

**The Pensioners' Incomes Series  
2008-09**

**Editorial Team:**

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**DWP** Department for  
Work and Pensions

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## Chapter 1: Introduction & Summary of Main Results

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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 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/pensioners\\_income.asp](http://statistics.dwp.gov.uk/asd/pensioners_income.asp). 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 [www.dwp.gov.uk/asd/statistics.asp](http://www.dwp.gov.uk/asd/statistics.asp).

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### User Consultation Summer 2010

The Pensioners' Incomes team are carrying out a user consultation for this year's publication. We would be grateful if those wishing to contribute would access the questionnaire via the website, at [http://statistics.dwp.gov.uk/asd/pensioners\\_income.asp](http://statistics.dwp.gov.uk/asd/pensioners_income.asp), and respond by 31<sup>st</sup> August 2010. Further comments are more than welcome, sent to the e-mail address above.

### Definitions and conventions used in the Pensioners' Incomes Series

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

- **Single pensioners:** people over state pension age (65 for men or 60 for women in 2008/09)
- **Pensioner couples:** married or cohabiting pensioners where one or more are over state pension age.

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. They are those units where the head is less than 5 years over state pension age. Namely, 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. Such units may include someone who is still in employment. Recently retired pensioner units are included in the 'Under 75' age group. This approach is used in the majority of the publication and 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** below shows the numbers within each different group according to the Family Resources Survey (FRS). This shows how, for example, the recently retired pensioners group is mostly pensioner couples, and the single pensioner group is mainly single female pensioners. These figures are from the 2008-09 FRS and are consistent with the results for this year.

**Table 1.1: The number of pensioner units in the United Kingdom, 2008-09**

	Recently retired	Under 75	75 or over	All
<b>All pensioner units</b>	2,000,000	4,950,000	3,600,000	8,600,000
<i>of which</i>				
<b>Pensioner couples</b>	1,100,000	2,800,000	1,150,000	3,900,000
<b>Single pensioners</b>	900,000	2,200,000	2,500,000	4,650,000
<b>Single male pensioners</b>	300,000	600,000	650,000	1,250,000
<b>Single female pensioners</b>	600,000	1,600,000	1,850,000	3,450,000

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)** deducts direct taxes including Council Tax.

**Net income after housing costs (AHC)** also deducts housing costs which include rent, water rates and mortgage interest payments.

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

Throughout the publication, figures for incomes are presented in 2008-09 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% are labelled \*.

Unless otherwise stated, averages are means, and net income refers to net income before housing costs.

Growth rates where they are shown 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 2008-09 (the most recent year). FES estimates should not be directly compared with FRS estimates due to methodological differences in the surveys.

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

For reasons of space, the FRS tables published within the Pensioners' Incomes Series 2008-09 do not contain data for all years. Complete tables for the period 1994-95 to 2008-09 can be found on the Pensioners' Incomes website, as detailed on page 5.

Chapters 2, 3 and 5 use historical comparisons to 1996-97 and 1998-99. 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 uses a 3 year average comparison 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 used by and the methods used within the Pensioners' Incomes Series 2008-09 can be found in Appendix A.

### **Changes to the publication**

In chapter 2, Table 2.1 (supplementary) has been removed from this year's publication. The data for this table will still be available via the website, at [http://statistics.dwp.gov.uk/asd/pensioners\\_income.asp](http://statistics.dwp.gov.uk/asd/pensioners_income.asp).

### Summary of main results

#### Growth in incomes

#### Chapter 2

- Growth in pensioner incomes over the last 25 years has resulted from substantial increases in incomes from occupational pensions, investments, earnings and benefits.
- The average net income after housing costs of all pensioner units grew by 68% in real terms between 1979 and 1996-97. Average earnings in the whole economy grew by 36% in real terms over the same period.
- Pensioners' average income has grown faster than earnings over the last ten years. **Net income after housing costs** for pensioner units has grown by 38% between 1998-99 and 2008-09, whereas **average earnings** have risen by 12% in real terms over the same period.
- Average net income after housing costs has risen faster than before housing costs. After deducting housing costs, **average net income has grown by 38% since 1998-99** compared with 28% before deducting housing costs. This is partly a result of increasing numbers of pensioners owning their own home. More than two thirds of households headed by pensioners have homes owned outright.

#### 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 investments as single pensioners, and over six times the level of earnings.
- On average **older pensioners have lower incomes**. In 2008-09 pensioner couples where the head was aged 75 or over had an average net income of £377 a week after housing costs per week, compared with £454 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 £229 per week in 2008-09 compared with £198 for single female pensioners.
- Pensioners in London, East of England and the South East 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.

#### Sources of income

#### Chapter 3

- In 2008-09 state benefits accounted for 43% of pensioners' income; occupational pensions made up 25%, earnings 19%, investment income 9%, and personal pensions 4%.
- 95% of all pensioner units reported income from the **State Pension** in 2008-09, at an average of £116 a week for singles and £162 a week for couples.
- 30% of pensioner units received at least one **income related benefit** in 2008-09, such as Pension Credit, Housing Benefit or Council Tax Benefit.
- 23% of pensioner units were in receipt of **disability benefits**. Pensioner couples received an average £75 a week from disability benefits in 2008-09 compared to £58 for single pensioners.

- In 2008-09, 71% of pensioner units had some **investment income**, for example for savings or stocks and shares, although for most pensioners this was a relatively small amount. For example, half of pensioner couples who had investment income received £12 a week or less from it.
- 59% of pensioner units had income from an **occupational pension** at an average amount of £168 per week. 15% had personal pension income in 2008-09.
- The proportion of pensioner units reporting income from occupational pensions rose from 40% in 1979 to 57% 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% of pensioner units in 1998-99 to 68% in 2008-09 (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. FRS estimates suggest that the **growth in average income** between 1998-99 and 2008-09 was more evenly spread across the income distributions of both single pensioners and pensioner couples.
- Median net income after housing costs grew by 21% in the bottom fifth and 83% in the top fifth of the single pensioner net income distribution between 1979 and 1996-97. Under the before housing costs measure of net income, the growth rates were 26% and 75% respectively.
- Median net income after housing costs grew by 30% in the bottom fifth and 91% in the top fifth of the pensioner couples' net income distribution between 1979 and 1996-97. Before housing costs, net income growth rates were 33% and 78% respectively.
- Median net income after housing costs increased by 22% and 26% in the bottom and top fifths of the single pensioner distribution respectively (before housing costs this was 16% and 18% respectively) between 1998-01 and 2006-09. This suggests that incomes have increased more for those with the highest incomes than the lowest during this period, but increased more evenly than between 1979 and 1996-97.
- Growth over the same period in the median net income of the pensioner couple distribution was 26% in the bottom quintile and 27% in the top after housing costs (before housing costs this was 15% and 21% respectively).
- Older pensioners were more likely to be at the bottom of the income distributions, as were female single pensioners.

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

### Measures of income

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

### **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 living standards.

### **Comparing incomes**

Great care should be taken when comparing groups with similar incomes, or looking at changes in income over a short-time period, since random sampling fluctuations mean that estimates should be regarded as a broad indication of trends only (see Appendix B). Further evidence can be obtained by looking at the estimates for adjacent years. For information on the significance of changes between 2007-08 and 2008-09 see **Table 2.2**.

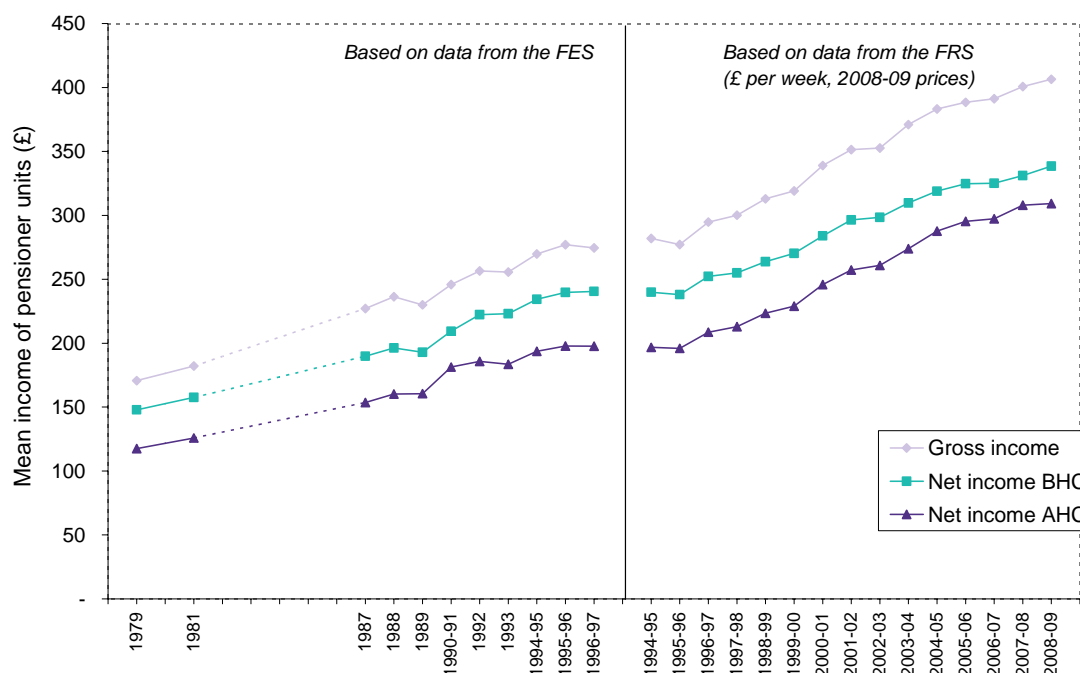
## Chapter 2: Pensioners' Incomes

### Trends in income for all pensioner units

Pensioner units on average received £406 a week in gross income in 2008-09 (**Table 2.1**). This compared with a gross income of £644 for the working age benefit units. After deduction of direct taxes, pensioner units received an average of £338 a week in net income, compared with £467 for the working age population. After deduction of housing costs, average income stood at £309 a week, compared with £393 for working age benefit units. These comparisons are with working age benefit units which may also include children.

