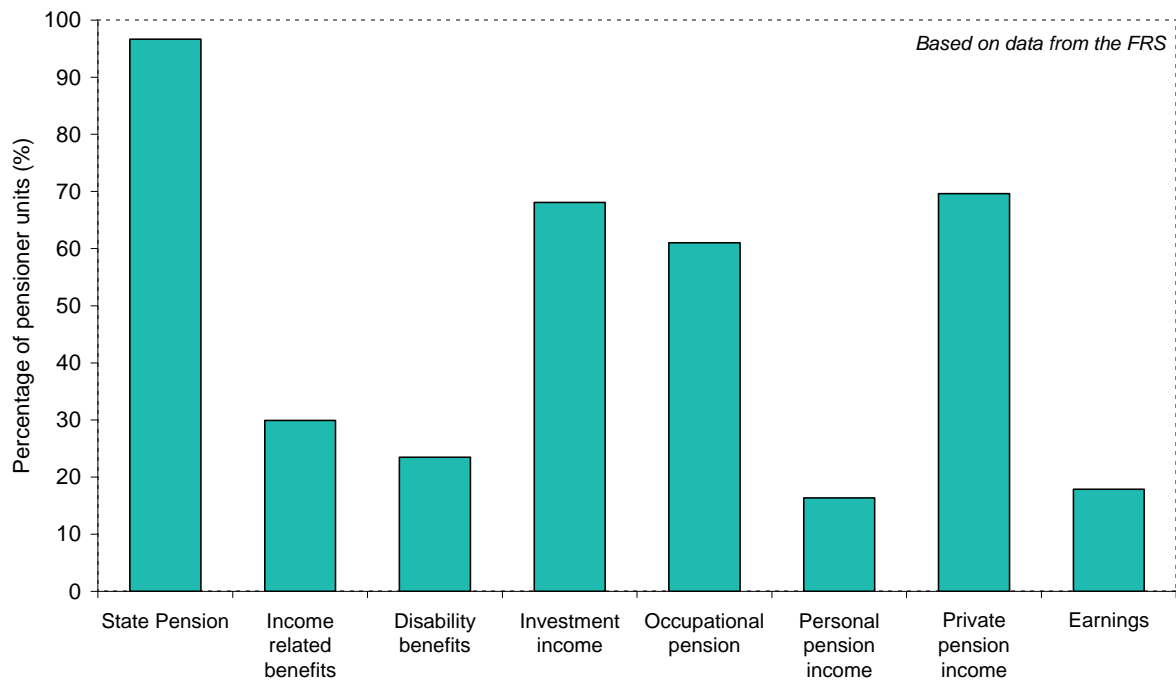
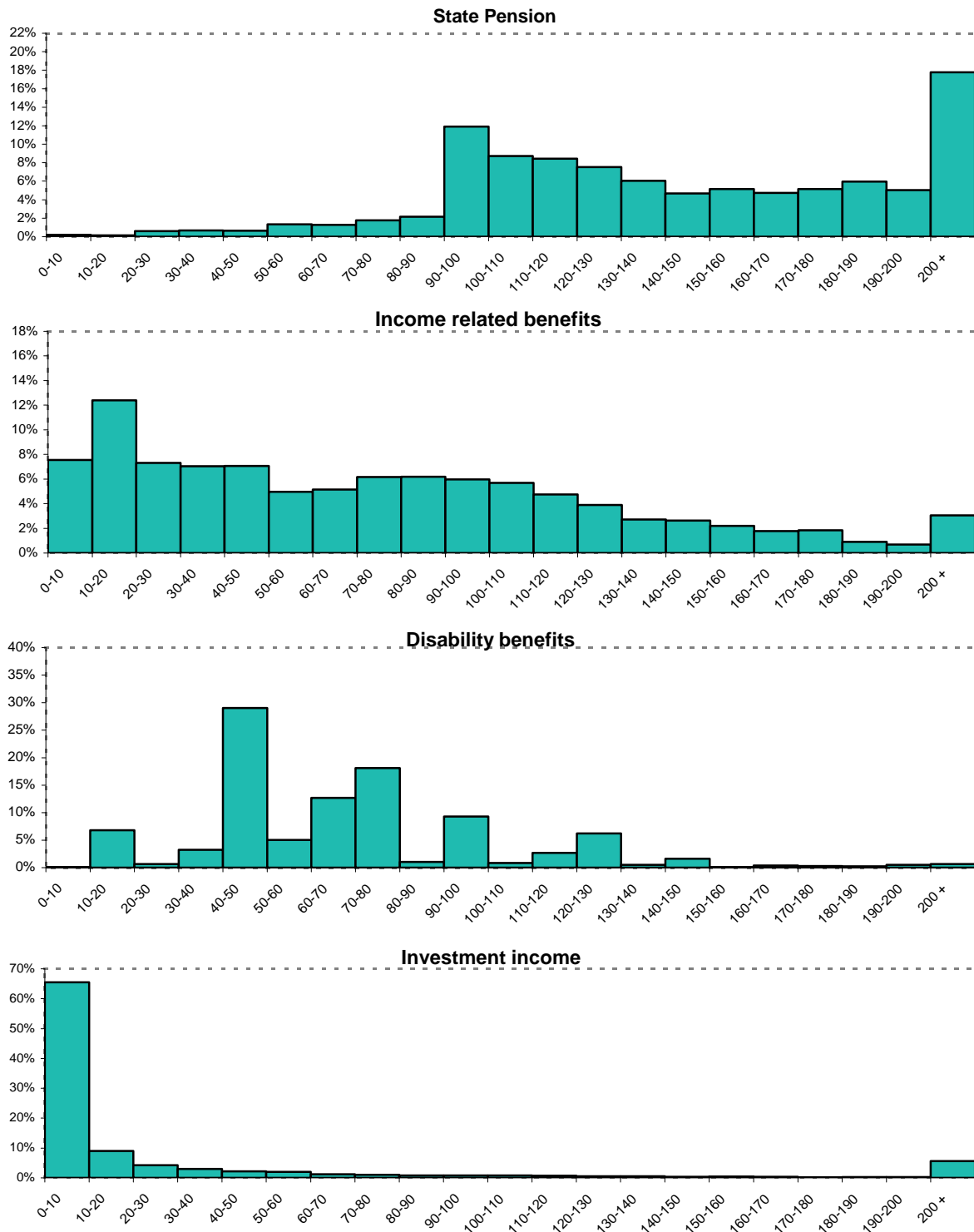


Figure 3.3 shows the distribution of income that pensioners receive from various sources. For example, 12 per cent of pensioner units receive between £90 and £100 per week from their State Pension. These figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income band will be subject to a degree of sampling error. Note that private pension income is the sum of occupational pension and personal pension income.

Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 1: Distribution of income from selected income sources for those in receipt, 2010-11

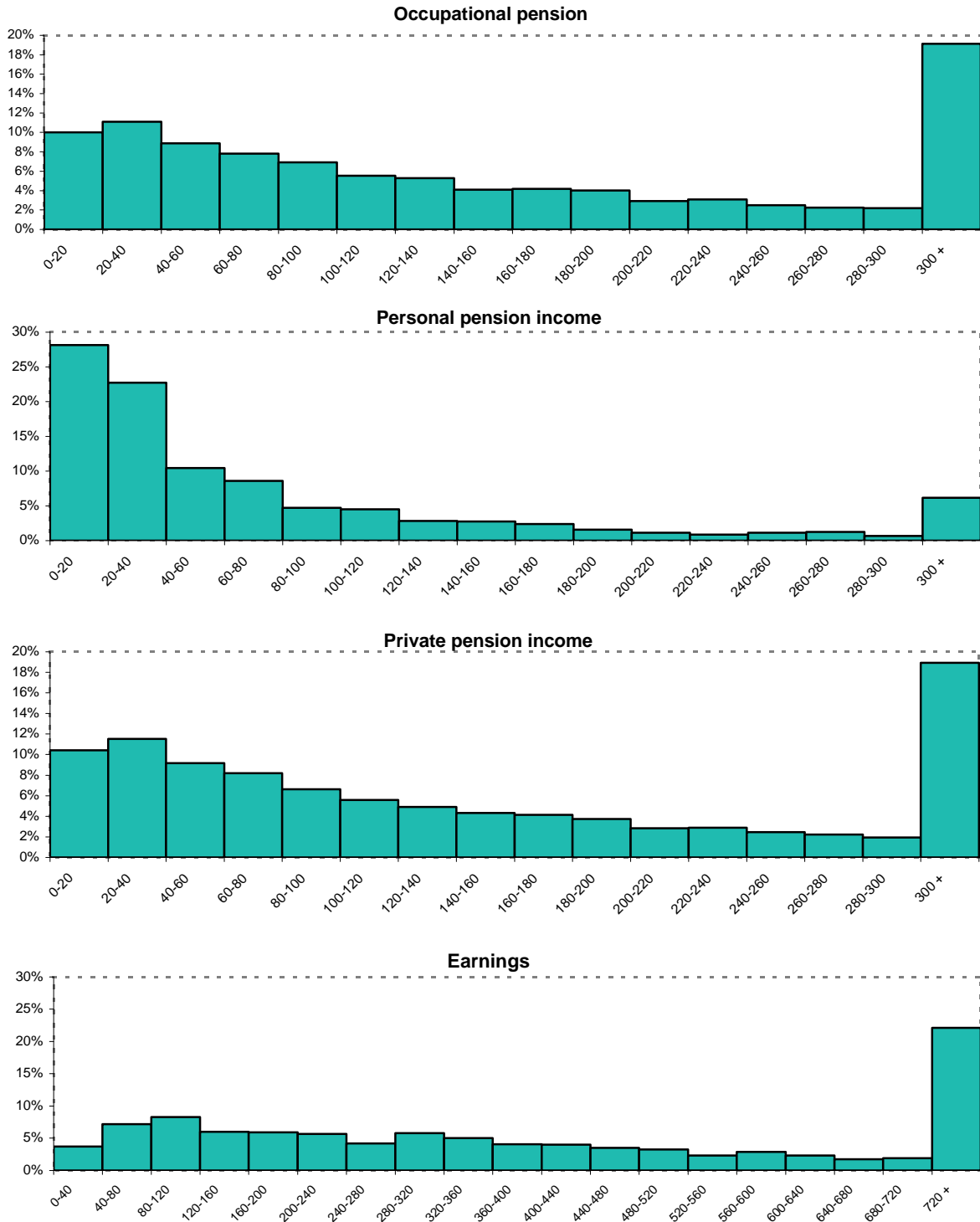
Income received from each source (£ per week, 2010-11 prices)



Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 2: Distribution of income from selected income sources for those in receipt, 2010-11

Income received from each source (£ per week, 2010-11 prices)



Notes:

- (1) The scales used on each of the income axes in Figure 3.3 (parts 1 and 2) are not the same across each of the graphs and are different from 2009-10.

Pensioners in receipt of State Pension

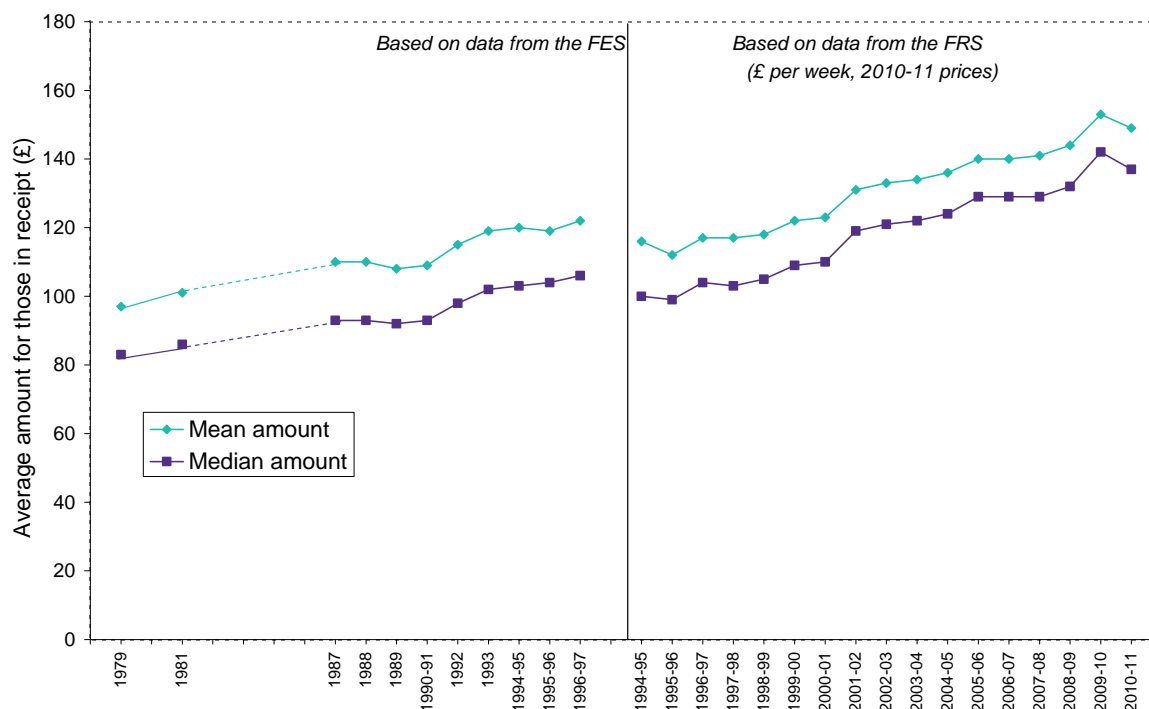
This includes the Basic State Pension and Additional State Pension. From 1978 to 2002, the additional State Pension was called the State Earnings-Related Pension Scheme (SERPS). SERPS was replaced in April 2002 with the State Second Pension (S2P). Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. Quoted amounts may include other benefits such as Pension Credit and Attendance Allowance, both of which are under-reported in the FRS.

Nearly all pensioner units (97 per cent) received the State Pension in 2010-11 (**Table 3.3**). This proportion was slightly lower for recently retired pensioners, which could reflect the fact that individuals can defer receiving their pension for up to five years after they reach SPa.

The average amount of reported State Pension for all pensioner units in receipt was £149 per week in 2010-11 (£124 for singles and £177 for couples). Between 1998-99 and 2010-11 there was 30 per cent real terms growth in the median State Pension received (**Figure 3.4**). The maturing of earnings-related component (SERPS, S2P) is the main factor behind the growth seen in median State Pension. Each cohort of retirees since 1978 has had the opportunity to make contributions over a longer period.

The slight fall in the latest year was due to higher inflation in 2010/11 than the increase in State Pension. In April 2010, the Basic State Pension increased by 2.5 per cent based on an uprating schedule of a minimum 2.5 per cent or RPI (negative in quarter 3 2009). In 2010/11, the inflation rate was high at 5.0 per cent for the RPI and 3.5 per cent for the CPI (see page 17 for details of Before Housing Costs and After Housing Costs inflation adjustment).

Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996-97 and 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.3: The proportion of pensioner units with income from State Pension and the average amount for those in receipt, 1996-97-2010-11

	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of State Pension (%)						
All pensioner units						
Total	94%	95%	95%	95%	96%	97%
Pensioner couples	91%	93%	93%	93%	95%	96%
Single pensioners	97%	97%	96%	96%	98%	97%
Recently retired pensioner units						
Total	91%	95%	91%	91%	93%	94%
Pensioner couples	92%	97%	92%	92%	94%	96%
Single pensioners	88%	92%	90%	90%	92%	91%
Average amount of State Pension for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	117	118	141	144	153	149
Pensioner couples	142	146	170	171	182	177
Single pensioners	99	99	117	122	126	124
Recently retired pensioner units						
Total	132	140	152	150	160	157
Pensioner couples	152	162	179	176	187	183
Single pensioners	102	104	114	118	119	119
Median amounts						
All pensioner units						
Total	104	105	129	132	142	137
Pensioner couples	155	155	174	176	187	182
Single pensioners	95	95	111	114	120	118
Recently retired pensioner units						
Total	137	144	149	141	153	148
Pensioner couples	156	159	178	177	191	186
Single pensioners	100	100	108	110	114	114

Pensioners in receipt of income-related benefits

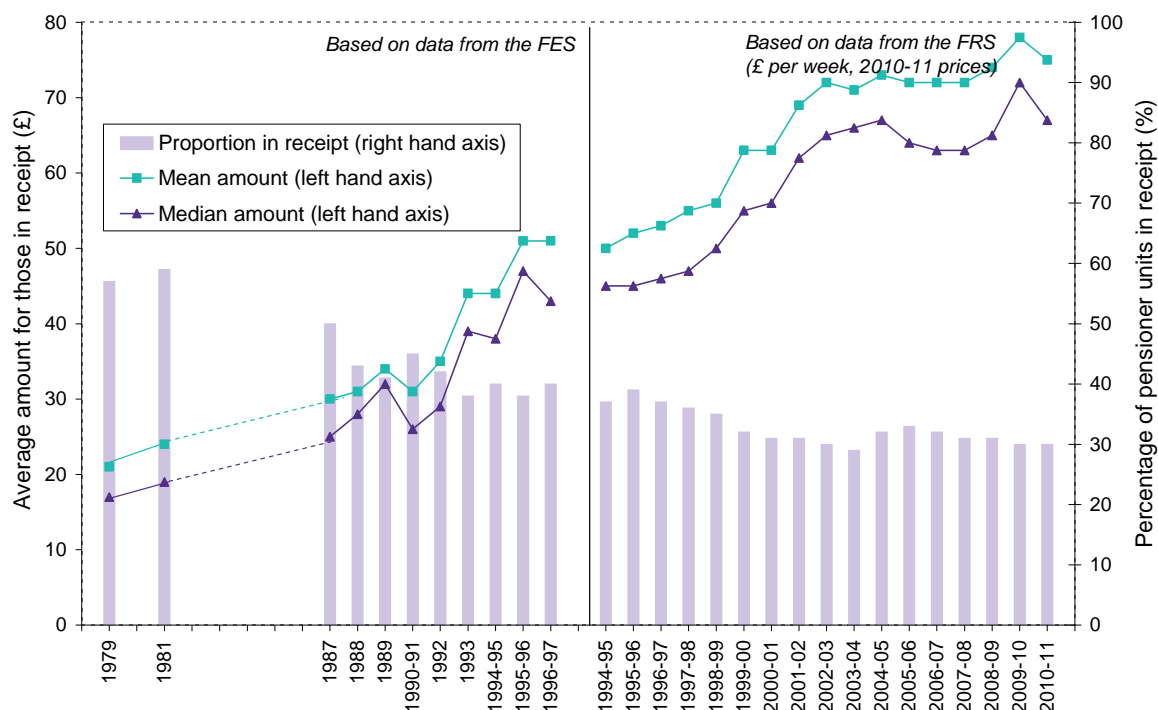
Income-related benefits in 2010-11 included Pension Credit, Housing Benefit, Council Tax Benefit, and Social Fund Grants. In previous years this has included Minimum Income Guarantee (MIG) and Income Support, the predecessors to Pension Credit.

Estimates are based on survey respondents' identification of different elements of benefit income and are therefore subject to misreporting. This is a particular problem for Pension Credit, which is under-reported by nearly a third on the FRS. More information about under-reporting can be found in Appendix B. In some cases amounts of Pension Credit may have been reported as part of State Pension payments.

Income-related benefits were less common than the State Pension, but were nevertheless received by just under a third of all pensioner units in 2010-11 (**Table 3.4**). This contrasts with 57 per cent of pensioner units reporting receipt in 1979. Receipt was considerably more common in 2010-11 among single pensioners (41 per cent) than pensioner couples (17 per cent).

The slight fall in the latest year was due to inflation increasing more in 2010/11 than the increase in income-related benefits. In April 2010, Pension Credit increased by 2 per cent, slightly above the 1.8 per cent growth in average earnings, to ensure that most pensioners retained the full value of the increase in their Basic State Pension. In 2010-11, the inflation rate has been high at 5.0 per cent for the RPI and 3.5 per cent for the CPI (see page 17 for details of Before Housing Costs and After Housing Costs inflation adjustment).

Figure 3.5: Pensioner units in receipt of income-related benefits, 1979-1996-97 and 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.4: The proportion of pensioner units with income from income-related benefits and the average amount for those in receipt, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of income related benefits (%)						
All pensioner units						
Total	37%	35%	31%	31%	30%	30%
Pensioner couples	22%	19%	18%	17%	16%	17%
Single pensioners	48%	47%	42%	42%	44%	41%
Recently retired pensioner units						
Total	29%	25%	26%	26%	23%	23%
Pensioner couples	21%	15%	17%	16%	13%	15%
Single pensioners	41%	41%	39%	38%	37%	34%
Average amount of income related benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	53	56	72	74	78	75
Pensioner couples	51	53	70	74	81	76
Single pensioners	54	57	73	74	77	75
Recently retired pensioner units						
Total	51	53	76	79	89	79
Pensioner couples	45	45	74	76	86	76
Single pensioners	56	57	77	81	90	81
Median amounts						
All pensioner units						
Total	46	50	63	65	72	67
Pensioner couples	33	33	52	58	69	60
Single pensioners	49	54	67	68	72	71
Recently retired pensioner units						
Total	37	47	67	74	84	76
Pensioner couples	28	29	57	63	69	70
Single pensioners	47	53	76	83	88	78

Pensioners in receipt of disability benefits

This income category covers a range of benefits paid to individuals as a result of their disability status. It does not include additional amounts within other benefits such as Pension Credit. Those most commonly received by pensioners in 2010-11 were Attendance Allowance and Disability Living Allowance (DLA).

Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. For example, Attendance Allowance is under-reported on the FRS by just under half. Amounts of Attendance Allowance may have been reported as State Pension.

More than one fifth (23 per cent) of all pensioner units received some form of disability benefit in 2010-11. **Figure 3.6** shows the increase in this proportion between 1979 and 1996-97 and that there has been little change in the late 1990s and early 2000s. Receipt of disability benefits was slightly less common among recently retired pensioners.

The average amount for pensioner units in receipt was £70 a week in 2010-11. Results show that median income from disability benefits tend to fluctuate greatly. This is because disability benefits are usually paid at one of a number of rates. For example, Attendance Allowance was paid at either a lower rate (£47.80) or a higher rate (£71.40) in 2010-11; so the median can suddenly jump if the proportions on the lower and higher rate change.

The payment of disability benefits at one of a number of rates explains the shape of the distribution of incomes from disability benefits seen in **Figure 3.3**. The peaks in the distribution are around those two levels of Attendance Allowance, or two higher rates of Disability Living Allowance for singles.

Figure 3.6: Pensioner units in receipt of disability benefits, 1979-1996-97 and 1994-95-2010-11

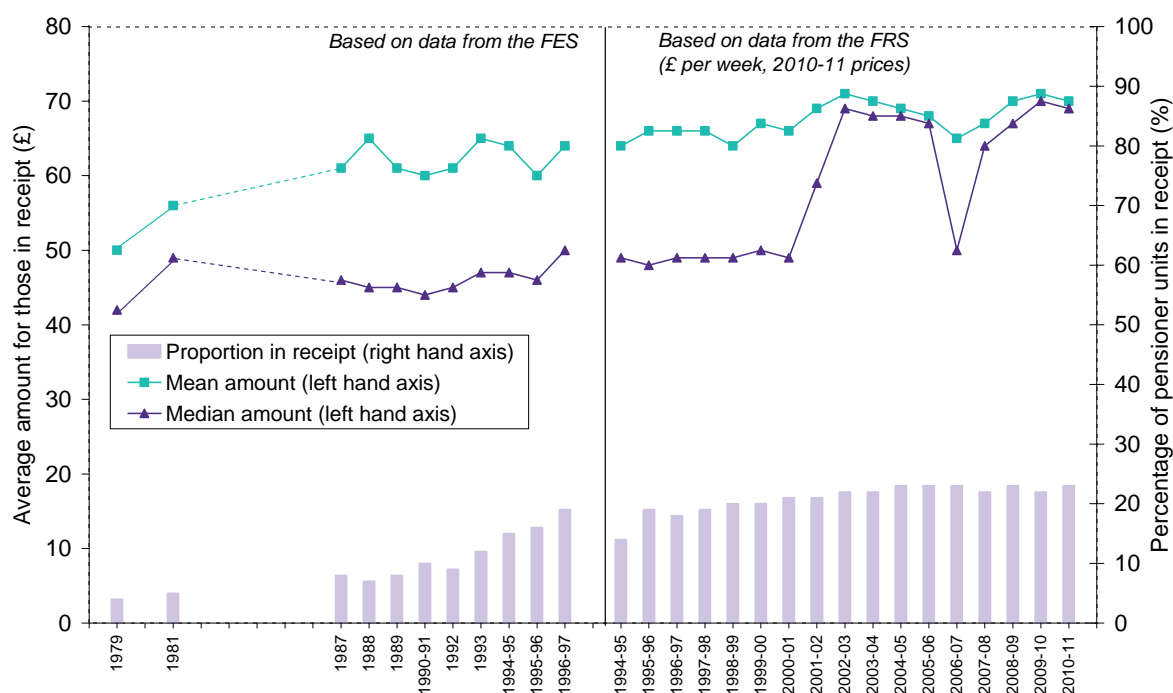


Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of disability benefits (%)						
All pensioner units						
Total	18%	20%	22%	23%	22%	23%
Pensioner couples	22%	21%	22%	23%	21%	22%
Single pensioners	14%	20%	22%	23%	23%	24%
Recently retired pensioner units						
Total	17%	15%	18%	18%	16%	17%
Pensioner couples	21%	18%	21%	19%	16%	18%
Single pensioners	12%	12%	15%	17%	16%	17%
Average amount of disability benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	66	64	67	70	71	70
Pensioner couples	72	70	78	79	81	78
Single pensioners	59	59	58	62	63	63
Recently retired pensioner units						
Total	69	64	73	75	79	75
Pensioner couples	71	66	82	83	85	78
Single pensioners	65	58	56	65	69	71
Median amounts						
All pensioner units						
Total	49	49	64	67	70	69
Pensioner couples	68	67	69	70	73	71
Single pensioners	47	47	49	49	51	50
Recently retired pensioner units						
Total	68	49	66	67	72	69
Pensioner couples	68	60	70	69	75	70
Single pensioners	66	49	49	50	70	68

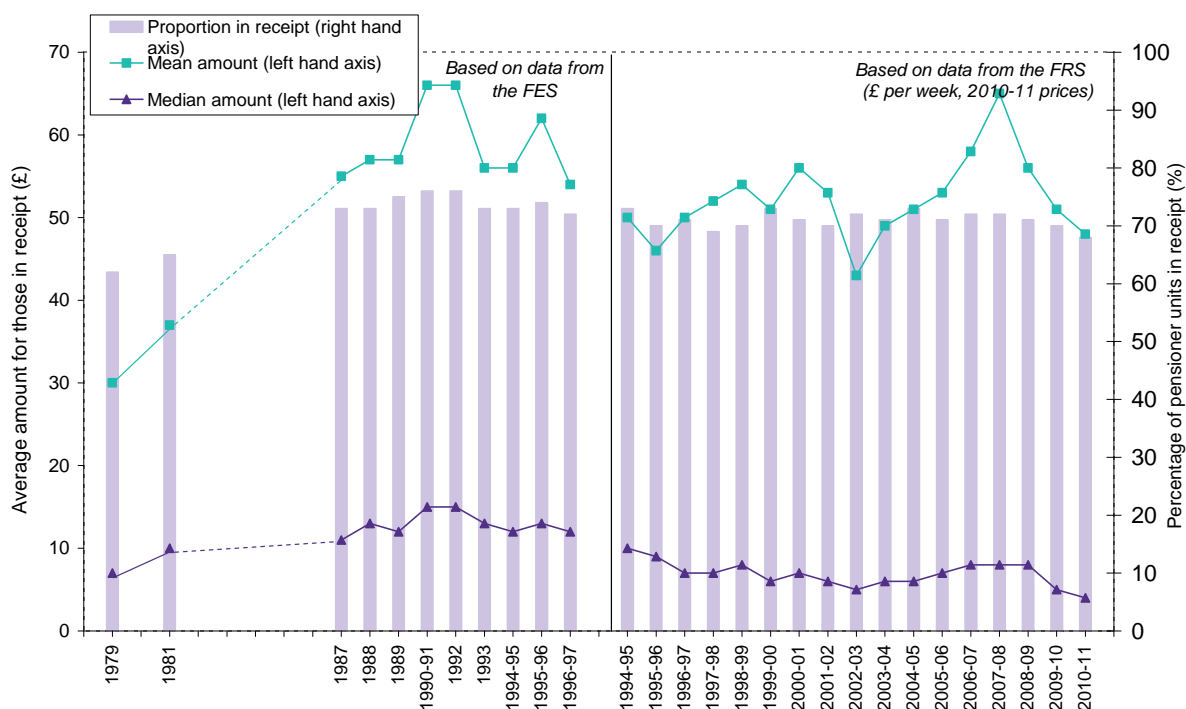
Pensioners in receipt of investment income

Investment income includes interest from ISAs and other savings accounts, unit trusts, bonds, stocks and shares. Investment income was the third most common source of income, received by 68 per cent of all pensioner units in 2010-11 (**Table 3.6**). As **Figure 3.3** shows, large numbers of people receive small amounts of investment income with nearly two-thirds of pensioner units receiving investment income receiving £10 a week or less. There are a small number of pensioners who receive very large amounts of investment income; the mean amount for those in receipt is £48 per week.

After the rises seen between 2002-03 and 2007-08 in the average amounts of investment income received by pensioners, investment income has fallen over the last three years. This fall is likely to be due to the reduced interest rates over this period. The fall in investment income disproportionately affected pensioners at the higher end of the income distribution, and had little effect on the majority of pensioners who receive relatively small amounts of investment income. This can be seen by the falls in the mean amounts not being reflected as much in the medians. Chapter 4 gives more detail on the distribution of incomes and investment income by quintile.

Note that there are some methodological differences in FRS based estimates of investment income compared to FES based estimates. In particular, FES estimates include personal pension income whereas the FRS estimates do not.