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 28% since 1998-99, compared to real average earnings growth of about 12% over the same period. Net income after housing costs has grown more quickly, increasing by 38% in real terms since 1998-99. 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.

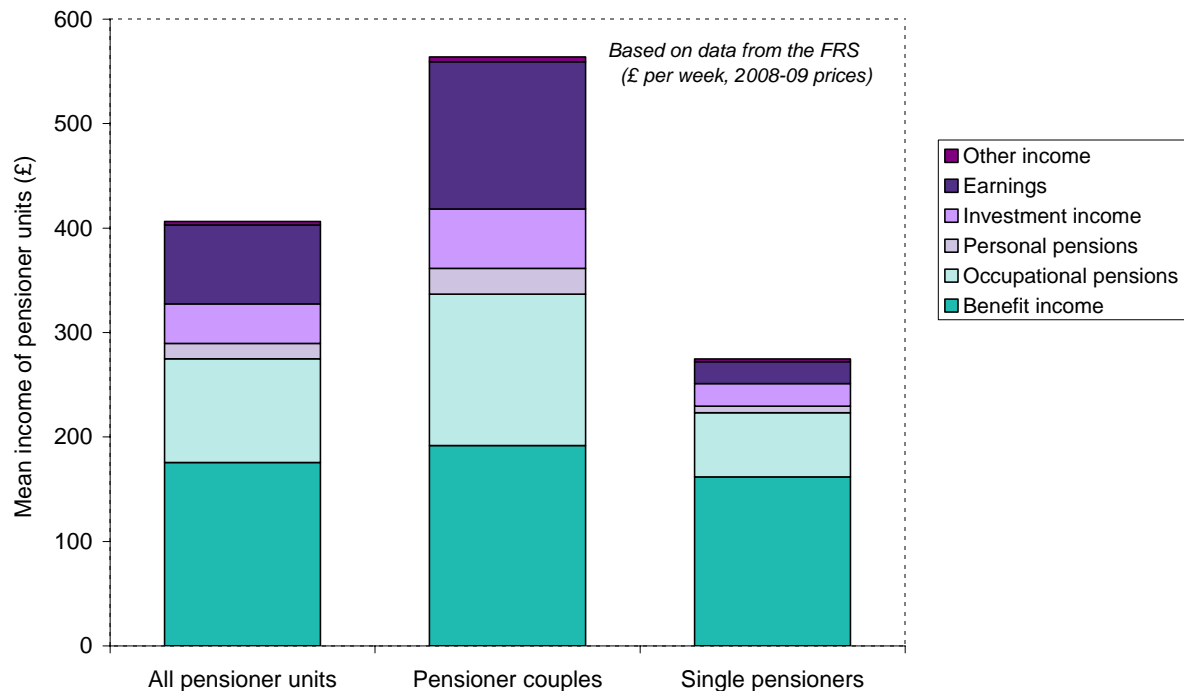
**Figure 2.1: Real income of pensioners, 1979-1996-97 and 1994-95-2008-09**



Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2008-09:

- 43% of average gross income came from state benefits (including the State Pension)
- Occupational pensions provided 25% of average gross pensioner income
- 9% of gross income came from investment income
- On average 19% of gross income came from earnings, although this is concentrated among a relatively small group of pensioners.

Figure 2.2: Sources of gross income, 2008-09



Some sources of income have contributed more than others to the overall growth in pensioners' incomes over the last 30 years (Figure 2.3). The fastest growing sources of income have been:

- **Occupational pensions**, which increased by 84% in real terms between 1979 and 1996-97. In more recent years average incomes from occupational pensions have continued to grow, increasing by 24% between 1998-99 and 2008-09.
- **Personal pensions**, whose average contribution to pensioners' incomes has trebled since 1998-99, although it is still only a minority of pensioners who receive income from personal pensions.
- **Earnings** whose contribution to pensioners' incomes has risen by over a half since 1998-99.

Average investment income roughly doubled between 1979 and 1996-97. It fell between 2000-01 and 2002-03 and rose slowly up to 2007-08. In the last year, average investment income has fallen.

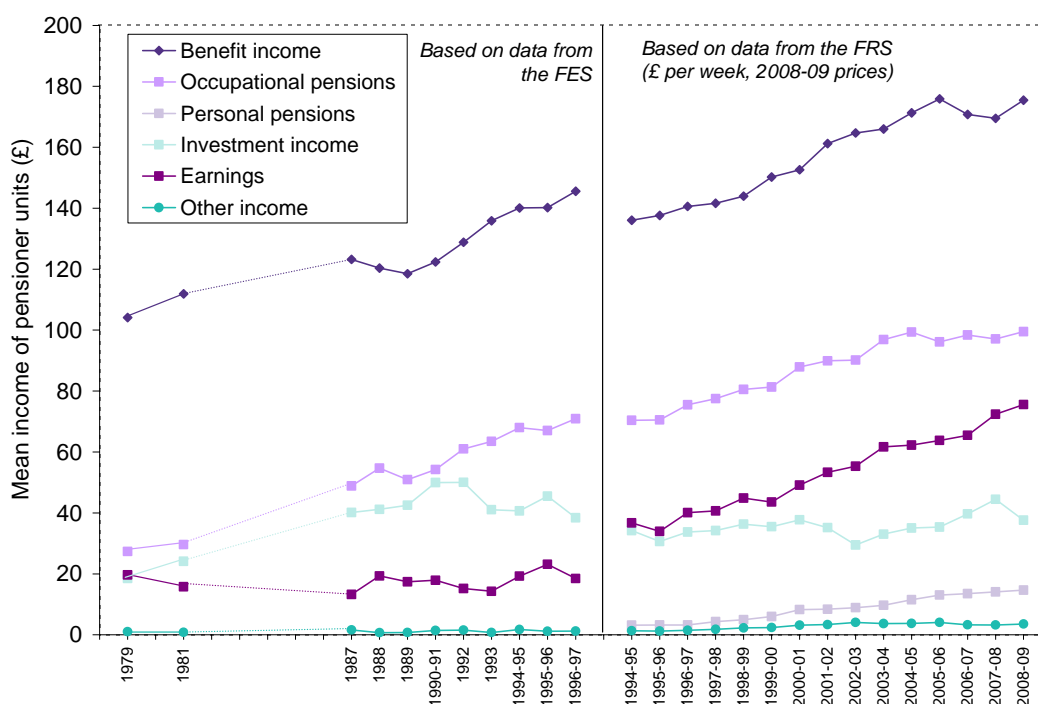
Average benefit income has seen 22% growth in real terms over the ten years since 1998-99.

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.

Estimates of average income are based on FRS data which is subject to sampling error. 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. Because of this readers should not read too much into movement in data in a single year, or even, for some components of income, over the last decade. **Table 2.2** gives more information on the uncertainties associated with each growth estimate.

**Figure 2.3: Growth in sources of gross income, 1979-1996-97 and 1994-95-2008-09**



### 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 investments as single pensioners, and over six times the level of earnings. Pensioner couples include some couples where one partner is under state pension age (see Chapter 5 for more information regarding mixed status couples).

Average net income after housing costs grew by 68% between 1979 and 1996-97 for couples and by 59% for singles. Between 1998-99 and 2008-09 net income after housing costs has increased by 32% for pensioner couples, and 41% for singles. As pensioners are increasingly likely to own their own home these increases are smaller before housing costs; 24% for couples and 29% for single pensioners over the same period.

Table 2.1: The average incomes of pensioner units, 1996-97-2008-09

	<i>Incomes in £ per week, 2008-09 prices</i>						
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>All pensioner units</b>							
<b>Gross income</b>	295	313	388	391	401	406	100%
<i>of which</i>							
Benefit income	141	144	176	171	169	175	43%
Occupational pension	76	81	96	98	97	100	25%
Personal pension income	3	5	13	14	14	15	4%
Investment income	34	36	35	40	44	38	9%
Earnings	40	45	64	65	72	76	19%
Other income	2	2	4	3	3	4	1%
<b>Net income BHC</b>							
Mean	252	264	325	325	331	338	83%
Median	195	199	254	249	252	267	
<b>Net income AHC</b>							
Mean	209	223	295	297	308	309	76%
Median	152	161	225	222	231	237	
<b>Pensioner couples</b>							
<b>Gross income</b>	423	449	541	544	562	564	100%
<i>of which</i>							
Benefit income	161	162	196	188	187	192	34%
Occupational pension	118	126	142	148	143	145	26%
Personal pension income	6	9	22	23	24	25	4%
Investment income	53	56	55	60	68	57	10%
Earnings	83	93	122	124	136	141	25%
Other income	2	3	5	3	4	5	1%
<b>Net income BHC</b>							
Mean	356	371	442	442	454	459	81%
Median	279	287	352	353	364	373	
<b>Net income AHC</b>							
Mean	307	328	414	418	435	432	77%
Median	235	252	324	329	344	347	
<b>Single pensioners</b>							
<b>Gross income</b>	198	212	262	265	265	275	100%
<i>of which</i>							
Benefit income	125	131	160	157	155	162	59%
Occupational pension	44	47	58	58	59	61	22%
Personal pension income	1	2	6	6	5	6	2%
Investment income	19	22	20	23	24	22	8%
Earnings	7	9	16	18	19	21	8%
Other income	1	2	4	3	3	3	1%
<b>Net income BHC</b>							
Mean	174	185	228	229	228	238	87%
Median	150	154	198	197	199	206	
<b>Net income AHC</b>							
Mean	134	146	197	198	202	206	75%
Median	101	111	162	160	163	171	

### Recent income growth

All estimates presented in this publication are based on sample surveys and are therefore subject to a degree of uncertainty (see Appendix B for more details on the reliability of estimates within the Pensioners' Incomes Series 2008-09).