Figure 3.7: Pensioner units in receipt of investment income, 1979-1996-97 and 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of investment income (%)						
All pensioner units						
Total	71%	70%	72%	71%	70%	68%
Pensioner couples	79%	79%	78%	76%	76%	74%
Single pensioners	65%	64%	66%	67%	65%	63%
Recently retired pensioner units						
Total	72%	71%	72%	70%	71%	70%
Pensioner couples	78%	79%	77%	76%	77%	74%
Single pensioners	63%	59%	66%	63%	63%	63%
Average amount of investment income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	50	54	65	56	51	48
Pensioner couples	71	75	92	78	71	68
Single pensioners	31	36	39	34	28	28
Recently retired pensioner units						
Total	67	82	95	70	69	69
Pensioner couples	86	97	116	93	90	80
Single pensioners	34	52	62	36	31	51
Median amounts						
All pensioner units						
Total	7	8	8	8	5	4
Pensioner couples	14	14	14	13	9	6
Single pensioners	4	4	4	5	3	2
Recently retired pensioner units						
Total	11	12	10	10	7	6
Pensioner couples	15	17	13	14	10	8
Single pensioners	5	6	5	5	3	3

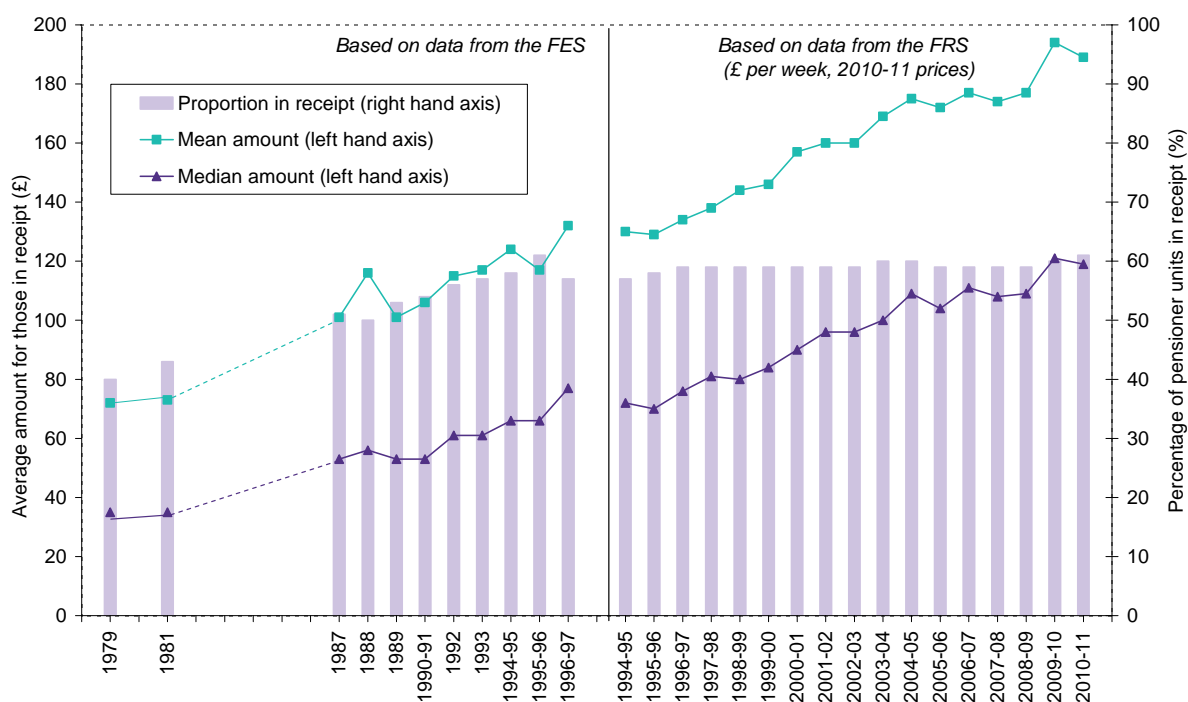
Pensioners in receipt of occupational pension income

Receipt of income from occupational pensions has become increasingly common since 1979, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s. Occupational pensions provided income for 61 per cent of pensioner units in 2010-11, compared to 40 per cent in 1979 (**Figure 3.8**). There is a slight fall in occupational pension income in 2010-11 to an average of £189 a week (**Table 3.7**).

The average amount of occupational pension income for those in receipt has been increasing over time, for a number of reasons. For individuals joining an occupational pension scheme in the 1950s, the more recently retired pensioners will have been able to make contributions over a longer period than pensioners retiring in earlier decades, and were therefore entitled to higher pensions. In addition, real growth in earnings has meant that final salaries (on which defined benefit occupational pension income is often based) have generally been higher for those retiring more recently.

The number of defined benefit occupational pension schemes has declined since the late 1960s with an acceleration in the decline after 1995. Schemes are typically closed to new members with many schemes allowing existing members to accrue further rights. So many older workers still have defined benefit rights in the private sector but that will change over time. For the 2.31m private sector workers accruing defined benefit rights, only 1.08 m are in schemes still open to new members pensions (The Purple Book, Pension Protection Fund Pension Regulator <http://www.pensionprotectionfund.org.uk/Pages/ThePurpleBook.aspx>). Since 2000 there has been growth of workplace defined contribution pensions, which builds on personal pensions introduced in 1988. Very few individuals will have had a lifetime under defined contribution (Annual Survey of Hours and Earnings, ONS, <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/index.html>).

Figure 3.8: Pensioner units in receipt of occupational pension income, 1979-1996-97 and 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.7: The proportion of pensioner units with occupational pension income and the average amount for those in receipt, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of occupational pension income (%)						
All pensioner units						
Total	59%	59%	59%	59%	60%	61%
Pensioner couples	71%	70%	65%	65%	67%	67%
Single pensioners	51%	51%	54%	54%	53%	55%
Recently retired pensioner units						
Total	66%	65%	54%	55%	58%	59%
Pensioner couples	76%	74%	62%	62%	68%	68%
Single pensioners	53%	52%	43%	47%	44%	47%
Average amount of occupational pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	134	144	174	177	194	189
Pensioner couples	176	189	230	237	250	244
Single pensioners	90	97	116	118	126	128
Recently retired pensioner units						
Total	170	175	219	218	234	236
Pensioner couples	195	200	254	269	273	267
Single pensioners	118	121	150	135	143	177
Median amounts						
All pensioner units						
Total	76	80	108	109	121	119
Pensioner couples	111	124	166	166	174	172
Single pensioners	53	57	74	73	82	81
Recently retired pensioner units						
Total	107	113	143	143	156	158
Pensioner couples	128	137	172	194	196	185
Single pensioners	80	78	89	86	101	112

Pensioners in receipt of personal pension income

This component of income includes personal pensions and annuities bought with lump sums from personal pensions, trades union and friendly society pensions.

Personal pensions provide income to a relatively small group of pensioners, although the proportion of pensioners in receipt of personal pension income has increased during the period from 1994-95 (**Figure 3.9**). Results based on FES data for the period from 1979 to 1996-97 are not separately available for personal pension income. Indeed, personal pensions in their current form were only introduced in 1988.

In 2010-11, 16 per cent of pensioner units were in receipt of income from personal pensions, with couples much more likely to be in receipt than single pensioners (**Table 3.8**). Recently retired pensioner units were more likely to be in receipt than older pensioners, which reflects the relatively recent expansion in the numbers contributing to personal pensions. The average amount of income from personal pensions for those in receipt was £97 per week in 2010-11, although half of all recipients had £39 per week or less.

Figure 3.9: Pensioner units in receipt of personal pension income, 1994-95-2010-11

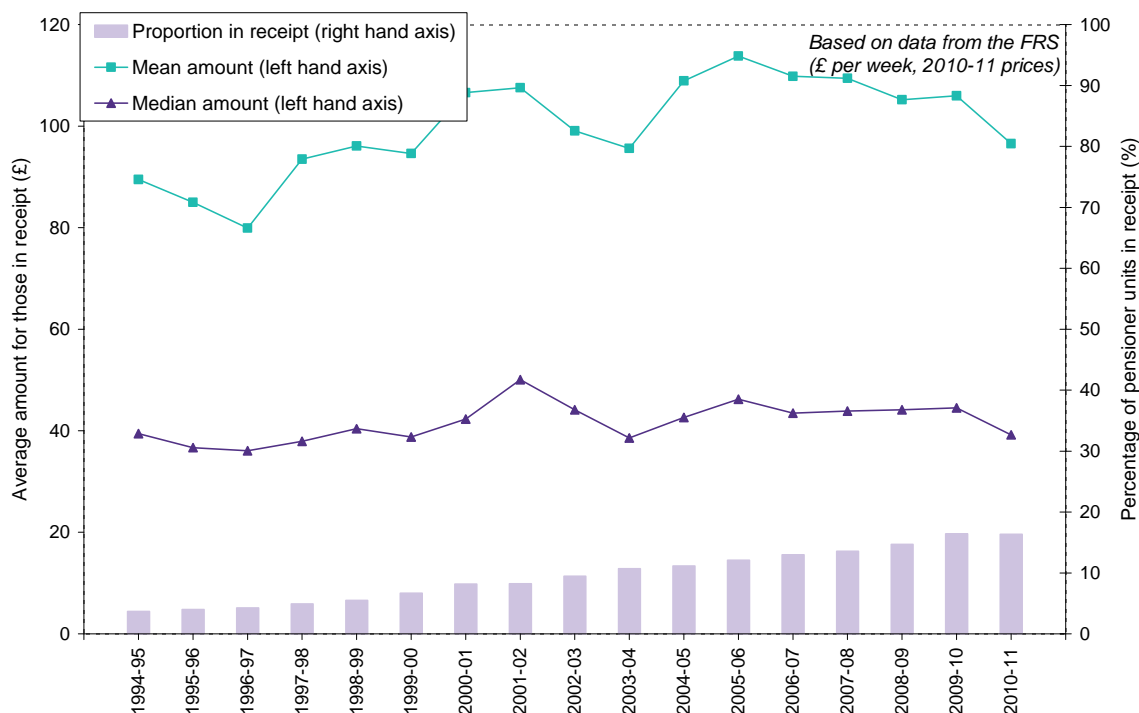


Table 3.8: The proportion of pensioner units with personal pension income and the average amount for those in receipt, 1996-97-2010-11

Incomes in £ per week, 2010-11 prices

	1996-97	1998-99	2007-08	2008-09	2009-10	2010-11
Proportion in receipt of personal pension income (%)						
All pensioner units						
Total	4%	5%	14%	15%	16%	16%
Pensioner couples	7%	9%	21%	22%	23%	24%
Single pensioners	2%	3%	7%	9%	10%	10%
Recently retired pensioner units						
Total	7%	10%	19%	19%	22%	22%
Pensioner couples	10%	13%	26%	25%	26%	28%
Single pensioners	3%	6%	11%	12%	14%	14%
Average amount of personal pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	80	96	109	105	106	97
Pensioner couples	87	106	122	120	119	107
Single pensioners	58	71	79	74	78	73
Recently retired pensioner units						
Total	97	104	104	102	110	106
Pensioner couples	103	116	110	115	124	119
Single pensioners	68	63	86	71	72	72
Median amounts						
All pensioner units						
Total	36	40	44	44	45	39
Pensioner couples	40	47	49	50	51	42
Single pensioners	29	27	34	33	36	33
Recently retired pensioner units						
Total	45	41	41	43	46	39
Pensioner couples	47	49	45	51	57	40
Single pensioners	36	24	30	25	30	37

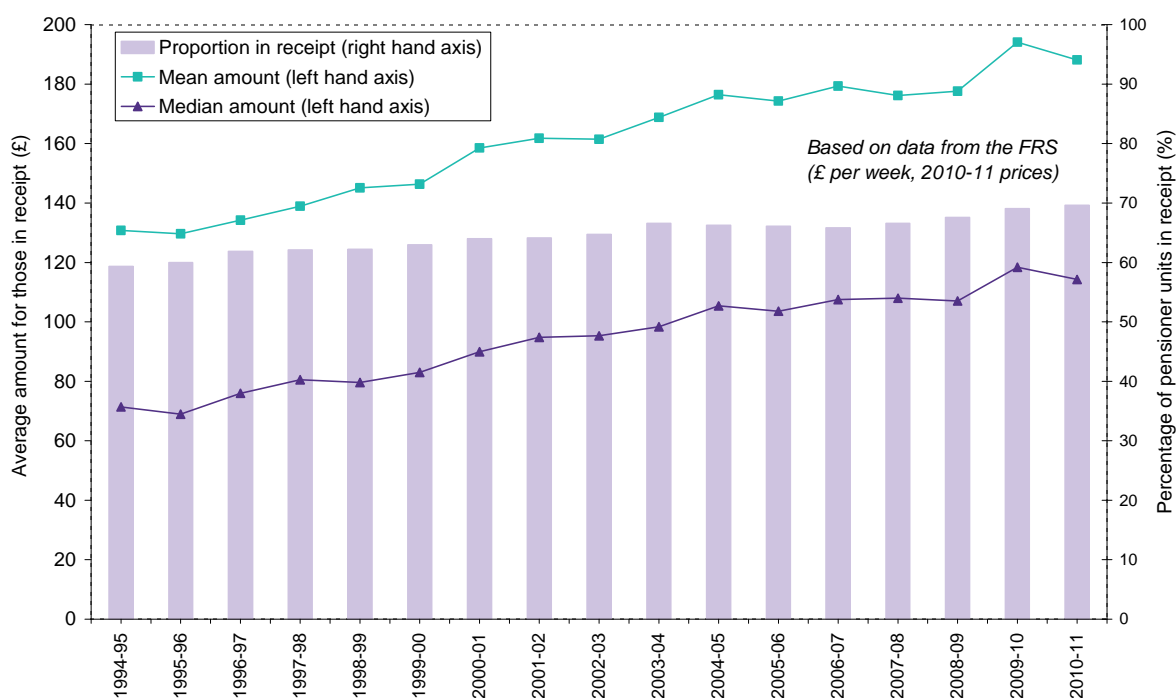
Pensioners in receipt of private pension income

Private pension income is the sum of occupational and personal pension income. Occupational pensions are more common than personal pensions and hence tend to dominate aggregated results for private pensions. There has been a gradual increase in both the proportion of pensioners receiving income from private pensions and in the amount that they receive since 1994-95 (**Figure 3.10**).

In 2010-11, 70 per cent of pensioner units were in receipt of private pension income, with couples more likely to be in receipt than single pensioners (**Table 3.9**).

The average amount of income from private pensions for pensioner units in receipt has increased in recent years, though there was a slight fall to £188 per week in 2010-11. Half of all recipients received less than £114 per week. Recently retired pensioner units in receipt of private pension income on average receive more income from this source compared with older pensioner units.