Uncertainties are larger for smaller groups, such as pensioners in specific regions. They are also larger for components of income which vary widely between different people (for example, investment income and earnings). Other estimates, such as benefit income, have relatively low levels of variability, and so the uncertainty of estimates is lower.

When comparing two estimates (such as the income of two different groups of pensioners, or the change in incomes between two points in time), there is even greater uncertainty. If the difference is large relative to the uncertainty in the estimates then the growth estimate is likely to be meaningful. The increase in benefit income is an example of this.

For other measures, such as income from earnings, the relative uncertainty in the original estimate is large and so the growth rate is subject to a wide margin of error. In some cases, the uncertainty is so great that we cannot tell whether the income measure has increased or decreased over the period.

In **Table 2.2** we give the central estimate of growth for each income component between 1996-97 and 2008-09 and between 1998-99 and 2008-09. We also give a 95% confidence interval for the growth rate between 1996-97 and 2008-09. (A 95% confidence interval is the range in which we think the actual growth rate has a 95% chance of falling). The 95% confidence intervals for the growth between 1998-99 and 2008-09 are shown in **Table B1.2** in Annex B.

**Table 2.2** shows that some estimates, such as the 25% increase in benefit income for all pensioner units since 1996-97, are subject to little uncertainty. While others, like the 89% increase in earnings over the same period, should be treated with much more caution.

For most tables in this publication, recent growth estimates would be subject to confidence intervals so wide that they tell us little or nothing about trends, and so growth estimates are included in **Table 2.2** only. Users are advised to draw only broad conclusions about such trends by looking at the full time series of estimates in the tables and charts.

Table 2.2: Recent growth in average incomes of pensioner units, 1996-97-2008-09

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2008-09	% growth 1996-97-2008-09	% growth 1998-99-2008-09	95% confidence interval 1996-97 -2008-09
<b>All pensioner units</b>						
<b>Gross income</b>	295	313	406	38%	30%	33% to 43%
<i>of which</i>						
Benefit income	141	144	175	25%	22%	23% to 26%
Occupational pension	76	81	100	32%	24%	24% to 39%
Personal pension income	3	5	15	355%	193%	252% to 458%
Investment income	34	36	38	12%	4%	-3% to 26%
Earnings	40	45	76	89%	69%	68% to 109%
Other income	2	2	4	135%	56%	42% to 228%
<b>Net income BHC</b>						
Mean	252	264	338	34%	28%	30% to 38%
Median	195	199	267	37%	34%	31% to 42%
<b>Net income AHC</b>						
Mean	209	223	309	48%	38%	43% to 53%
Median	152	161	237	55%	47%	48% to 63%
<b>Pensioner couples</b>						
<b>Gross income</b>	423	449	564	33%	26%	27% to 39%
<i>of which</i>						
Benefit income	161	162	192	19%	18%	17% to 22%
Occupational pension	118	126	145	23%	15%	15% to 32%
Personal pension income	6	9	25	306%	166%	205% to 407%
Investment income	53	56	57	7%	2%	-10% to 24%
Earnings	83	93	141	69%	52%	50% to 89%
Other income	2	3	5	144%	58%	-20% to 309%
<b>Net income BHC</b>						
Mean	356	371	459	29%	24%	24% to 34%
Median	279	287	373	34%	30%	29% to 39%
<b>Net income AHC</b>						
Mean	307	328	432	41%	32%	35% to 46%
Median	235	252	347	48%	38%	42% to 54%
<b>Single pensioners</b>						
<b>Gross income</b>	198	212	275	39%	29%	34% to 44%
<i>of which</i>						
Benefit income	125	131	162	29%	24%	27% to 31%
Occupational pension	44	47	61	41%	32%	30% to 52%
Personal pension income	1	2	6	495%	243%	194% to 795%
Investment income	19	22	22	12%	-1%	-8% to 33%
Earnings	7	9	21	182%	122%	104% to 261%
Other income	1	2	3	117%	48%	53% to 181%
<b>Net income BHC</b>						
Mean	174	185	238	37%	29%	33% to 41%
Median	150	154	206	38%	34%	34% to 41%
<b>Net income AHC</b>						
Mean	134	146	206	54%	41%	49% to 59%
Median	101	111	171	68%	54%	61% to 75%

## 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 state pension age). For couples, the age used is that of the head.

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 1930 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 'second-tier' pensions (such as occupational pensions and SERPS) is broadly linked with earnings growth over time. After retirement, the value of pensions in payment is generally linked to prices, which normally grow at a slower rate than earnings. Therefore, other things being equal, a pensioner who has been retired for longer will have a lower second-tier pension 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) tend to have less income than younger couples. This difference is mainly due to younger couples having significantly greater earnings. Pensioner couples include some couples where one partner is under state pension age (see Chapter 5 for more information regarding mixed status couples). The difference in income between recently retired couples and couples aged under 75 is not statistically significant.

**Figure 2.4: Sources of gross income of pensioner couples by age of head, 2008-09**

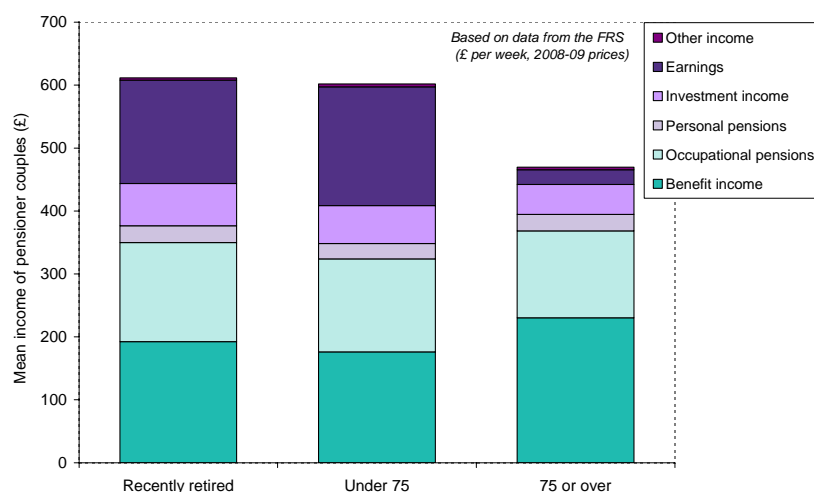


Table 2.3 shows the change in average incomes of pensioner couples by age. Note that interpreting year-on-year changes in estimates should be done with great care. For example, the decrease in average income of recently retired between 2005-06 and 2006-07 was not statistically significant.

Table 2.3: The average incomes of pensioner couples by age, 1996-97-2008-09

*Incomes in £ per week, 2008-09 prices*

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>Recently retired pensioner couples</b>							
<b>Gross income</b>	468	493	620	567	607	611	100%
<i>of which</i>							
Benefit income	172	176	200	195	195	193	32%
Occupational pension	140	141	153	149	150	157	26%
Personal pension income	10	14	28	28	27	27	4%
Investment income	64	73	78	66	85	67	11%
Earnings	81	82	155	127	145	164	27%
Other income	2	6	6	3	5	3	0%
<b>Net income BHC</b>							
Mean	395	407	499	462	487	494	81%
Median	304	316	375	372	375	403	
<b>Net income AHC</b>							
Mean	345	363	469	438	468	467	76%
Median	264	279	346	350	357	377	
<b>Pensioner couples where the head is under 75</b>							
<b>Gross income</b>	454	482	588	586	593	602	100%
<i>of which</i>							
Benefit income	152	154	183	175	172	176	29%
Occupational pension	127	133	148	152	141	148	25%
Personal pension income	7	11	24	26	25	24	4%
Investment income	56	60	62	64	69	60	10%
Earnings	109	122	166	166	182	188	31%
Other income	2	4	5	3	4	5	1%
<b>Net income BHC</b>							
Mean	377	393	473	469	471	482	80%
Median	293	305	367	375	376	393	
<b>Net income AHC</b>							
Mean	327	349	444	444	451	454	75%
Median	249	270	343	352	356	365	
<b>Pensioner couples where the head is 75 or over</b>							
<b>Gross income</b>	335	361	424	443	484	469	100%
<i>of which</i>							
Benefit income	185	183	227	218	223	230	49%
Occupational pension	91	109	128	138	147	138	29%
Personal pension income	3	6	17	15	23	26	6%
Investment income	45	46	37	49	66	48	10%
Earnings	11	15	11	20	21	23	5%
Other income	1	1	4	4	4	4	1%
<b>Net income BHC</b>							
Mean	296	311	367	378	410	402	86%
Median	248	246	315	307	334	337	
<b>Net income AHC</b>							
Mean	252	271	342	356	395	377	80%
Median	202	206	288	285	317	312	

**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 having a higher level of earnings. Older single pensioners tend to have a higher level of benefit income.