Figure 3.10: Pensioner units in receipt of private pension income, 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.9: The proportion of pensioner units with private pension income and the average amount for those in receipt, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of private pension income (%)						
All pensioner units						
Total	62%	62%	67%	68%	69%	70%
Pensioner couples	74%	75%	76%	76%	79%	79%
Single pensioners	52%	53%	58%	60%	60%	61%
Recently retired pensioner units						
Total	70%	71%	65%	66%	69%	70%
Pensioner couples	80%	81%	76%	75%	79%	80%
Single pensioners	55%	56%	49%	54%	53%	55%
Average amount of private pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	134	145	176	178	194	188
Pensioner couples	176	190	231	234	248	240
Single pensioners	90	97	116	118	126	127
Recently retired pensioner units						
Total	172	177	214	212	232	233
Pensioner couples	197	203	245	258	274	265
Single pensioners	118	119	149	133	138	170
Median amounts						
All pensioner units						
Total	76	80	108	107	118	114
Pensioner couples	109	123	157	156	164	161
Single pensioners	53	56	72	72	79	78
Recently retired pensioner units						
Total	107	113	133	137	148	145
Pensioner couples	128	139	160	176	184	175
Single pensioners	80	75	90	83	91	105

Pensioners in receipt of income from earnings

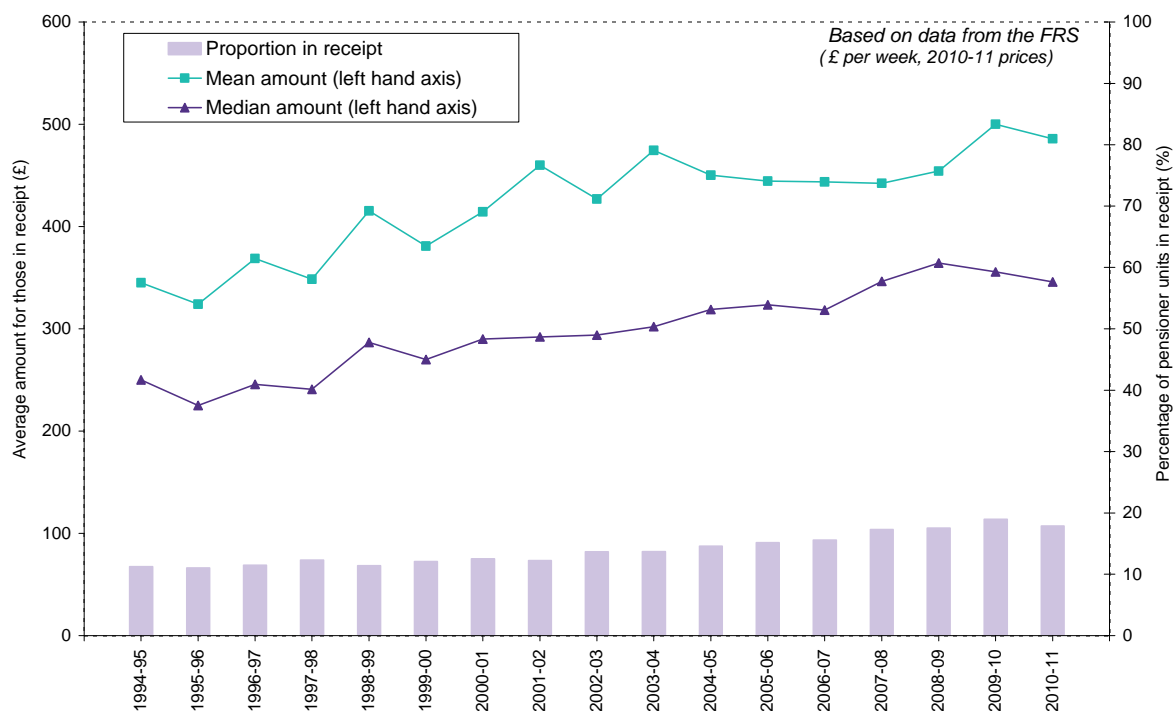
Income from earnings refers to gross earnings from employment and self-employment. The proportion of pensioners in receipt of income from earnings has almost doubled from 1996-97 to 2010-11, though there has been a slight fall in the latest year to 18 per cent for pensioner units. (**Table 3.10**). Couples more likely to be in receipt than single pensioners and recently retired pensioner units were much more likely to have income from earnings compared to all pensioner units, with 32 per cent reporting to have earnings as a source of income.

Figure 3.11 shows that there was a slight fall in both the mean and median compared with the 2009-10 results. The average amount of income from earnings in 2010-11 for those in receipt was £486 per week, with half of all pensioner units receiving earnings having more than £346 per week.

Figure 3.3 showed that the distribution for those in receipt of earnings for 2010/11 was relatively flat across the earnings bands, peaking at 8 per cent for £80-£120 per week. The distribution is similar to that seen in for 2009/10 in last years Pensioners' Incomes Series publication, though with a slight downwards shift. An adjustment to very high income households is made to the FRS survey results based on the tax records reported in the Survey of Personal Incomes (SPI). This replaces values from the survey with an average amount from SPI, therefore weekly earnings above £720 per week are combined in the chart.

Pensioner couples include couples where one member is below SPa but the other is over. As such, some of the results include earnings from people under SPa. The effects of these mixed status couples, particularly with regards to earnings, are explored further in Chapter 5 (**Tables 5.1** and **5.2**).

Figure 3.11: Pensioner units in receipt of income from earnings, 1994-95-2010-11



Chapter 3: Sources of Pensioners' Incomes

Table 3.10: The proportion of pensioner units with income from earnings and the average amount for those in receipt, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>					
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Proportion in receipt of income from earnings (%)						
All pensioner units						
Total	11%	11%	17%	18%	19%	18%
Pensioner couples	22%	22%	29%	30%	30%	29%
Single pensioners	4%	4%	7%	7%	8%	8%
Recently retired pensioner units						
Total	20%	20%	33%	33%	35%	32%
Pensioner couples	26%	23%	37%	40%	40%	36%
Single pensioners	12%	16%	27%	24%	26%	26%
Average amount of income from earnings for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	369	415	442	454	500	486
Pensioner couples	409	448	488	501	557	537
Single pensioners	201	270	283	297	295	307
Recently retired pensioner units						
Total	307	337	376	393	453	411
Pensioner couples	336	371	417	439	514	447
Single pensioners	219	264	301	301	311	343
Median amounts						
All pensioner units						
Total	246	287	346	364	356	346
Pensioner couples	295	315	392	401	406	389
Single pensioners	108	180	220	222	227	229
Recently retired pensioner units						
Total	208	238	294	315	324	313
Pensioner couples	222	251	337	344	364	337
Single pensioners	188	213	243	243	277	296

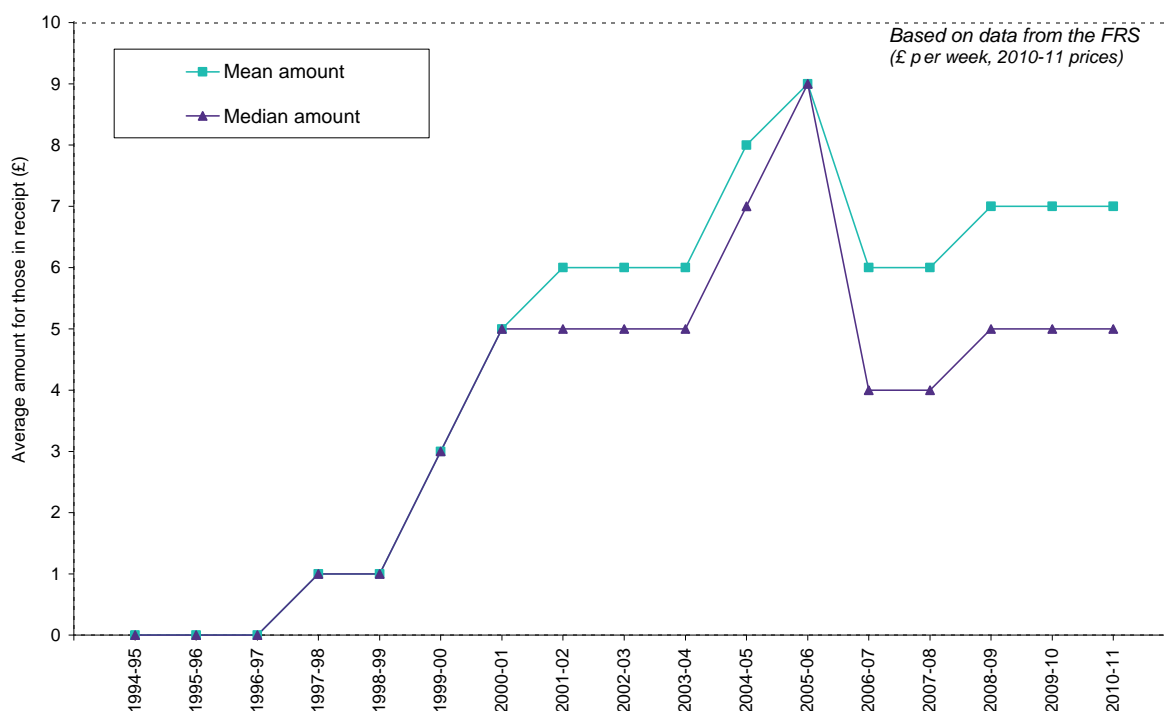
Pensioners in receipt of income from annual lump sum payments

Income from annual lump sum payments refers to amounts that a pensioner may receive once a year. Winter Fuel Payments, free TV licences for the over-75s and the Christmas bonus are all paid as annual lump sums. These payments are typically paid in full at a certain time of year, so for this analysis the amount has been converted into a weekly equivalent.

The considerable increase in lump sum payments in 2008-09 is largely due to the Christmas bonus temporarily increasing from £10 to £70 and there were also additional increases to Winter Fuel Payments for the winters of 2008/09 through to 2010/11².

In 2010-11 the average amount from annual lump sums received by pensioner units is £7 per week.

Figure 3.12: Pensioner units in receipt of income from annual lump sums, 1994-95-2010-11



² The current policy for Winter Fuel Payments is a £200 payment to households including someone who has reached women's SPa and is under 80 and a £300 payment to households including someone aged 80 and over. An additional payment of £50 was paid in 2008-09, 2009-10 and 2010-11 to households including someone who has reached women's SPa and is under 80 and a £100 payment for households with someone aged 80 and over.

Chapter 3: Sources of Pensioners' Incomes

Table 3.11: The average amount of income from annual lump sums for those in receipt, 1996-97-2010-11

<i>Incomes in £ per week, 2010-11 prices</i>						
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Average amount of income from annual payments for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	*	1	6	7	7	7
Pensioner couples	*	1	5	6	6	6
Single pensioners	*	1	6	7	7	7
Recently retired pensioner units						
Total	*	1	4	5	5	5
Pensioner couples	*	1	4	5	5	5
Single pensioners	*	1	4	5	5	5
Median amounts						
All pensioner units						
Total	*	1	4	5	5	5
Pensioner couples	*	1	4	5	5	5
Single pensioners	*	1	6	6	7	6
Recently retired pensioner units						
Total	*	1	4	5	5	5
Pensioner couples	*	1	4	5	5	5
Single pensioners	*	1	4	5	5	5

Chapter 4: Distribution of Pensioners' Incomes

This chapter looks at the distribution of pensioners' incomes. The populations we are looking at are ranked by income and divided into quintiles (five equal sized groups) for the purpose of the analysis. There are two sets of tables within this chapter:

- **Tables 4.1 to 4.5** examine the distribution of incomes within the single pensioner and pensioner couples groups. In these tables incomes are not adjusted for the size of the household, so results for single pensioners and couples are shown separately
- **Tables 4.6 and 4.7** look at the distribution of pensioners' incomes within the population as a whole. In order to rank households within these tables income has been equivalised, or in other words adjusted to take into account variations in both the composition and size of the household. These figures are not comparable with figures in **Tables 4.1 to 4.5**

In both sets of tables, the distribution is calculated separately under the Before and After Housing Costs measures. When considering changes in incomes over time it is generally considered more appropriate to use the After Housing Costs measure for pensioners because of the high proportion of pensioners owning their home outright.

In **Tables 4.1 to 4.5**, the distribution of income is calculated separately for singles and couples, that is estimates for pensioner couples show income for each quintile of the pensioner couples' income distribution and similarly for single pensioners.

Tables 4.1, 4.3 and 4.4 are presented as three year averages. This is because quintiles are relatively small groups and results would otherwise be volatile from one year to the next. These figures are therefore not directly comparable to single year estimates.

The position in the overall income distribution is only a proxy for relative living standards. It does not account for different costs people will face. For example the costs involved in disability or old age, or for working people the costs associated with travelling to work.

Median incomes by quintile

For pensioner couples in 2010-11, the median net income of the top fifth was around three and a half times that of the bottom fifth, Before Housing Costs, and around 4 times After Housing Costs. For single pensioners median net income of the top fifth was around three times that of the bottom fifth, Before Housing Costs, and around three and a half times After Housing Costs.

Figure 4.1 compares the median net incomes on an AHC basis of the bottom fifth and top fifth of pensioner couples in 1994-97, 1998-01, 2003-06 and 2008-11 (based on the FRS). The median net income of the top fifth has remained at around 4 times that of the bottom fifth since the mid-1990s.

Between 1979 and 1996-97 the median income of the top fifth of pensioner couples grew by 91 per cent compared with 30 per cent for the bottom fifth on an AHC basis. The pattern for single pensioners is similar.

The rate of growth in median incomes between 1998-01 and 2008-11 was fairly evenly spread across the income distribution. Pensioner couples saw 30 per cent growth in the bottom quintile and 28 per cent growth in the top quintile on an AHC basis – **Table 4.1**. As the top quintile is starting at a higher base level, similar percentage growth equates to a £46 increase in the bottom quintile and a £173 increase in the top quintile.

Chapter 4: Distribution of Pensioners' Incomes

Table 4.1: The median net income of pensioner units by quintile of the net income distribution, 1998-01 and 2008-11

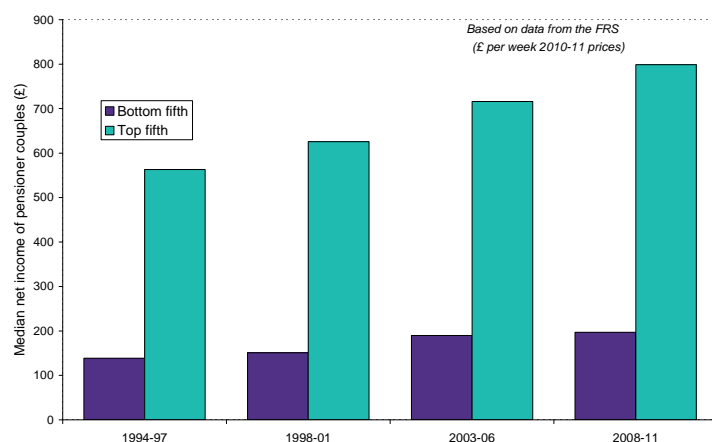
Incomes in £ per week, 2010-11 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Medians						
Pensioner couples						
Net income before housing costs						
1998-01	180	246	312	414	661	400
2008-11	221	313	399	524	815	497
% growth 1998-01-2008-11	23%	27%	28%	27%	23%	24%
Net income after housing costs						
1998-01	151	213	282	386	626	366
2008-11	197	289	379	507	799	476
% growth 1998-01-2008-11	30%	36%	34%	31%	28%	30%
Medians						
Single pensioners						
Net income before housing costs						
1998-01	102	142	170	214	316	203
2008-11	129	180	224	280	391	256
% growth 1998-01-2008-11	26%	27%	32%	31%	24%	26%
Net income after housing costs						
1998-01	80	102	129	181	283	168
2008-11	100	146	187	249	367	225
% growth 1998-01-2008-11	25%	43%	45%	38%	30%	34%

Notes:

- (1) Estimates show medians of unequivalised net income for each quintile of the unequivalised net income distribution. Real growth figures for individual quintiles show the growth in the quintile median income.