**Figure 2.5: Sources of gross income of single pensioners by age, 2008-09**

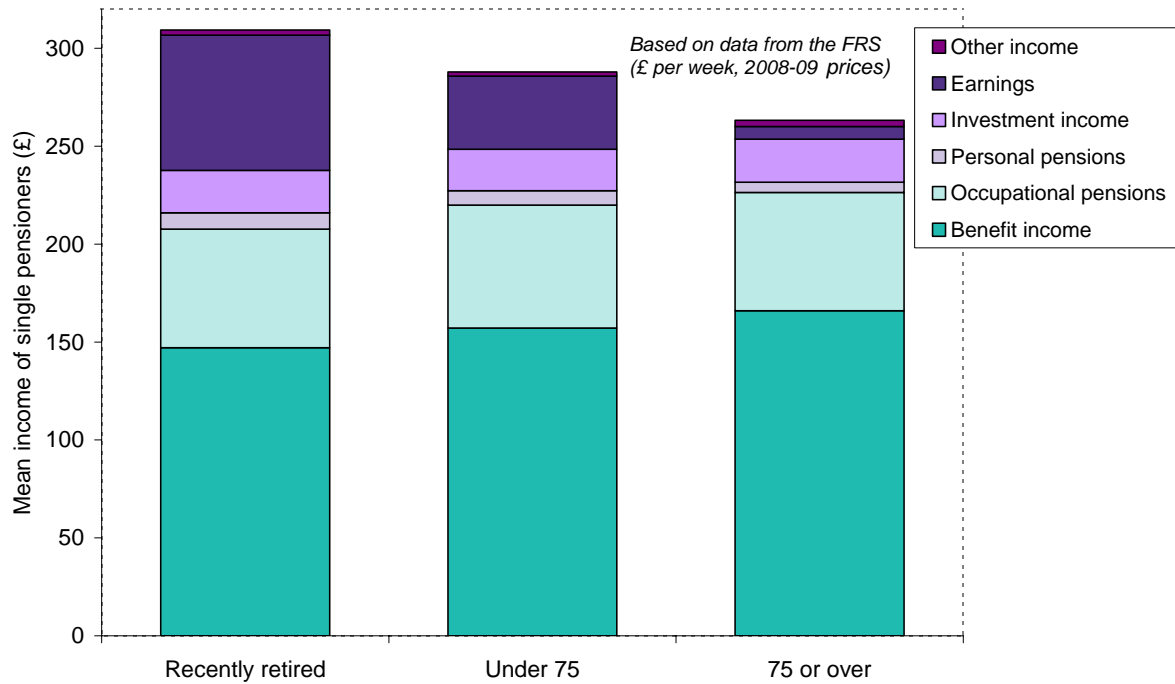


Table 2.4: The average incomes of single pensioners by age, 1996-97-2008-09

*Incomes in £ per week, 2008-09 prices*

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>Recently retired single pensioners</b>							
<b>Gross income</b>	232	263	308	316	328	309	100%
<i>of which</i>							
Benefit income	122	125	149	146	139	147	48%
Occupational pension	59	60	66	59	61	60	19%
Personal pension income	2	3	9	8	9	8	3%
Investment income	20	29	21	34	39	22	7%
Earnings	25	40	59	64	78	69	22%
Other income	2	6	4	5	4	3	1%
<b>Net income BHC</b>							
Mean	197	220	258	264	266	260	84%
Median	167	169	209	210	208	212	
<b>Net income AHC</b>							
Mean	152	178	222	227	235	223	72%
Median	123	129	174	165	166	174	
<b>Single pensioners under 75</b>							
<b>Gross income</b>	214	231	284	286	292	288	100%
<i>of which</i>							
Benefit income	123	127	154	152	151	157	55%
Occupational pension	54	54	65	64	62	63	22%
Personal pension income	2	3	7	6	7	7	2%
Investment income	21	26	23	28	30	21	7%
Earnings	14	18	32	34	39	37	13%
Other income	2	3	4	4	3	2	1%
<b>Net income BHC</b>							
Mean	185	197	242	242	244	246	85%
Median	154	158	203	202	201	211	
<b>Net income AHC</b>							
Mean	144	158	210	210	215	212	74%
Median	108	114	166	163	161	172	
<b>Single pensioners 75 or over</b>							
<b>Gross income</b>	183	196	245	247	244	263	100%
<i>of which</i>							
Benefit income	128	134	164	161	158	166	63%
Occupational pension	34	40	53	53	56	60	23%
Personal pension income	1	1	5	6	4	5	2%
Investment income	18	18	17	20	20	22	8%
Earnings	2	1	3	4	2	7	3%
Other income	1	1	4	3	3	3	1%
<b>Net income BHC</b>							
Mean	163	174	216	217	214	231	88%
Median	147	152	195	192	196	204	
<b>Net income AHC</b>							
Mean	124	136	186	188	191	202	77%
Median	97	107	159	158	165	170	

**All pensioner units by age**

**Figure 2.6** shows the proportions of income that come 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 private pension income and higher earnings are the main source of difference between younger and older pensioners' incomes.

**Figure 2.6: Sources of gross income of all pensioner units by age of head, 2008-09**

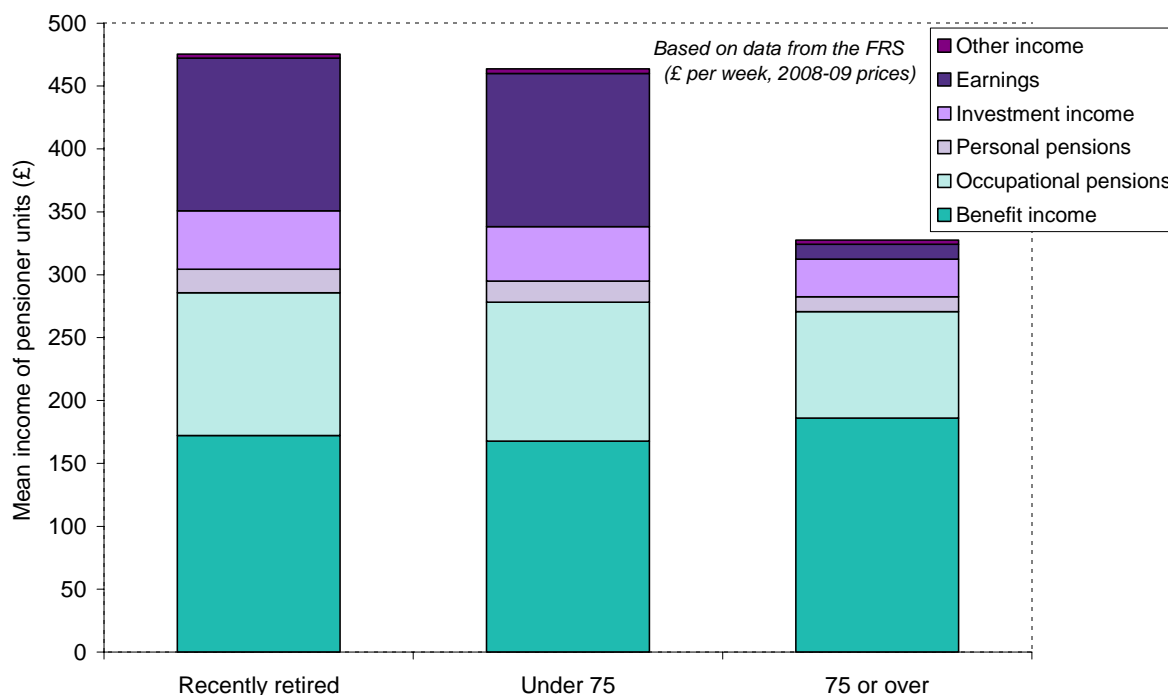


Table 2.5: The average incomes of pensioner units by age, 1996-97-2008-09

*Incomes in £ per week, 2008-09 prices*

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>Recently retired pensioner units</b>							
<b>Gross income</b>	372	400	492	461	488	475	100%
<i>of which</i>							
Benefit income	152	156	179	174	171	172	36%
Occupational pension	107	108	118	111	112	114	24%
Personal pension income	7	10	20	19	19	19	4%
Investment income	46	56	55	52	65	47	10%
Earnings	58	65	116	100	116	121	25%
Other income	2	6	5	4	4	3	1%
<b>Net income BHC</b>							
Mean	314	332	400	378	393	389	82%
Median	243	252	303	291	297	308	
<b>Net income AHC</b>							
Mean	267	289	368	349	369	357	75%
Median	200	215	273	265	278	276	
<b>Pensioner units where the head is under 75</b>							
<b>Gross income</b>	343	365	456	455	464	464	100%
<i>of which</i>							
Benefit income	139	141	170	165	163	168	36%
Occupational pension	93	96	112	113	107	110	24%
Personal pension income	5	7	17	17	17	17	4%
Investment income	40	44	45	48	52	43	9%
Earnings	65	73	108	108	120	122	26%
Other income	2	3	4	3	3	4	1%
<b>Net income BHC</b>							
Mean	288	302	372	370	374	378	81%
Median	218	226	287	282	287	295	
<b>Net income AHC</b>							
Mean	242	260	342	342	349	348	75%
Median	178	187	259	253	263	267	
<b>Pensioner units where the head is 75 or over</b>							
<b>Gross income</b>	225	241	299	307	316	328	100%
<i>of which</i>							
Benefit income	144	148	183	178	178	186	57%
Occupational pension	50	59	75	79	84	85	26%
Personal pension income	1	2	8	9	10	12	4%
Investment income	25	26	23	28	34	30	9%
Earnings	4	5	6	9	8	12	4%
Other income	1	1	4	4	3	3	1%
<b>Net income BHC</b>							
Mean	200	212	262	266	274	284	87%
Median	165	171	223	221	224	236	
<b>Net income AHC</b>							
Mean	172	183	235	239	249	256	78%
Median	137	144	195	192	199	210	

## 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. It is not possible to split estimates for pensioner couples by gender.

On average, net income after housing costs was higher for single men (at £229) than for single women (£198) in 2008-09. **Figure 2.7** shows the growth in their 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 so short term changes need to be treated with caution. Incomes may also be affected by the different age distributions for single men and women.

The main difference between the two sexes occurs within occupational pension income. In 2008-09, single men received £81 a week on average from this source, compared with £54 for single women. Single men also received more investment and personal pension income, but average incomes from other sources were similar 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 and over. Results show that single male pensioners have higher income than female single pensioners within each age group.