Figure 4.1: Net income (AHC) of pensioner couples by position in the income distribution, 1994-97, 1998-01, 2003-06 and 2008-11



Age and gender in the income distribution

Table 4.2 shows the proportions of different groups of pensioners within each quintile in 2010-11. Around three quarters of pensioners own their own home outright, and so tend to

Chapter 4: Distribution of Pensioners' Incomes

have relatively low housing costs (Households Below Average Income: An analysis of the income distribution 1994/95 – 2010/11). Net income after deducting housing costs better reflects homeowners living standards compared with others who do not own their own home than net income Before Housing Costs. Points of note include:

- **Older pensioner couples are more likely to be in the bottom fifth** of the pensioner couples' income distribution (both Before and After Housing Costs) than younger pensioner couples. After Housing Costs 24 per cent of pensioner couples 75 and over are in the bottom fifth compared with 18 per cent of pensioner couples under 75. There is a similar pattern in the net Before Housing Costs income distribution.
- **Older single pensioners are slightly more likely to be in the bottom fifth** of the single pensioners' incomes distribution (Before Housing Costs) than younger single pensioners. 22 per cent of single pensioners 75 and over are in the bottom fifth compared to 18 per cent of single pensioners under 75. However, After Housing Costs, there is no difference with 20 per cent of single pensioners 75 and over in the bottom fifth, and 20 per cent of single pensioners under 75.
- **Single females are more likely to be in the bottom fifth** of the single pensioners' incomes distribution (both Before and After Housing Costs) than single males. After Housing Costs 22 per cent of single females are in the bottom fifth compared to 16 per cent of men. There is a similar pattern in the net Before Housing Costs income distribution. This is partly because a larger proportion of older pensioners are female than male, but it is also because female single pensioners 75 and over do have lower incomes than single males.

This analysis takes no account of income sharing when a pensioner unit shares a household with others, for example sharing with their children who may be earning, or where two single pensioners share a house. A pensioner with low personal income living with a high earning child would be shown in a low income quintile, but may enjoy a high standard of living. This is not the case in Households Below Average Income (HBAI) analysis, which displays results based on an individuals' household income level.

Figure 4.2: Pensioner couples by age and position in the net income (AHC) distribution, 2010-11

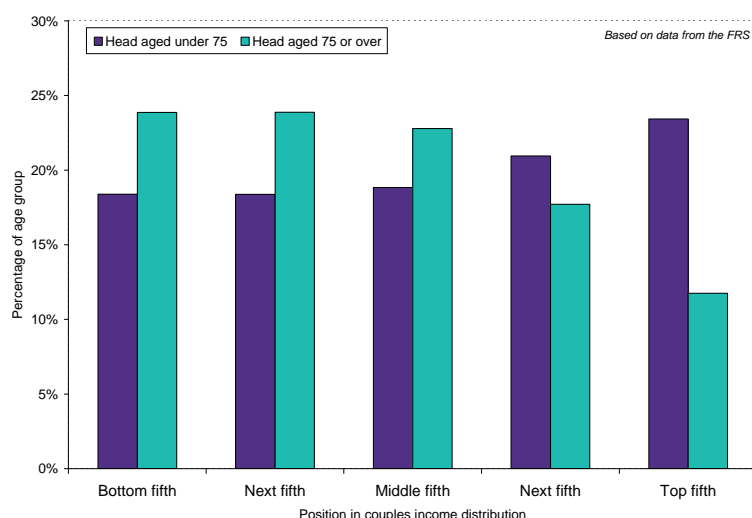


Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2010-11

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	18%	19%	19%	21%	24%	100%
Head aged under 75	18%	18%	19%	21%	23%	100%
Head aged 75 and over	26%	24%	22%	17%	12%	100%
Pensioner couples' net income						
After housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	19%	18%	18%	20%	24%	100%
Head aged under 75	18%	18%	19%	21%	23%	100%
Head aged 75 and over	24%	24%	23%	18%	12%	100%
Single pensioners' net income						
Before housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	14%	19%	21%	21%	26%	100%
Single females	22%	20%	20%	20%	18%	100%
Recently retired	17%	16%	18%	19%	31%	100%
Aged under 75	18%	19%	20%	19%	24%	100%
Aged 75 and over	22%	21%	20%	21%	16%	100%
Single pensioners' net income						
After housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	16%	17%	22%	20%	25%	100%
Single females	22%	21%	19%	20%	18%	100%
Recently retired	20%	16%	15%	19%	30%	100%
Aged under 75	20%	19%	19%	18%	24%	100%
Aged 75 and over	20%	21%	21%	22%	16%	100%

The distribution of different sources of income by position in the net income (BHC) distribution

Table 4.3 shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (BHC) distribution. It should be noted that mean gross incomes are higher, particularly for the top fifth, because of a small number of pensioners with very high incomes which skew the results.

Income from state benefits in 2008-11 is fairly even across the distribution of pensioner couples (**Figure 4.3**) but increases as we move up the distribution for single pensioners (**Figure 4.4**). The bottom fifth received only a small proportion of their income from other sources, with benefits accounting for 73 per cent of gross income for pensioner couples. Occupational pension income increases as we move up the distribution, reaching an average of £380 for the top fifth of pensioner couples and £180 for the top fifth of single pensioners. Income from investments and earnings also increases steeply as we move up the income distribution for both pensioner couples and single pensioners.

Figure 4.3: Sources of gross income of pensioner couples by quintile in the net income (BHC) distribution, 2008-11

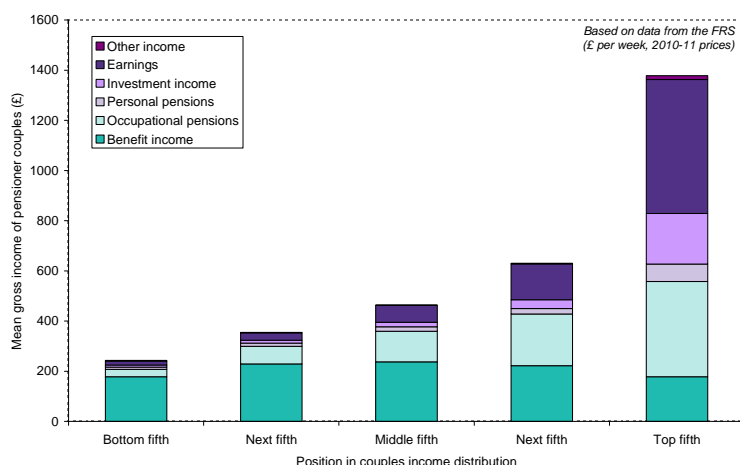
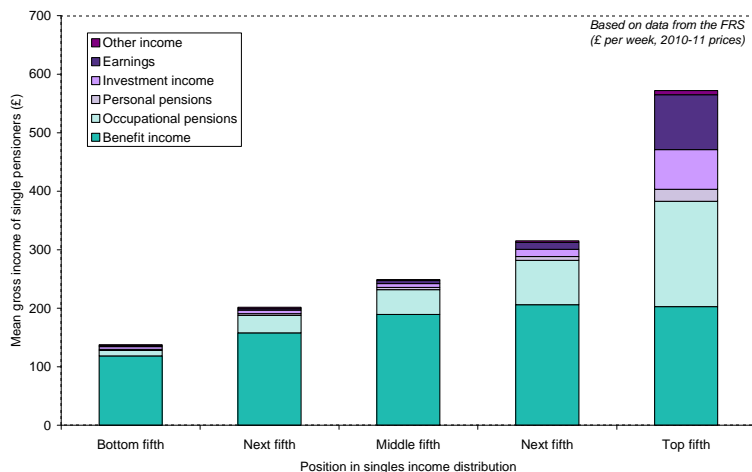


Figure 4.4: Sources of gross income of single pensioners by quintile in the net income (BHC) distribution, 2008-11



Chapter 4: Distribution of Pensioners' Incomes

Table 4.3: Components of mean gross income of pensioner units by quintile of the net (BHC) income distribution, 1998-01 and 2008-11

Incomes in £ per week, 2010-11 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1998-01 Means						
Pensioner couples						
Gross income	197	273	355	493	1105	485
<i>of which</i>						
Benefit income	156	194	201	178	154	177
Occupational pension	22	48	90	173	344	135
Personal pension income	3	4	6	10	38	12
Investment income	9	11	20	40	214	59
Earnings	7	15	37	90	341	98
Other income	1	1	1	2	14	4
Single pensioners						
Gross income	112	156	188	241	472	234
<i>of which</i>						
Benefit income	101	128	149	162	172	142
Occupational pension	5	19	28	57	152	52
Personal pension income	*	1	1	2	9	2
Investment income	5	6	7	14	84	23
Earnings	*	1	2	4	49	11
Other income	*	1	1	2	7	2
2008-11 Means						
Pensioner couples						
Gross income	243	355	464	630	1378	614
<i>of which</i>						
Benefit income	178	229	237	222	178	209
Occupational pension	29	71	123	206	380	162
Personal pension income	9	13	17	22	70	26
Investment income	8	12	18	34	201	55
Earnings	16	29	67	143	534	158
Other income	2	2	2	2	15	5
Single pensioners						
Gross income	138	202	249	315	572	295
<i>of which</i>						
Benefit income	118	158	189	206	203	175
Occupational pension	9	30	42	76	180	68
Personal pension income	2	3	4	7	21	7
Investment income	5	6	7	12	68	19
Earnings	1	3	5	12	94	23
Other income	2	2	2	3	7	3

Please note a revision to the calculation in the Overall Mean column, which had erroneously been updated twice in previous publications.

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

Table 4.4 shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (AHC) distribution. It should be noted that mean gross incomes are higher, particularly for the top fifth, because of a small number of pensioners with very high incomes which skew the results.

Income from state benefits in 2008-11 is fairly even across the distribution of pensioner couples (**Figure 4.5**) but increases as we move up the distribution for single pensioners (**Figure 4.6**). The bottom fifth received only a small proportion of their income from other sources, with benefits accounting for 74 per cent of gross income for pensioner couples. Occupational pension income increases as we move up the distribution, reaching an average of £384 for the top fifth of pensioner couples and £192 for the top fifth of single pensioners. Income from investments and earnings also increases steeply as we move up the income distribution for both pensioner couples and single pensioners.

Figure 4.5: Sources of gross income of pensioner couples by quintile in the net income (AHC) distribution, 2008-11

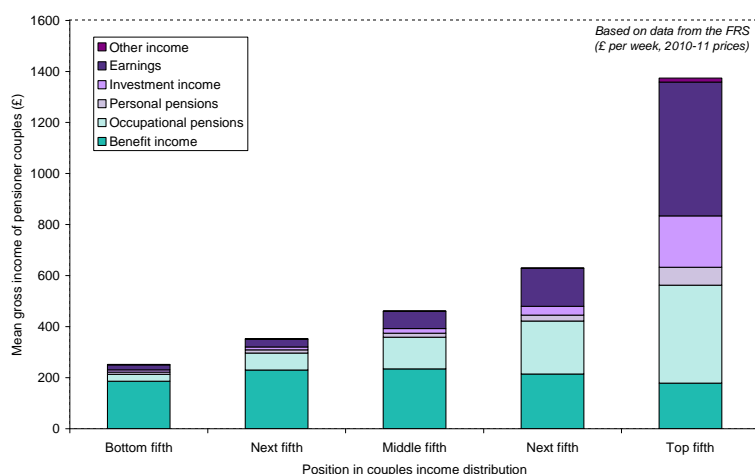
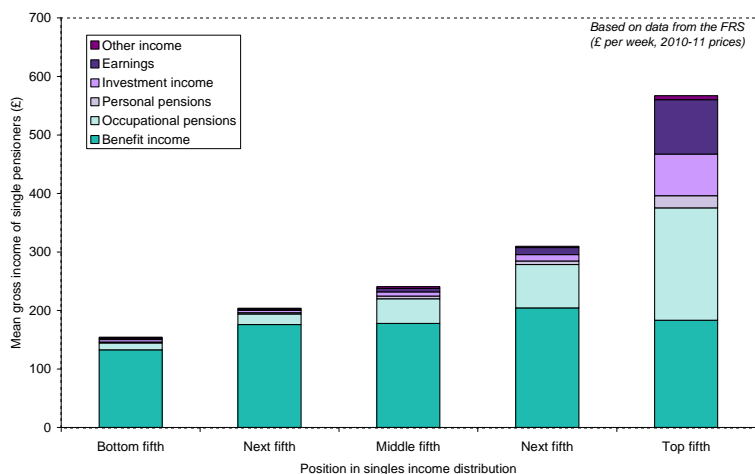


Figure 4.6: Sources of gross income of single pensioners by quintile in the net income (AHC) distribution, 2008-11



Chapter 4: Distribution of Pensioners' Incomes

Table 4.4: Components of mean gross income of pensioner units by quintile of the net (AHC) income distribution, 1998-01 and 2008-11

Incomes in £ per week, 2010-11 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1998-01 Means						
Pensioner couples						
Gross income	205	270	353	493	1103	485
<i>of which</i>						
Benefit income	168	194	194	174	154	177
Occupational pension	19	46	90	175	347	135
Personal pension income	3	4	7	10	39	12
Investment income	8	11	20	40	216	59
Earnings	8	14	42	92	333	98
Other income	1	*	1	1	14	4
Single pensioners						
Gross income	130	158	177	235	468	234
<i>of which</i>						
Benefit income	116	143	96	164	154	135
Occupational pension	8	10	21	49	163	50
Personal pension income	*	*	3	1	9	3
Investment income	5	3	8	14	87	23
Earnings	*	*	1	4	48	11
Other income	1	1	1	2	7	2
2008-11 Means						
Pensioner couples						
Gross income	252	353	462	630	1374	614
<i>of which</i>						
Benefit income	186	230	235	215	179	209
Occupational pension	27	66	123	207	384	162
Personal pension income	9	13	17	23	70	26
Investment income	8	11	18	34	202	55
Earnings	20	30	67	149	524	158
Other income	2	2	2	2	15	5
Single pensioners						
Gross income	154	204	241	310	567	295
<i>of which</i>						
Benefit income	133	176	178	204	183	175
Occupational pension	12	18	42	74	192	68
Personal pension income	2	2	5	6	21	7
Investment income	4	4	7	11	71	19
Earnings	2	2	6	12	93	23
Other income	2	2	3	2	7	3

Please note a revision to the uprating calculation for all data in this table, which had erroneously been uprated using the AHC deflator rather than the BHC deflator in previous publications.

The importance of different sources of income in different quintiles

The analysis of income receipt in **Table 4.5** shows the proportion of pensioner units *within each quintile* who received a given source of income.

The majority of pensioners receive income from State Pension with over 90 per cent in receipt in each quintile. Pensioners (both pensioner couples and single pensioners) towards the bottom of the income distribution are less likely to receive income from investments, occupational pensions or earnings than in the upper end of the distribution. In the Before Housing Costs distribution, the proportion of pensioner couples with occupational pension income ranged from 44 per cent in the bottom fifth of the distribution to 79 per cent in the top fifth. The trend is similar After Housing Costs with 39 per cent of the bottom fifth receiving occupational pension income and 79 per cent in the top fifth. Overall, around a quarter of all pensioner couples receive income from personal pensions compared with 10 per cent of single pensioners.

The lowest rates of receipt for disability benefits were generally found in the bottom and top quintiles of the income distribution. This is because disability benefit rates (and disability related additions to income-related benefits) help move people up the income distribution. It is worth noting that in this analysis no account is taken of the extra costs associated with disability when calculating a pensioner's position in the income distribution.