**Figure 2.7: Net income (AHC) of single pensioners by gender 1979-1996-97 and 1994-95-2008-09**

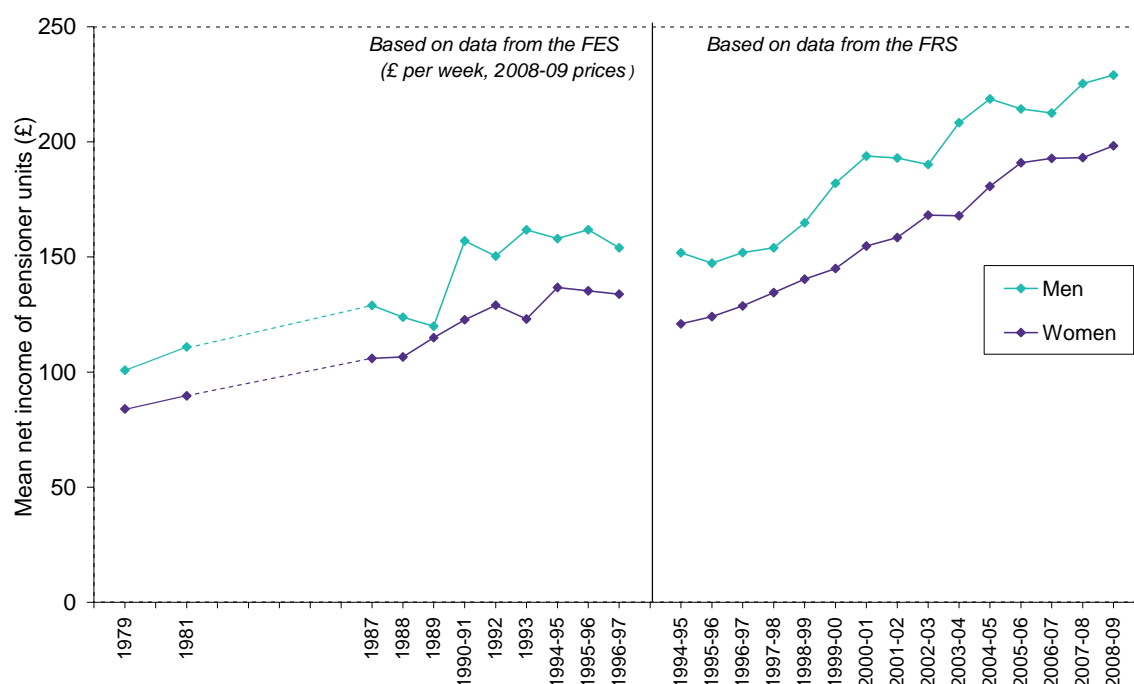


Table 2.6: The average incomes of single pensioners by gender, 1996-97-2008-09

Incomes in £ per week, 2008-09 prices

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>Single male pensioners</b>							
<b>Gross income</b>	225	238	285	286	297	304	100%
<i>of which</i>							
Benefit income	125	129	157	158	156	163	54%
Occupational pension	65	67	76	74	78	81	27%
Personal pension income	2	5	10	10	12	13	4%
Investment income	26	27	24	27	32	28	9%
Earnings	6	10	15	15	17	17	6%
Other income	*	2	3	2	3	2	1%
<b>Net income BHC</b>							
Mean	194	205	246	245	252	262	86%
Median	161	163	205	208	212	219	
<b>Net income AHC</b>							
Mean	152	165	214	213	225	229	75%
Median	118	120	171	168	178	185	
<b>Single female pensioners</b>							
<b>Gross income</b>	190	205	254	258	254	264	100%
<i>of which</i>							
Benefit income	126	131	160	157	155	161	61%
Occupational pension	37	41	52	52	52	54	20%
Personal pension income	1	1	4	5	3	4	2%
Investment income	17	20	18	22	22	19	7%
Earnings	8	9	16	18	20	22	8%
Other income	1	2	4	4	3	3	1%
<b>Net income BHC</b>							
Mean	168	178	222	223	220	229	87%
Median	147	152	197	192	193	203	
<b>Net income AHC</b>							
Mean	129	140	191	193	193	198	75%
Median	98	107	159	157	158	167	
<b>Single male pensioners under 75</b>							
<b>Gross income</b>	246	260	295	297	320	308	100%
Benefit income	128	130	158	158	156	163	53%
<b>Mean Net Income BHC</b>	209	221	253	253	265	265	86%
<b>Mean Net Income AHC</b>	163	179	219	217	236	231	75%
<b>Single male pensioners 75 or over</b>							
<b>Gross income</b>	204	217	277	276	278	301	100%
Benefit income	122	128	157	157	156	163	54%
<b>Mean Net Income BHC</b>	180	190	240	239	240	260	86%
<b>Mean Net Income AHC</b>	140	152	210	208	217	228	76%
<b>Single female pensioners under 75</b>							
<b>Gross income</b>	205	222	280	282	282	280	100%
Benefit income	121	126	153	149	149	155	55%
<b>Mean Net Income BHC</b>	178	189	238	239	237	239	85%
<b>Mean Net Income AHC</b>	138	151	206	208	208	205	73%
<b>Single female pensioners 75 or over</b>							
<b>Gross income</b>	176	189	234	238	232	250	100%
Benefit income	129	136	167	163	159	167	67%
<b>Mean Net Income BHC</b>	159	169	209	210	205	221	88%
<b>Mean Net Income AHC</b>	120	131	179	181	181	192	77%

## Differences by region

Pensioner incomes vary by region within the UK. Single pensioners and pensioner couples in London, East of England and the South East have gross incomes above the average for the UK. However, average benefit income shows little difference when compared between all 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. There is no significant difference between United Kingdom and Great Britain results.

Figure 2.8 shows average gross incomes, along with average benefit incomes for pensioner couples by region. Table 2.7 further provides net income before and after housing costs for each of the regions.

Figure 2.8: Average gross income for pensioner couples by region / country, 2006-09

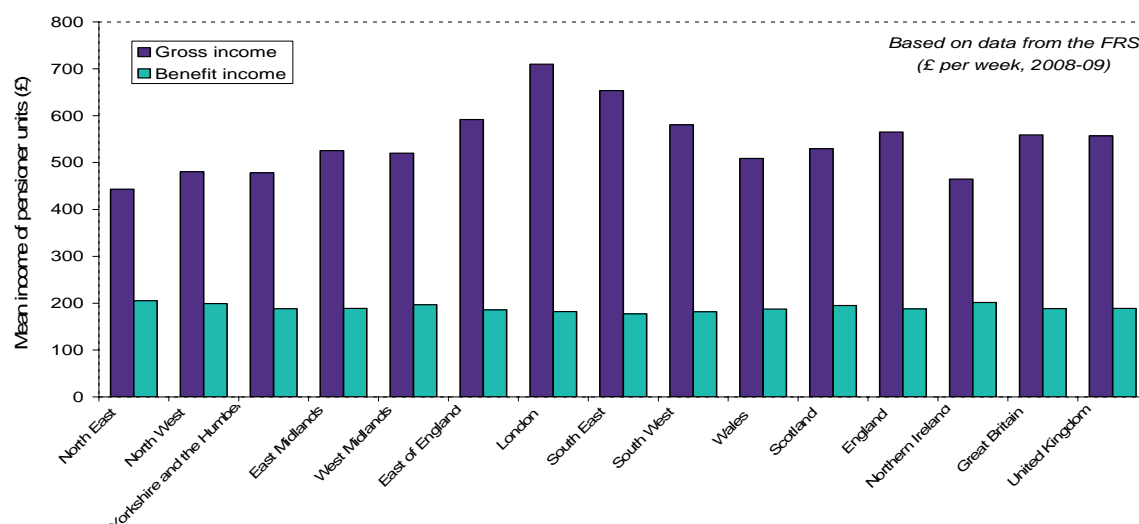


Table 2.7: The average income of pensioner units by region / country, 2006-09

*Incomes in £ per week, in 2008-09 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	565	188	456	432	271	158	233	202
North East	443	205	375	352	254	168	224	193
North West	480	199	401	380	254	166	223	194
Yorkshire and the Humber	478	188	398	377	252	159	220	192
East Midlands	526	189	430	410	252	157	219	193
West Midlands	520	197	427	406	257	162	223	196
East of England	592	186	474	450	284	156	241	213
London	710	182	547	516	289	159	247	203
South East	654	177	516	489	303	148	253	223
South West	580	182	469	444	266	149	227	199
Wales	509	188	423	403	268	153	231	209
Scotland	530	195	439	417	261	162	229	202
Northern Ireland	465	202	390	379	224	156	200	184
Great Britain	559	188	453	430	269	158	232	202
United Kingdom	557	189	452	428	268	158	231	202

Notes:

(1) Data based on the average of three years of results from 2006-07, 2007-08, 2008-09 FRS data and updated to 2008-09 prices

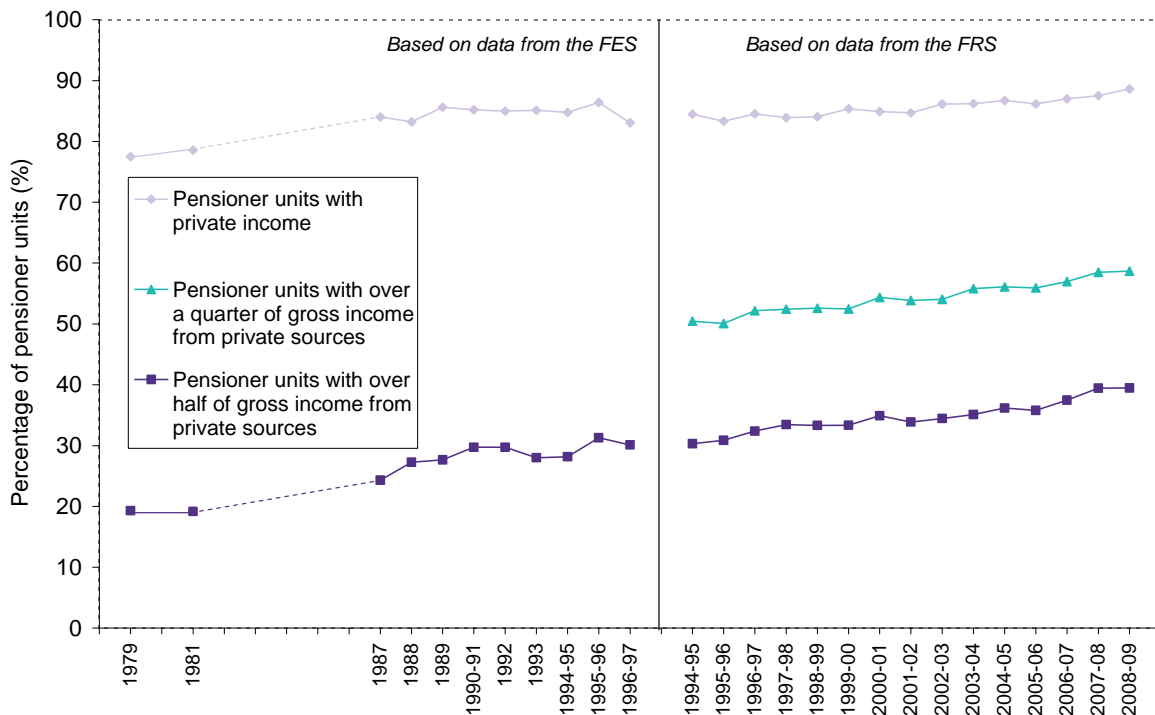
## Chapter 3: Sources of Pensioners' Incomes

Benefit income (including the 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 2008-09, the vast majority of pensioner units had some private income on top of state benefits (95% of pensioner couples and 84% of single pensioners – **Table 3.1**). The overall proportion increased from 77% in 1979 and has continued to gradually increase since the mid-1990s.

For over a third (39%) of pensioner units, more than half of their gross income came from private sources in 2008-09 (**Table 3.2**). This proportion was higher for couples (54%) than singles (27%), and considerably higher among the recently retired, at 51%. **Figure 3.1** shows that the overall proportion with over half of income from private sources increased from 19% in 1979 to 30% 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, reaching 59% in 2008-09.

**Figure 3.1: Benefit and private income, 1979-1996-97 and 1994-95-2008-09**



### Chapter 3: Sources of Pensioners' Incomes

**Table 3.1: The proportion of pensioner units with income on top of state benefits, 1996-97-2008-09**

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>All pensioner units</b>						
Total	85%	84%	86%	87%	87%	89%
Pensioner couples	93%	92%	93%	94%	93%	95%
Single pensioners	78%	78%	81%	81%	83%	84%
<b>Recently retired pensioner units</b>						
Total	87%	86%	87%	87%	86%	87%
Pensioner couples	93%	92%	93%	95%	92%	94%
Single pensioners	79%	76%	78%	77%	78%	79%

**Table 3.2: The proportion of pensioner units with more than 50% of income from private sources, 1996-97-2008-09**

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>All pensioner units</b>						
Total	32%	33%	36%	37%	39%	39%
Pensioner couples	46%	49%	50%	52%	55%	54%
Single pensioners	22%	22%	24%	25%	27%	27%
<b>Recently retired pensioner units</b>						
Total	43%	45%	48%	49%	51%	51%
Pensioner couples	50%	52%	54%	57%	57%	60%
Single pensioners	34%	35%	39%	38%	42%	40%

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**. As these tables look at the amounts for those in receipt, which can be relatively small samples, they can be subject to relatively large sampling errors, 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.

## Pensioner units in receipt of different sources of income

Pensioners rely on a number of different sources for their income. Of these sources some have contributed more than others to the overall growth in incomes since 1979. **Figure 3.2** below 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.

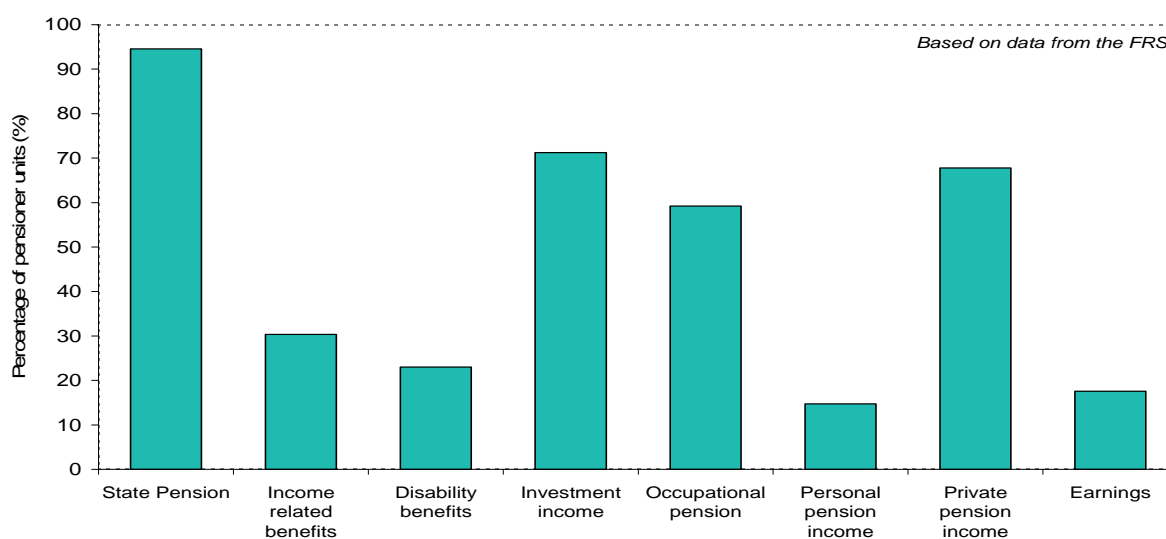
The tables include the three broad types of benefit income: State Pension (basic and additional State Pension and widow's benefits), income related benefits and disability related benefits. These three benefit types are not exhaustive – there are benefits, such as Carer's Allowance, which do not fit 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 the Winter Fuel Payment, Age-related payments and the free TV licence. Note that the Winter Fuel Payment and Age-related payments are also 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.

The most common source of income amongst pensioners is the State Pension. Nearly all pensioner units (95%) received income from this source (**Figure 3.2**). 71% of pensioner units received some investment income, whilst 59% received income from an occupational pension. All other sources were received by less than half of all pensioner units, including earnings which were received by 18%.

**Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2008-09**

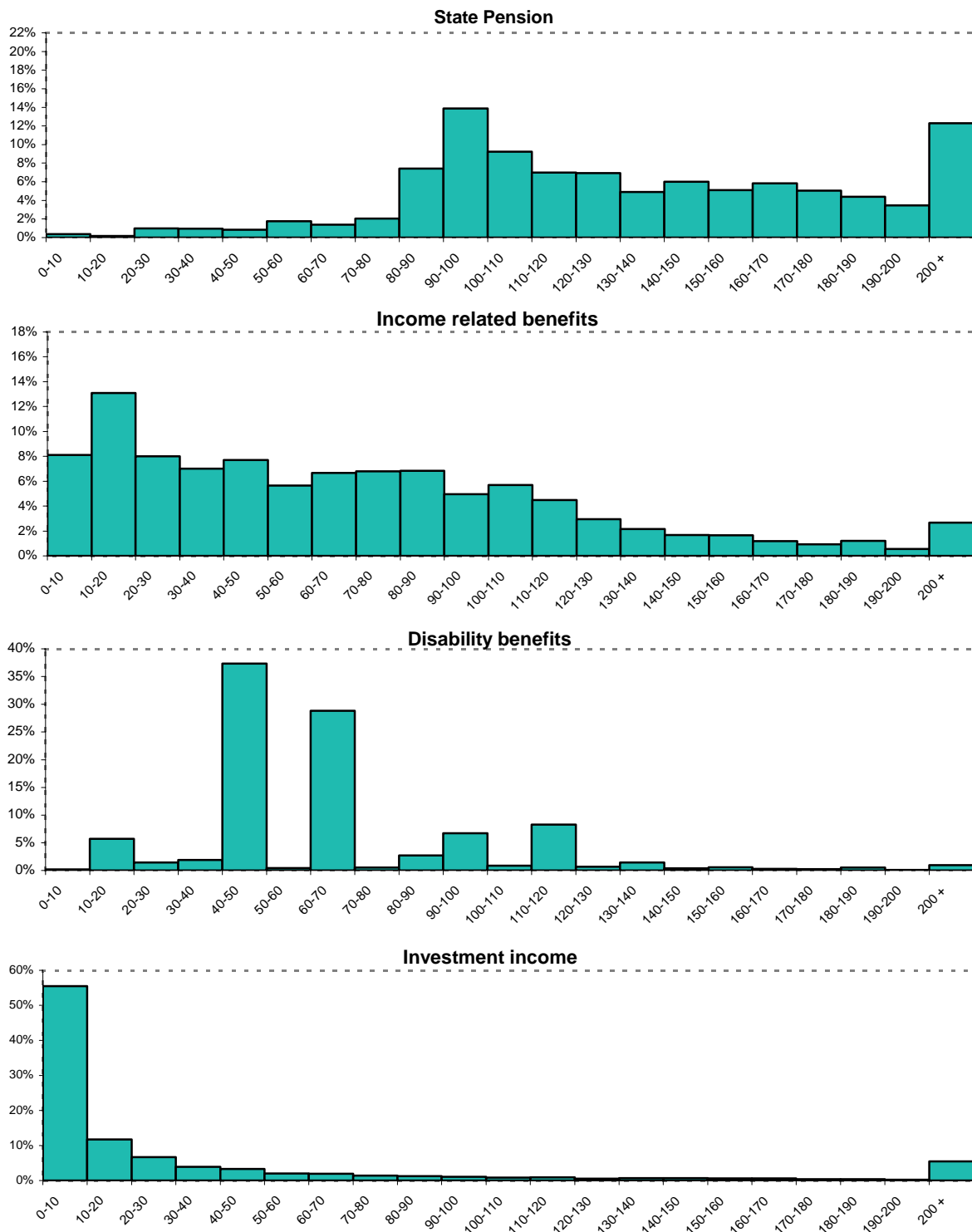


**Figure 3.3** shows the distribution of income that pensioners receive from various sources. E.g. 14% of pensioner units receive between £90 and £100 per week from their State Pension. These figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income band will be subject to a degree of sampling error.