Income-related benefits were not limited to those at the bottom of the income distribution. A significant proportion of those further up the income distribution also received income-related benefits. This is partly due to these benefits serving to push people up the distribution; particularly disability additions to income-related benefits (which are paid on top of disability benefits such as Attendance Allowance and Disability Living Allowance).

Across all quintiles a greater proportion of single pensioners were in receipt of income-related benefits than pensioner couples. This holds true for both Before Housing Costs and After Housing Costs. For example, on a Before Housing Costs basis, 52 per cent of single pensioners in the middle quintile are in receipt of income-related benefits, compared with 20 per cent for pensioner couples. In contrast, greater proportions of pensioner couples are in receipt of investment income and occupational pension across all quintiles than single pensioners. This is true on both Before Housing Costs and After Housing Costs basis.

Housing Benefit is included as income on a Before Housing Costs basis but rents are not deducted from income. Pensioners who receive this income-related benefit will therefore appear better off than those pensioners who do not have rent to pay and so are not entitled to Housing Benefit. This leads to larger proportions of single pensioners in the 3rd, 4th and 5th quintiles getting income-related benefits on the Before Housing Costs basis than when rent is deducted from incomes for the After Housing Costs basis.

Chapter 4: Distribution of Pensioners' Incomes

Table 4.5: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2010-11

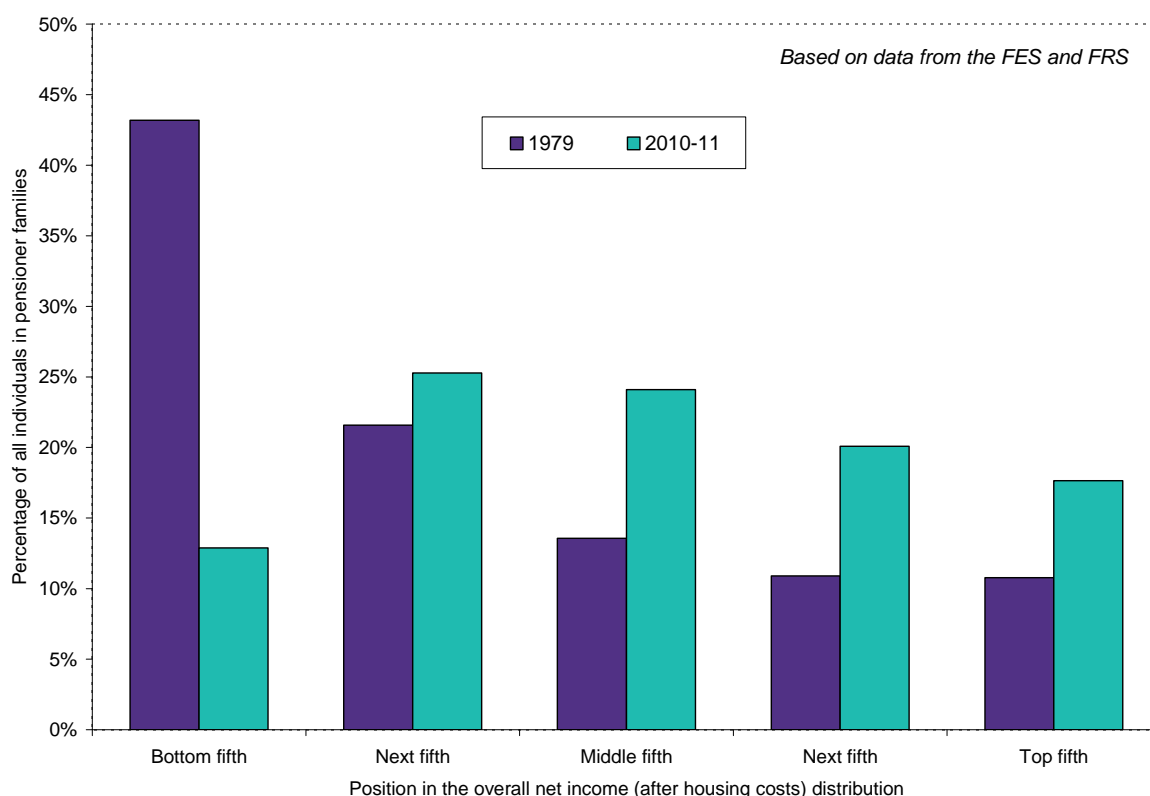
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	94%	98%	97%	97%	92%	96%
Income related benefits	27%	30%	20%	8%	2%	17%
Disability benefits	12%	30%	33%	27%	10%	22%
Investment income	60%	68%	72%	81%	89%	74%
Occupational pension	44%	64%	71%	78%	79%	67%
Personal Pension income	24%	22%	21%	24%	26%	24%
Earnings	10%	14%	26%	37%	60%	29%
Pensioner couples' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	93%	98%	98%	97%	93%	96%
Income related benefits	34%	28%	17%	6%	2%	17%
Disability benefits	14%	32%	32%	25%	10%	22%
Investment income	56%	67%	75%	82%	89%	74%
Occupational pension	39%	64%	73%	81%	79%	67%
Personal Pension income	22%	23%	22%	23%	27%	24%
Earnings	10%	14%	25%	37%	59%	29%
Single pensioners' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	95%	99%	99%	99%	96%	97%
Income related benefits	36%	47%	52%	44%	27%	41%
Disability benefits	7%	14%	26%	41%	33%	24%
Investment income	57%	61%	57%	63%	75%	63%
Occupational pension	28%	56%	57%	66%	70%	55%
Personal Pension income	8%	9%	9%	9%	14%	10%
Earnings	2%	3%	4%	7%	22%	8%
Single pensioners' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	94%	99%	99%	99%	96%	97%
Income related benefits	43%	64%	43%	40%	17%	41%
Disability benefits	7%	11%	31%	45%	28%	24%
Investment income	51%	53%	61%	67%	80%	63%
Occupational pension	27%	46%	62%	67%	76%	55%
Personal Pension income	6%	9%	10%	9%	14%	10%
Earnings	2%	2%	4%	7%	23%	8%

Pensioners in the overall net income distribution

Tables 4.6 and 4.7 show the position of individuals within the overall household income distribution. This is the approach used in the HBAI publication which analyses the overall income distribution. Before dividing households into quintiles, household income is equivalised, which means it is adjusted to take account of the size and composition of the household. The tables show pensioners ranked by their equivalised household income. More details of the equivalisation process are given in Appendix A.

The proportion of pensioners in each fifth of the After Housing Costs income distribution in 1979 and 2010-11 is shown in Figure 4.7. In 1979, 44 per cent of all pensioners were in the bottom fifth Before Housing Costs and by 2010-11 this proportion had halved to 22 per cent. As increasing numbers of pensioners own their home outright the improvement of pensioners' position in the net income distribution After Housing Costs was more significant. On this measure the proportion in the bottom fifth fell from 43 per cent in 1979 to 13 per cent in 2010-11. A greater proportion of single pensioners are in the bottom fifth both on a Before Housing Costs and After Housing Costs basis in comparison to couples.

Figure 4.7: Pensioners' position in the overall net income (AHC) distribution, 1979 and 2010-11



Chapter 4: Distribution of Pensioners' Incomes

Table 4.6: The proportion of individuals in pensioner families in each quintile of the overall population net income distribution, 1979, 1998-99, and 2010-11

Quintiles based on equivalised household income

Results based upon data from the FES (for 1979) and the FRS (for 1998-99 and 2010-11)

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1979						
All pensioners						
Before housing costs	44%	23%	14%	10%	9%	100%
After housing costs	43%	22%	14%	11%	11%	100%
Pensioner couples						
Before housing costs	40%	22%	16%	11%	11%	100%
After housing costs	41%	20%	15%	12%	12%	100%
Single pensioners						
Before housing costs	49%	24%	11%	8%	7%	100%
After housing costs	47%	23%	11%	9%	9%	100%
1998-99						
All pensioners						
Before housing costs	24%	28%	19%	16%	13%	100%
After housing costs	17%	28%	21%	17%	17%	100%
Pensioner couples						
Before housing costs	24%	27%	19%	16%	14%	100%
After housing costs	16%	28%	21%	18%	17%	100%
Single pensioners						
Before housing costs	27%	34%	20%	10%	8%	100%
After housing costs	22%	33%	19%	14%	12%	100%
2010-11						
All pensioners						
Before housing costs	22%	25%	23%	17%	14%	100%
After housing costs	13%	25%	24%	20%	18%	100%
Pensioner couples						
Before housing costs	19%	23%	23%	17%	17%	100%
After housing costs	12%	23%	25%	20%	20%	100%
Single pensioners						
Before housing costs	27%	27%	23%	15%	8%	100%
After housing costs	15%	29%	23%	20%	13%	100%

The proportion of pensioners in the top half of the income distribution

Since 1979, the proportion of pensioners in the top half of the overall population income distribution has increased (**Figure 4.8**). Pensioners are more likely to own their own home outright than the rest of the population, and so the proportion of pensioners in the top half of the distribution is higher on the After Housing Costs measure. According to this measure, 50 per cent of all pensioners were in the top half in 2010-11; 53 per cent of individuals in pensioner couples and 44 per cent of single pensioners.

Figure 4.8: Proportion of individuals in pensioner families in the top half of the overall population net income (AHC) distribution, 1979-1995/96 and 1994-95-2010-11

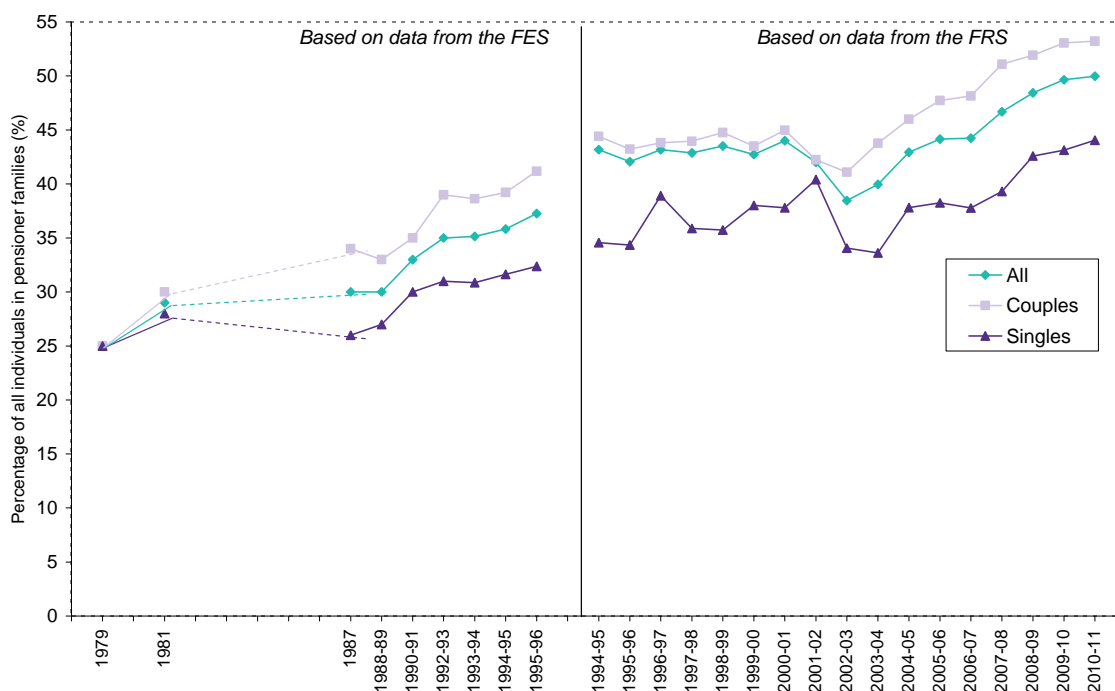


Table 4.7: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1996-97-2010-11

Quintiles based on equivalised household income

	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11
Net income before housing costs						
All pensioner units	38%	37%	37%	40%	42%	42%
Pensioner couples	39%	39%	43%	45%	47%	46%
Single pensioners	31%	27%	27%	32%	32%	34%
Net income after housing costs						
All pensioner units	43%	44%	47%	48%	50%	50%
Pensioner couples	44%	45%	51%	52%	53%	53%
Single pensioners	39%	36%	39%	43%	43%	44%

Chapter 5: Additional Analysis and Context

This chapter looks at areas of interest around pensioners' incomes that do not fit into other chapters of the publication or have a lower level of robustness so that results should be treated with caution. Differences in incomes between groups and changes over time may not be statistically significant.

Firstly, it looks at 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.

In 2010-11 there were approximately 1.2 million mixed status pensioner couples, which account for around 30 per cent of pensioner couples. In the last two years their income levels were around 25 per cent higher than all pensioner couples. In 2009-10 there was an increase of around 50,000 pensioner couples where one member is under SPa and an increase in average gross income of 14 per cent. In 2010-11 there was a fall of around 70,000 mixed status couples and a fall of 5 per cent in average gross income. These changes have largely been driven by changes in earnings and occupational pension receipt, and go some way to explaining changes for pensioners couples presented in Chapter 2.

Between 2010 and 2018 the SPa for women will increase from 60 to 65. In preparation for this, **Table 5.5** shows average incomes of pensioners aged 65 and over only.

Results are presented for ethnic minority pensioners. The sample size is small so three years of data have been used to support more robust income component breakdowns. Results highlight differences in the income received from state and private pensions between the different groups.

Finally, it looks at married and cohabiting pensioner couples, highlighting the different income profiles of these pensioners. The sample size is small for cohabiting couples so three years of data have also been used.

Mixed status couples

All the tables in the publication so far have related to 'pensioner units' defined as single people over SPa and couples (married or cohabiting) where one or more adults are over SPa.

This section looks at summary results for mixed status couples, that is those couples where strictly one partner is above SPa and one below. Although same sex couples are included in the main tables as part of the definition of pensioner couples for 2010-11, the numbers are too small to provide a separate analysis of them in this section, and so they are excluded.