### Chapter 3: Sources of Pensioners' Incomes

**Figure 3.3 Part 1: Distribution of income from selected income sources for those in receipt, 2008-09**

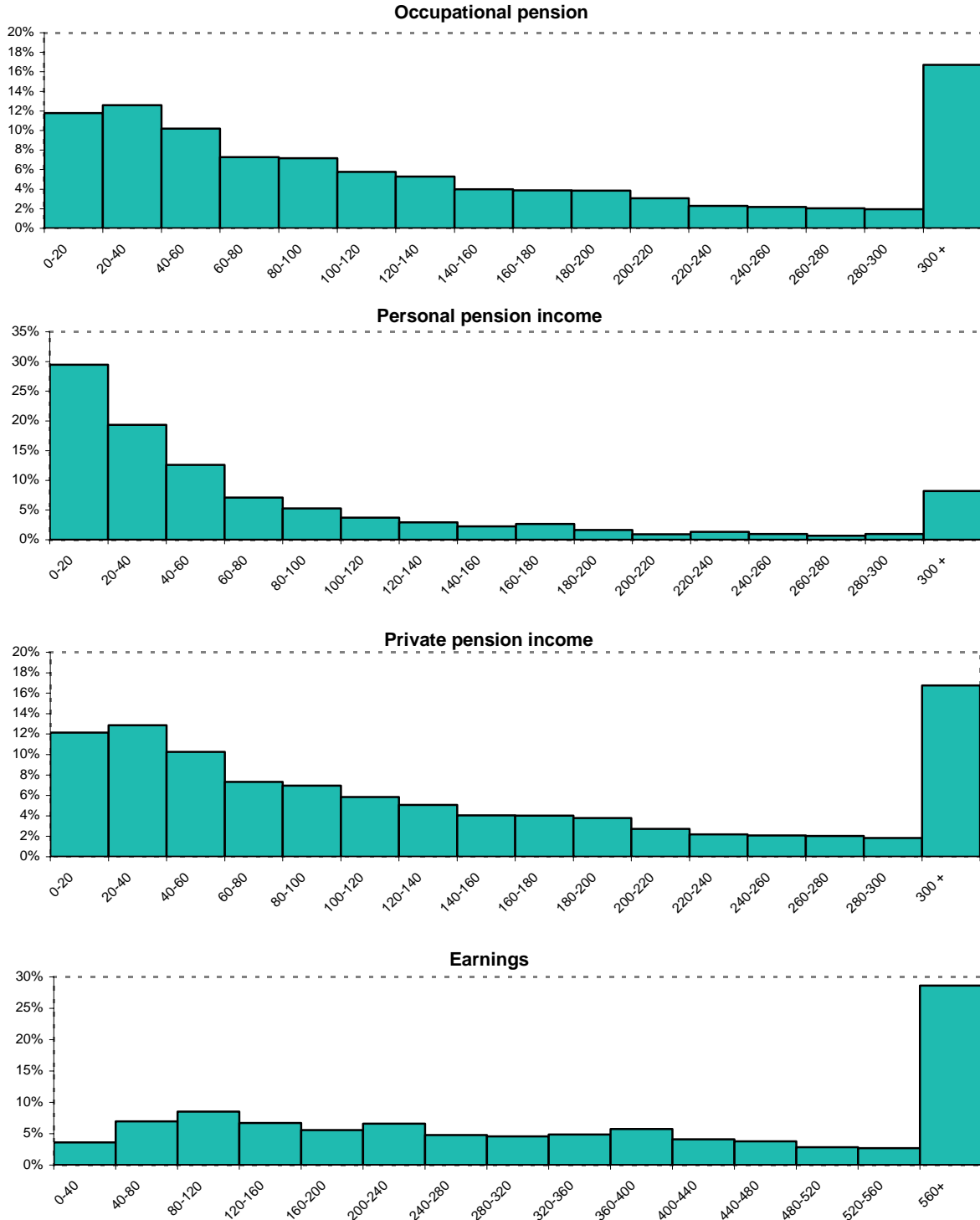
*Income received from each source (£ per week, 2008-09 prices)*



## Chapter 3: Sources of Pensioners' Incomes

**Figure 3.3 Part 2: Distribution of income from selected income sources for those in receipt, 2008-09**

*Income received from each source (£ per week, 2008-09 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 previous years.

## Pensioners in receipt of State Pension

The State Pension includes the basic State Pension, as well as any additional elements of the 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). Widow's Pension and Widowed Parent's Allowance are also included.

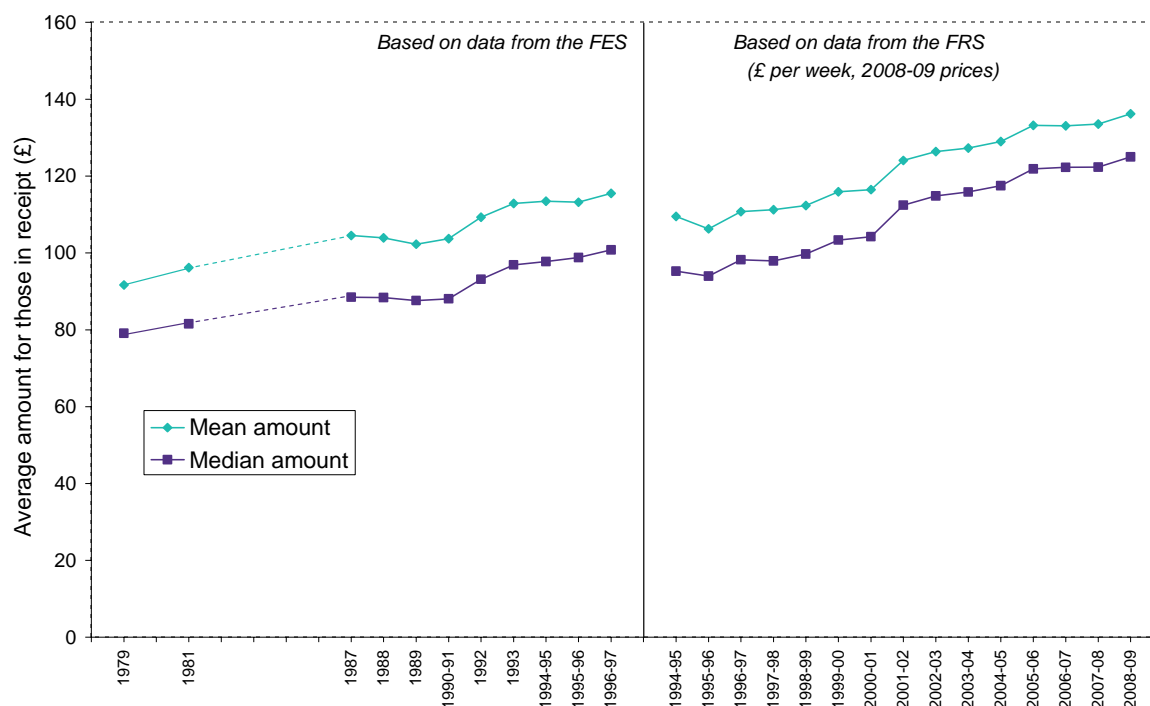
Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. Quoted amounts may include other benefits such as Pension Credit and Attendance Allowance, both of which are under-reported in the FRS.

Nearly all pensioner units (95%) received the State Pension in 2008-09 (**Table 3.3**). This proportion was lower for recently retired pensioners. This reflects the fact that individuals can defer receiving their pension for up to five years after they reach state pension age.

The average amount of reported State Pension for all pensioner units in receipt was £136 per week in 2008-09 (£116 for singles and £162 for couples). Between 1998-99 and 2008-09 there was 25% real terms growth in the median State Pension received (**Figure 3.4**). This growth has mainly been due to the maturing of the earnings-related component (SERPS) of the State Pension. Since being introduced in 1978, each new wave of retirees has had the opportunity to make contributions over a longer period, leading to a growth in average income from this component over time. It is likely that SERPS and the State Second Pension will continue to have a positive effect on average real incomes.

Part of the growth has also been due to increases in the basic State Pension above inflation. The biggest increases were in 2001-02 and 2002-03.

**Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996-97 and 1994-95-2008-09**



## 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, 1996-97-2008-09**

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of State Pension (%)</b>						
<b>All pensioner units</b>						
Total	94%	95%	96%	95%	95%	95%
Pensioner couples	91%	93%	95%	94%	93%	93%
Single pensioners	97%	97%	97%	97%	96%	96%
<b>Recently retired pensioner units</b>						
Total	91%	95%	94%	93%	91%	91%
Pensioner couples	92%	97%	95%	95%	92%	92%
Single pensioners	88%	92%	93%	92%	90%	90%
<b>Average amount of State Pension for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	111	112	133	133	134	136
Pensioner couples	135	139	160	160	161	162
Single pensioners	94	94	111	112	111	116
<b>Recently retired pensioner units</b>						
Total	125	132	144	144	144	143
Pensioner couples	144	154	166	168	170	167
Single pensioners	97	99	111	110	108	112
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	98	100	122	122	122	125
Pensioner couples	147	147	165	165	165	167
Single pensioners	90	90	106	106	105	109
<b>Recently retired pensioner units</b>						
Total	130	136	142	143	141	134
Pensioner couples	148	151	164	167	169	168
Single pensioners	95	95	104	105	102	105

## Pensioners in receipt of income related benefits

Income related benefits in 2008-09 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. In some cases amounts of Pension Credit may have been reported as part of State Pension payments.