Figure 5.1 shows the mean income for mixed status couples and the sources of income for a number of pensioner groups, namely:

- Couples with the woman above SPa but the man below
- Couples with the man above SPa but the woman below
- Couples with both members above SPa
- Pensioner couples with at least one adult over SPa (as used in the main tables in this publication)

Figure 5.1: Sources of gross income for different types of pensioner couples, 2010-11

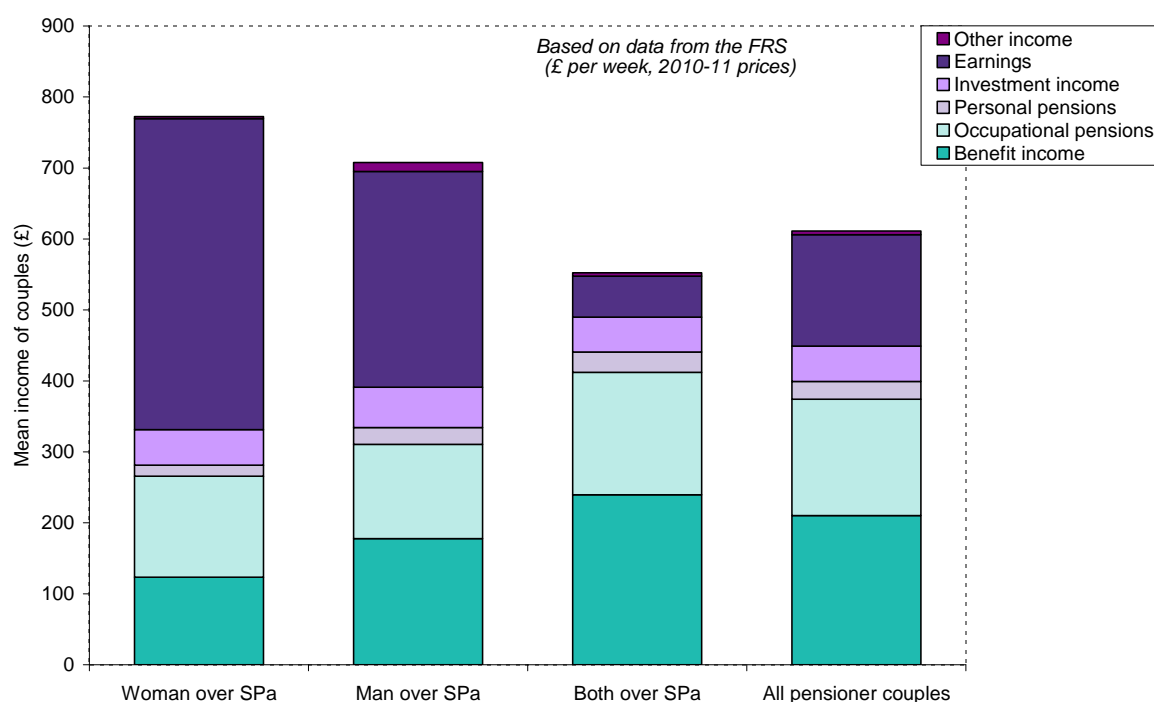


Figure 5.1 shows that pensioner couples with one member over SPa and one below have, on average, significantly higher earnings, and as a result a higher overall income.

From **Figure 5.1** we can see that couples in which only the woman is over SPa tend to have different characteristics to other couples. A larger amount of their income comes from earnings and less from benefits. Couples where the man is over SPa but the woman is below also have different characteristics from couples where both members are above SPa.

Chapter 5: Additional Analysis and Context

Couples where one person is above SPa have greater income from earnings and tend to receive less income from benefits.

Table 5.1: The average incomes of couples where one partner is over state pension age but the other is not, 1996-97-2010-11

Incomes in £ per week, 2010-11 prices

	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11	As a % of gross income in 2010-11
Couples where one partner is over state pension age but the other is not							
Gross income	553	591	697	703	803	760	100%
<i>of which</i>							
Benefit income	110	114	116	123	134	133	18%
Occupational pension	130	143	137	144	162	141	19%
Personal pension income	6	8	17	19	23	17	2%
Investment income	58	55	65	57	54	51	7%
Earnings	245	268	359	352	425	413	54%
Other income	4	4	4	7	4	5	1%
Net income BHC							
Mean	435	463	529	538	604	575	76%
Median	338	369	423	464	475	455	
Net income AHC							
Mean	387	422	517	517	572	542	71%
Median	294	328	409	444	444	425	

Table 5.2 looks at the income from earnings for various groups of pensioner couples. A pensioner couple where the woman is over SPa but the man is under has the highest average amount of income from earnings. In contrast, couples with both members over SPa have the lowest amount of income from earnings. However, the groups of pensioner couples in **Table 5.2** are based on a small sample of pensioner units and so the results are subject to relatively large levels of uncertainty.

Table 5.2: The proportion of different groups of pensioner couples with income from earnings and the average amounts for those in receipt, 2010-11

		<i>Incomes in £ per week, 2010-11 prices</i>	
	Proportion in receipt of income from earnings (%)	Average amount of income from earnings for those in receipt (£pw)	
		Mean	Median
Published results (Table 3.10)	29%	537	389
Man over SPa, Woman under SPa	56%	543	408
Woman over SPa, Man under SPa	64%	680	479
Strictly one member over SPa, one under SPa	63%	657	461
Both members over SPa	16%	356	229

Average earnings are presented only for those in receipt of earnings and so are not directly comparable with average earnings shown in Table 5.1 which includes pensioner units with zero earnings

Chapter 5: Additional Analysis and Context

Retired people

The Pensioners' Incomes Series classifies people by age – either under or over SPa. Another way to approach this is to look at benefit units which report their employment status as retired. Here, retirement is self-reported and is defined as no longer economically active (in employment or actively seeking work).

Table 5.3 shows the numbers of singles and couples who have retired and whether they are under or over SPa. This shows that:

- There are 150,000 singles that have retired under SPa and 200,000 couples where both are under SPa and at least one member has retired. These groups are not included in the results in earlier chapters of this report.
- 600,000 singles over SPa have not retired and 650,000 couples have at least one member over SPa and neither partner has retired using unrounded figures. These are included in the results in earlier chapters of this report.

Table 5.3: The number of benefit units that have retired or not, by state pension age, 2010-11

	Under SPa		Over SPa		All
	Males	Females	Males	Females	
Singles					
Not retired	<i>6,650,000</i>	<i>5,850,000</i>	100,000	450,000	13,100,000
Retired	100,000	50,000	1,100,000	2,900,000	4,150,000
All	<i>6,750,000</i>	<i>5,900,000</i>	1,200,000	3,350,000	17,250,000
	Both under SPa	Female over SPa	Male over SPa	Both over SPa	All
Couples					
Neither retired	<i>11,000,000</i>	400,000	50,000	200,000	11,650,000
One retired	200,000	350,000	100,000	450,000	1,100,000
Both retired	100,000	150,000	50,000	2,350,000	2,650,000
All	<i>11,300,000</i>	950,000	200,000	3,000,000	15,400,000

Figures in italics denote individuals under SPa and not self-reported as retired whose income is not included in this report.

Table 5.4, looking at the income components of single retired benefit units under SPa, gives an example of the characteristics of people who have retired early. The estimates provided need treating with some caution due to the sample size available. However, they do give a broad sense of the incomes available to those who have retired below SPa.

Table 5.4: The average incomes of single retired benefit units under state pension age, 2010-11

<i>Incomes in £ per week, in 2010-11 prices</i>		
Retired under SPA	Amount of income	Proportion in receipt
Gross income	269	
<i>of which</i>		
Benefit Income	71	71%
State Pension	2	3%
Income related benefits	40	30%
Disability benefits	9	14%
Occupational pension	149	56%
Personal pension income	7	8%
Investment income	40	63%
Earnings	*	*
Other income	3	7%
Net income BHC		
Mean	224	
Median	197	
Net income AHC		
Mean	194	
Median	158	

Please note an error in previous publications for the proportion in receipt of occupational pension, personal pension and investment income, which has been corrected for this table in 2010-11.

The single benefit units retired below SPa (compared to those over SPa) show:

- High occupational pension
- Low benefit income from income-related benefits

The average gross income level of £269 for 2010-11 would place these retired singles in the top half of the singles pensioner income distribution (AHC). The levels of investment income and occupational pension income on average are similar to those received by single pensioners in the top two quintiles. State Pension includes Widow's Pension and Widowed Parent's Allowance.

Pensioners 65 or over

In earlier chapters pensioner units are included in results if they are a single pensioner at SPa or over, or a couple one or more of which are at SPa or over. The SPa is 65 for men born before 6th April 1959. For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th 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. For 2010-11 data, women are defined to be part of SPa based on their date of birth and the date of the interview. A pensioner is defined as a person of SPa or above.

Table 5.5 presents headline figures for pensioner units across all years defined as either:

- a single pensioner 65 years old or over (whether a man or a woman).
- or a pensioner couple one or more of which are 65 or over.

Hence **Table 5.5** presents headline results using the definition of SPa being 65 for both men and women, which is due to be achieved by November 2018.

Table 5.5: The average incomes of pensioner units 65 or over, 1996-97-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>						As a % of gross
	1996-97	1998-99	2007-8	2008-9	2009-10	2010-11	income in 2010-11
All pensioner units							
Gross income	298	309	397	404	427	417	100%
<i>of which</i>							
Benefit income	154	158	190	198	208	202	48%
Occupational pension	77	81	102	104	115	116	28%
Personal pension income	3	5	16	16	17	16	4%
Investment income	36	37	46	39	35	32	8%
Earnings	26	25	39	44	48	47	11%
Other income	1	2	3	3	3	4	1%
Net income BHC							
Mean	258	264	334	343	363	351	84%
Median	201	205	260	274	292	284	
Net income AHC							
Mean	220	230	321	323	335	323	77%
Median	161	170	245	251	261	253	
Pensioner couples							
Gross income	430	442	562	562	581	568	100%
<i>of which</i>							
Benefit income	185	187	221	228	238	230	40%
Occupational pension	123	130	154	155	168	168	30%
Personal pension income	7	10	29	29	28	28	5%
Investment income	58	59	76	61	54	49	9%
Earnings	56	53	78	86	89	88	15%
Other income	1	3	4	4	4	5	1%
Net income BHC							
Mean	368	372	463	468	485	470	83%
Median	289	294	375	376	392	383	
Net income AHC							
Mean	328	339	459	456	463	446	79%
Median	251	264	365	362	371	359	
Single pensioners							
Gross income	206	219	273	285	294	289	100%
<i>of which</i>							
Benefit income	133	139	166	175	182	177	61%
Occupational pension	45	49	63	66	69	72	25%
Personal pension income	1	2	6	7	8	7	2%
Investment income	21	22	24	23	18	17	6%
Earnings	5	6	10	12	13	13	4%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	182	191	236	249	257	252	87%
Median	157	162	210	218	227	223	
Net income AHC							
Mean	144	156	216	222	224	220	76%
Median	109	119	179	186	189	187	

Ethnic minority groups

Ethnic minorities account for 3 per cent of all pensioner units in the UK according to the FRS (based on head of pensioner unit). The sample sizes for ethnic minority pensioner groups on the FRS are relatively small and so it is difficult to get robust estimates from the survey. Three years of data have been combined for these results and so comparisons with tables in the main text are only indicative. Data are collected on pensioners in the 'Mixed' ethnic group, but sample sizes are too small to provide robust estimates, even when combining three years of data.

The results show that:

- Ethnic minority pensioners have lower overall income than their White counterparts (for example, median net income (AHC) of White pensioner units is £265 per week compared with £187 per week and £203 per week for Black and Asian pensioner units respectively).
- A large part of this difference is due to ethnic minority pensioners being less likely to receive occupational or personal pensions. They are also less likely to receive income from the State Pension.

A low pension income partially reflects members of ethnic groups migrating to Great Britain in the middle of their working lives. This gave them a reduced chance to build up entitlement to state and private pension schemes. Migration from the Caribbean peaked in the early 1960s; and the Asian groups in the following two decades (those from India and Pakistan in the early 1970s; from Bangladesh in the early 1980s). More information can be found in '*Immigration, emigration and the ageing of the overseas-born population in the United Kingdom*' by Michael Rendall and Deborah Ball, available on the internet at <http://www.ons.gov.uk/ons/rel/population-trends-rd/population-trends/no--116--summer-2004/population-trends.pdf>

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

Table 5.6: The components of mean gross income of pensioner units, and the proportion in receipt by ethnic minority group, 2008-11

Incomes in £ per week, in 2010-11 prices

Ethnic Minority groups	All	White	Asian / Asian British	Black / Black British	Chinese / Other
Gross income	446	449	383	346	411
<i>of which</i>					
Benefit income	191	191	185	190	178
State Pension	142	143	119	115	122
Income related benefits	23	22	37	53	31
Disability benefits	16	16	17	12	17
Occupational pension	112	114	67	61	101
Personal pension income	16	16	15	3	20
Investment income	36	37	34	4	38
Earnings	87	87	75	86	70
Other income	4	4	6	3	5
Net income BHC					
Mean	370	372	314	294	333
Median	291	293	229	235	263
Net income AHC					
Mean	344	346	288	245	295
Median	263	265	203	187	217
Proportion of pensioners in receipt of:					
Benefit income	100%	100%	98%	100%	99%
State Pension	96%	96%	90%	87%	84%
Income related benefits	30%	30%	46%	53%	32%
Disability benefits	23%	23%	25%	19%	23%
Occupational pension	60%	61%	34%	46%	39%
Personal pension income	16%	16%	8%	7%	13%
Investment income	70%	71%	43%	42%	58%
Earnings	18%	18%	17%	15%	20%
Total population figures (rounded to 10,000)	8,610,000	8,310,000	140,000	90,000	50,000

Notes:

(1) Data based on the average of three years of FRS results from 2008-09, 2009-10 and 2010-11 uprated to 2010-11 prices

Marital status of couples

In 2010-11, 2 per cent of all pensioner units were cohabiting couples and 47 per cent were married couples, with the remaining 51 per cent being single pensioners. The sample sizes for cohabiting pensioners on the FRS are small and so it is difficult to get robust estimates from the survey. For these results a three year average has been used and so comparisons with tables in the main text can only be indicative.

Results show that:

- Cohabiting pensioner couples have higher overall income than married pensioner couples (for example, median net income (AHC) of cohabiting pensioner couples is £413 per week compared with £378 per week for married pensioner couples)
- Higher overall income for cohabiting couples is mainly due to this group having a much higher level of earnings compared to married pensioner couples; the average level of earnings for cohabiting pensioner couples is £254 per week compared with £154 per week for married pensioner couples.
- Overall, cohabiting pensioner couples tend to be younger than married pensioner couples which might explain the higher level of earnings.
- Levels of benefit income and investment income are similar for both groups, while occupational income is higher for married couples.

Table 5.7: The components of mean gross income of married and cohabiting pensioner units, 2008-11

Incomes in £ per week, 2010-11 prices

Marital status of couples	All	Married pensioner couples	Cohabiting pensioner couples
Gross income	614	613	650
<i>of which</i>			
Benefit income	209	209	213
Occupational pension	162	164	119
Personal pension income	26	26	21
Investment income	55	55	42
Earnings	158	154	253
Other income	5	5	3
Net income BHC			
Mean	497	496	520
Median	399	398	443
Net income AHC			
Mean	476	476	485
Median	379	378	411

Notes:

(1) Data based on the average of three years of FRS results from 2008-09, 2009-10 and 2010-11 uprated to 2010-11 prices

Appendices

A Data Sources and Methods

B Reliability of Estimates

Appendix A: Data Sources and Methods

The PI series in 2010-11 is based on the Households Below Average Income (HBAI) dataset which is sourced from the Family Resources Survey (FRS). The HBAI publication makes an adjustment for households with very high incomes as the FRS under-records information about these households. This adjustment is based on data from the Survey of Personal Incomes (SPI) from HM Revenue and Customs (HMRC). FRS-based estimates are not available prior to 1994-95. Estimates for years between 1979 and 1996-97 are based on Family Expenditure Survey (FES) data. FES data are based on calendar years between 1979 and 1993, and financial years from 1996-97 onwards.

There are a number of differences between the FES and FRS. The FRS has a sample size of over 8,000 pensioner units which is three times greater than the FES. Consequently, FRS based results are subject to less sampling variability, particularly when looking at small subgroups of pensioners. The two surveys have different response rates and response profiles, and there are some definitional differences in the data that are collected. Because of these differences, direct comparisons between results from the FES and FRS should not normally be made.

Neither the FRS nor the FES collect information on people living in institutions and so they are not represented in the Pensioners' Incomes Series. These institutions include, for example, nursing homes, jails, and homeless people living rough or in bed and breakfast accommodation.

More information on data sources and methodology

Methodological papers on the Pensioners Income series are published on the PI website at http://statistics.dwp.gov.uk/asd/pensioners_income.asp. These include papers on negative incomes, personal pension income, and definitions of pensioner units. Any comments on these papers, sent to one of the contact points on page 5, would be welcome.

Information on design and response rates of the FRS can be found at <http://statistics.dwp.gov.uk/asd/frs/index.php?page=intro>.

Information on the FES (which has now been superseded by the Living Costs and Food Survey) can be obtained from the Office of National Statistics (ONS) (www.statistics.gov.uk).

The HBAI web page on the DWP internet site contains analysis comparing FRS and FES data for the three years (1994-95 to 1996-97) of overlap. A link to a more detailed paper on this topic published in the ONS Methodological Series (report number 18) can also be found on this web page.

National Statistics Quality Review of Income Statistics

In 2001, as part of the National Statistics Quality Review of Income Statistics, the DWP launched a joint review of the Pensioners' Incomes (PI) and Households Below Average Income (HBAI) statistical reports. Its purpose was to establish whether the PI and HBAI series continue to meet the needs of their users and, where they did not, how best to address those needs. It considered the definitions and methodology used and also the timeliness and accessibility of the statistics. Recommendations and consultation conclusions arising from the consideration of these issues were published in a report in early 2004 and are available on the web at www.dwp.gov.uk/asd/hbai/quality_review/quality_review.asp.

Estimates for 1990/91

The PI Series gives single calendar year estimates up to the calendar year 1993, and single financial year estimates thereafter. However, in 1991 one quarter of the Family Expenditure

Appendix A: Data Sources and Methods

Survey sample was omitted because of problems following the delayed issue of Community Charge bills in April 1991. This is explained fully in *'Households Below Average Income 1979-1990/1'* published by Her Majesty's Stationary Office. As a result the sample size in that year is too small to provide sufficiently reliable estimates of pensioners' incomes. For this reason the remaining data for 1991 has been combined with that for 1990 to produce estimates for the combined calendar years 1990 and 1991.

Definitions of Gross and Net Income

Gross Income

Within the Pensioners' Incomes Series, gross income is generally separated into six components:

- **Income from benefits** – including tax credits

In Chapter 3, this is further divided into:

- **State Pension** – Basic and Additional State Pension, Widow's Pension and Widowed Parent's Allowance
- **Income-related benefits** – Pension Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants. It also includes tax credits
- **Disability benefits** – Disability Living Allowance, Attendance Allowance, Industrial Injuries Disablement Benefit and War Disablement Pension

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

- **Income from occupational pensions**
- **Income from personal pensions** – personal pensions, annuities bought with lump sums from personal pensions, trades union and friendly society pensions
- **Income from private pensions** – the sum of occupational and personal pensions
- **Income from investments** – including interest from ISAs and other savings accounts, unit trusts, bonds, stocks and shares.
- **Income from earnings** – including profit and loss from self-employment
- **Other income** – benefits from Friendly Societies, income from dependent children, maintenance payments and from November 2000 free TV licences for those aged 75 and over

Net Income

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

- income tax payments
- National Insurance contributions
- contributions to occupational and private pension schemes
- local taxes, i.e. council tax/domestic rates
- maintenance and child support payments
- student loan repayments

and parental contributions to children living away from home.

Net income After Housing Costs (AHC) are also net of:

- rent (gross of housing benefits)
- water rates, sewage rates and council water charges
- structural insurance (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.

Definition of head of pensioner unit

The PI Series presents analysis by age. Pensioner couples are categorised by the age of the head of the pensioner unit; this is either the **Household Reference Person** (the highest income householder without regard to gender) if the Household Reference Person belongs to the pensioner unit or, if not, it is the first person from the pensioner unit in the order they were named in the FRS interview process.

Appendix A: Data Sources and Methods

Differences between the FRS and FES

There are a number of small differences in FRS and FES estimates of gross and net income. These make little difference to estimates of pensioner incomes.

	FRS based estimates	FES based estimates
Gross income	<ul style="list-style-type: none">• Student loans included	<ul style="list-style-type: none">• Social Fund repayments deducted
Net income	<ul style="list-style-type: none">• Pension contributions deducted• Maintenance and child support payments deducted• From 1997/8, parental contributions to students living away from home deducted	

Negative Incomes

Negative incomes are not thought to be indicative of standards of living. Pensioner units with negative net income Before Housing Costs have their 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 no 2 for more information on negative incomes. This is available on the web at

http://statistics.dwp.gov.uk/asd/index.php?page=pensioners_income_arc.

Households Below Average Income and the main Pensioners' Incomes Series

Tables 4.6 and 4.7 in the Pensioners' Incomes Series 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.

The full HBAI publication can be found on the DWP internet site. Results from the two types of analysis should not be directly compared. The main differences between the 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, 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.

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 cash income of pensioner units, split by sources of income. This can only be done using unequivalised income. Indeed equivalisation is not necessary for most PI 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 2010-11 prices, rather than equivalised income.

Equivalisation Scales: HBAI has historically used the McClements equivalisation scale. Following user consultation, the 2005-06 edition of HBAI used Modified OECD equivalisation scales. The same change has been made to **Tables 4.6** and **4.7** 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.

Appendix B: Reliability of Estimates in the Pensioners' Incomes Series

The analyses in this publication are based on household surveys, so no estimate should be treated as exact as there are several reasons for uncertainty in the estimates. These include potential reporting errors, systematic bias in the sample and random sampling errors. Therefore care should be taken when interpreting these estimates and they should only be used as indicators of broad patterns and trends.

Sources of uncertainty

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 survey estimates of average income and proportions in receipt. There is evidence that such a downward bias exists in survey estimates for amounts and proportions in receipt of Pension Credit and Attendance Allowance.

Under-reporting: The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. As a result it under-reports receipt for most of the benefits. The discrepancies between FRS and administrative data are particularly pronounced for Attendance Allowance and Pension Credit. More information on under-reporting can be found at <http://statistics.dwp.gov.uk/asd/frs/index.php?page=intro> in chapter 9 of the current year's FRS.

Systematic bias in the sample arises 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, gender, family status, tenure, council tax band and broad geographic region. It is impossible to account for all possible bias so some results are still affected.

Random sampling errors occur in a survey because survey estimates are based on a subset of the population and this subset will not be identical to the remaining population who have not been interviewed. More information on sampling errors can be found at <http://statistics.dwp.gov.uk/asd/frs/index.php?page=intro> in chapter 9 of the current year's FRS.

Because of the above sources of uncertainty the PI series will not be the most accurate source of estimates for some subjects. For example, administrative data mainly avoids the above four sources of uncertainty and is likely to give a more accurate estimate of the average amount of retirement pension received than survey based PI estimates. However, PI offers a view across all income sources for which administrative data is more limited. The presence of uncertainty in sampling estimates means that caution should be exercised in drawing conclusions using two similar results where the difference may be due to the errors or biases mentioned above.

Estimating sampling error

The sampling error around an estimate can be measured by the size of its 'standard error'. The standard error of an estimate is typically calculated under the assumption of simple random sampling (that is, where every member of the population has an equal and independent chance of selection). In practice, the design of the survey is more complicated than that, typically leading to a larger standard error. The effect of the design of the survey on the standard error of a given estimate can be measured by its '**design factor**', which is equal to the standard error calculated under the survey design in question, divided by the standard error calculated under simple random sampling.

The standard error can be converted into a 'confidence interval' which gives an indication of the degree of uncertainty surrounding the estimate, by giving a range that the true mean is likely to be within. For example, if mean income is £201 a week, with a 95 per cent confidence interval of +/- £4, then it this means that in 95 per cent of all possible survey

samples that we could have taken, we would expect the estimated mean to fall within the range £197 to £205. In other words we can be 95 per cent confident that the true mean lies within that range.

The wider that a confidence interval is, the more uncertainty there is, and the less we can infer about the true mean. The two main factors affecting the size of confidence intervals are the sample size and how much the income measure in question varies from pensioner unit to pensioner unit.

The smaller the **sample size** that an estimate is based on, the wider the confidence interval will be so the fewer people we have information about, the more uncertainty there will be when we make claims about the whole population. Consequently there will be a wider confidence interval around the estimated mean income of single male pensioners, for example, than of all pensioner units.

The more **variability** in the income measure, the wider the confidence interval is likely to be. If there is a wide range of incomes in the population, there is more risk of choosing a survey sample that includes incomes that are very different from the true mean. So, estimates of mean benefit income are likely to have smaller confidence intervals than estimates of investment income, as the range of possible values of benefit income is much narrower.

Assessing the reliability of an estimate depends not only on the absolute size of its confidence interval, but also on how large the confidence interval is relative to the estimate itself. For example, an estimate of £100 +/- £10 gives a confidence interval of [£90, £110], while an estimate of £10 +/- £10 gives a confidence interval of [£0, £20]. Clearly we may want to treat these two estimates differently when advising on their reliability. The simplest way of capturing this effect is to look at the **relative confidence interval**, which is the width of the confidence interval calculated as a percentage of the estimate itself. The examples above give relative confidence intervals of 10 per cent and 100 per cent respectively.

Table B1.1 gives some examples of standard errors and confidence intervals that have been calculated for estimates of pensioners' average incomes in 2010-11. 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.

Where uncertainty restricts the conclusions that can be drawn from such comparisons, users are advised to look at the results over several years for more evidence of the true pattern. For example, if group A had substantially higher income than group B in each of the four preceding years (and there is no reason to suspect that the current year should be any different), then there is more evidence that group A genuinely has a higher average income.

Comparisons over time represent a special case. 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. That is why users are strongly advised not to draw firm conclusions from looking at year-on-year changes. **Table B1.2** shows the growth in sources of income between 1998-99 and 2010-11 and between 2009-10 and 2010-11. Notice that the size of the confidence interval around the estimate of growth between 2009-10 and 2010-11 is large compared with the estimate itself.

The results shown in **Table B1.1** illustrate that caution should also be exercised when looking at changes over more than one year. Since consistent FRS data is only available from 1994-95, estimates of recent growth can currently be based on a period of sixteen years at most. Even over this period, uncertainty is clearly a lot greater than for point-in-time estimates. For example, the relative 95 per cent confidence interval around average income growth of pensioner couples is a sixth of the size of the estimate itself. Recent growth estimates for smaller subgroups of pensioners are even more uncertain.

Survey design effects have been incorporated into the calculation of standard errors for most of the 2010-11 estimates. However, for some 2010-11 estimates and all 1994-95 estimates it has not proved possible to do this. For these estimates, standard errors and confidence intervals have been calculated using simple random sampling assumptions. In most cases this means that the uncertainty surrounding the estimates of recent growth, as published in **Table 2.2**, will be slightly understated.

Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2010-11

	Estimate £pw	Standard error	95% confidence interval		
			Interval width +/-	Relative width	Interval range
All pensioner units					
Gross income	446	7	13	3%	[432, 459]
<i>of which:</i>					
Benefit income	191	1	2	1%	[189, 193]
Occupational pension	115	2	4	4%	[111, 119]
Personal pension income	16	1	2	14%	[14, 18]
Investment income	33	2	4	11%	[29, 36]
Earnings	87	4	8	9%	[79, 95]
Other Income	4	0	1	13%	[3, 5]
Mean net income					
Before housing costs	369	4	9	2%	[360, 378]
After housing costs	340	4	9	3%	[331, 348]
Subgroups of pensioners					
Mean net income BHC					
Pensioner couples	493	8	15	3%	[478, 508]
Single pensioners	256	3	6	2%	[250, 263]
Recently retired head	431	11	22	5%	[409, 453]
Head under 75 years	417	7	13	3%	[404, 430]
Head over 75 years	301	5	9	3%	[292, 310]
Single male pensioners	291	8	17	6%	[275, 308]
Single female pensioners	244	3	6	2%	[238, 249]
Recent growth estimates (% increase 1996/7-2010/11)					
Mean net income BHC					
All pensioner units	39%	2	4	11%	[34%, 43%]
Pensioner couples	31%	3	5	17%	[26%, 36%]
Single pensioners	40%	2	4	11%	[35%, 44%]

Appendix B: Reliability of Estimates in the Pensioners' Incomes Series

Table B1.2: Growth in average incomes of pensioner units, 1998-99-2010-11, and 2009-10-2010-11

	<i>Incomes in £ per week, 2010-11 prices</i>						
	1998-99	2009-10	2010-11	% growth 1998-99- 2010-11	% growth 2009-10- 2010-11	95% confidence interval 1998-99-2010-11	95% confidence interval 2009-10-2010-11
All pensioner units							
Gross income	330	465	446	35%	-4%	30% to 40%	-9% to 1%
<i>of which</i>							
Benefit income	152	196	191	26%	-2%	24% to 28%	-4% to -1%
Occupational pension	85	117	115	36%	-1%	28% to 43%	-6% to 4%
Personal pension income	5	17	16	199%	-9%	136% to 262%	-26% to 7%
Investment income	38	36	33	-14%	-8%	-26% to -2%	-21% to 5%
Earnings	47	95	87	83%	-9%	60% to 107%	-24% to 6%
Other income	2	4	4	67%	9%	22% to 111%	-11% to 28%
Net income BHC							
Mean	278	385	369	33%	-4%	28% to 37%	-8% to -1%
Median	210	302	291	39%	-4%	35% to 42%	-7% to -1%
Net income AHC							
Mean	243	356	340	40%	-5%	35% to 45%	-8% to -1%
Median	176	270	260	48%	-4%	43% to 54%	-7% to 0%
Pensioner couples							
Gross income	473	638	610	29%	-4%	22% to 36%	-10% to 2%
<i>of which</i>							
Benefit income	171	214	210	23%	-2%	20% to 25%	-4% to 0%
Occupational pension	133	168	164	23%	-3%	15% to 31%	-9% to 4%
Personal pension income	10	27	25	157%	-8%	97% to 217%	-27% to 12%
Investment income	59	54	50	-15%	-8%	-30% to -1%	-24% to 8%
Earnings	98	169	157	60%	-8%	38% to 82%	-24% to 9%
Other income	3	4	5	58%	21%	-8% to 124%	-12% to 53%
Net income BHC							
Mean	391	515	493	26%	-4%	21% to 31%	-9% to 0%
Median	303	408	396	31%	-3%	25% to 36%	-6% to 0%
Net income AHC							
Mean	357	491	467	31%	-5%	25% to 37%	-10% to 0%
Median	274	386	372	36%	-4%	29% to 42%	-7% to -1%
Single pensioners							
Gross income	224	299	296	32%	-1%	27% to 37%	-5% to 3%
<i>of which</i>							
Benefit income	138	179	174	26%	-2%	24% to 29%	-4% to -1%
Occupational pension	49	67	71	44%	5%	32% to 56%	-4% to 14%
Personal pension income	2	8	7	273%	-10%	106% to 440%	-35% to 15%
Investment income	23	18	17	-25%	-4%	-40% to -10%	-24% to 16%
Earnings	10	24	23	134%	-2%	77% to 190%	-23% to 19%
Other income	2	3	3	69%	-4%	17% to 122%	-27% to 18%
Net income BHC							
Mean	195	260	256	32%	-1%	27% to 36%	-5% to 2%
Median	163	228	225	38%	-2%	35% to 41%	-4% to 1%
Net income AHC							
Mean	159	226	223	41%	-1%	35% to 46%	-5% to 2%
Median	120	189	188	56%	-1%	44% to 68%	-4% to 3%

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