These benefits were less common than the State Pension, but were nevertheless received by just under a third of all pensioner units in 2008-09 (**Table 3.4**). This contrasts with 57% of pensioner units reporting receipt in 1979. Receipt was considerably more common among single pensioners (42%) than pensioner couples (17%).

**Figure 3.5: Pensioner units in receipt of income related benefits, 1979-1996-97 and 1994-95-2008-09**

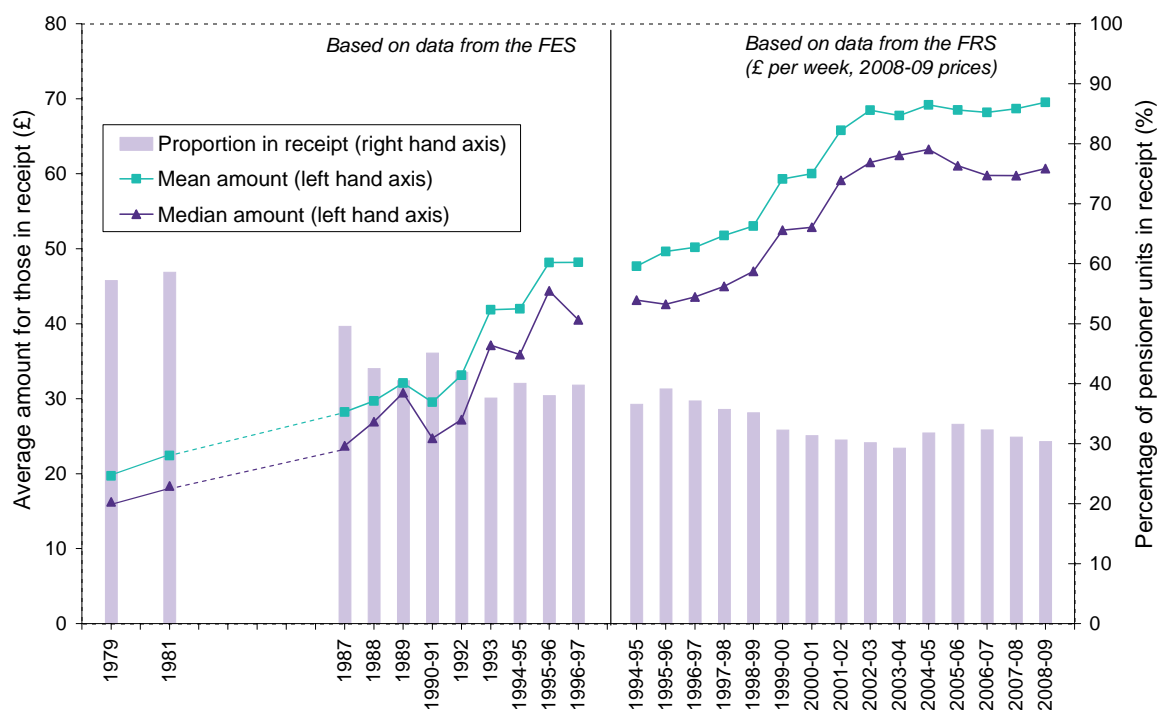


Table 3.4: The proportion of pensioner units with income from income related benefits and the average amount for those in receipt, 1996-97-2008-09

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of income related benefits (%)</b>						
<b>All pensioner units</b>						
Total	37%	35%	33%	32%	31%	30%
Pensioner couples	22%	19%	20%	18%	18%	17%
Single pensioners	48%	47%	44%	44%	42%	42%
<b>Recently retired pensioner units</b>						
Total	29%	25%	26%	26%	26%	26%
Pensioner couples	21%	15%	18%	16%	17%	16%
Single pensioners	41%	41%	39%	40%	39%	38%
<b>Average amount of income related benefits for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	50	53	68	68	69	70
Pensioner couples	49	50	70	66	66	69
Single pensioners	51	54	68	69	69	70
<b>Recently retired pensioner units</b>						
Total	49	50	76	68	72	74
Pensioner couples	42	43	81	60	70	71
Single pensioners	53	54	73	73	73	76
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	44	47	61	60	60	61
Pensioner couples	32	31	55	51	49	54
Single pensioners	47	51	63	63	64	63
<b>Recently retired pensioner units</b>						
Total	35	44	67	61	63	69
Pensioner couples	27	27	60	47	54	58
Single pensioners	44	51	71	70	72	77

## 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 2008-09 were Attendance Allowance and Disability Living Allowance.

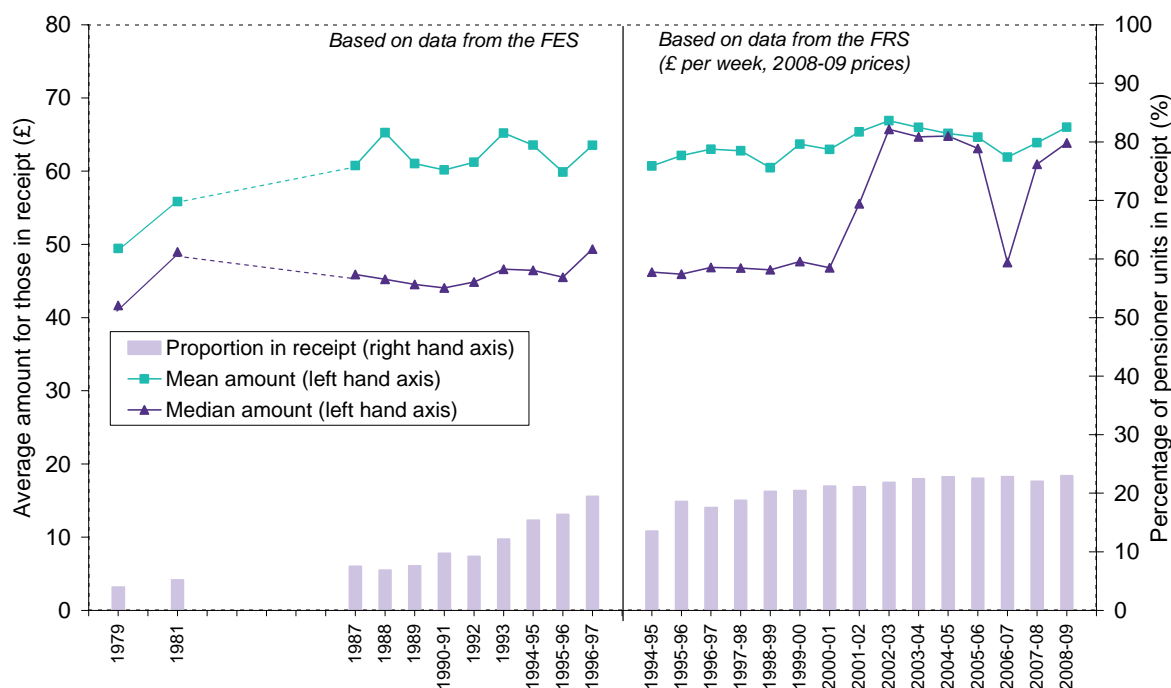
Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. For example, Attendance Allowance is under-reported on the FRS by around two fifths. Amounts of Attendance Allowance may have been reported as State Pension.

More than one fifth (23%) of all pensioner units received some form of disability benefit in 2008-09. **Figure 3.6** shows the large increase in this proportion between 1979 and 1996-97, 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 £66 a week in 2008-09. 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 (£44.85) or a higher rate (£67) in 2008-09; so the median can suddenly jump if the proportions on the lower and higher rate changes.

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 two large peaks in the distribution represent receipt of the 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 1994-95-2008-09**



## Chapter 3: Sources of Pensioners' Incomes

**Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1996-97-2008-09**

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of disability benefits (%)</b>						
<b>All pensioner units</b>						
Total	18%	20%	23%	23%	22%	23%
Pensioner couples	22%	21%	23%	22%	22%	23%
Single pensioners	14%	20%	22%	23%	22%	23%
<b>Recently retired pensioner units</b>						
Total	17%	15%	18%	19%	18%	18%
Pensioner couples	21%	18%	19%	21%	21%	19%
Single pensioners	12%	12%	16%	17%	15%	17%
<b>Average amount of disability benefits for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	63	60	65	62	64	66
Pensioner couples	69	66	73	70	74	75
Single pensioners	56	56	57	56	55	58
<b>Recently retired pensioner units</b>						
Total	65	60	70	65	69	71
Pensioner couples	67	63	74	70	78	78
Single pensioners	62	55	64	57	53	62
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	47	47	63	48	61	64
Pensioner couples	65	64	67	65	66	66
Single pensioners	45	45	47	46	46	46
<b>Recently retired pensioner units</b>						
Total	64	47	64	62	62	64
Pensioner couples	65	57	65	64	66	65
Single pensioners	63	46	63	48	46	48

## Pensioners in receipt of investment income

Investment income was the second most common source of income, received by 71% of all pensioner units in 2008-09 (**Table 3.6**). As **Figure 3.3** shows, large numbers of people receive small amounts of investment income with half of all pensioner units receiving investment income getting £7 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 £53.

After the rises seen between 2002-03 and 2007-08 in the average amounts of investment income received by pensioners, 2008-09 shows investment income has fallen. This fall is likely to be due to the early impacts of the recession. This fall in investment income disproportionately affected the richest pensioners, and makes little difference to 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 in the medians. Chapter 4 gives more detail on the distribution of incomes and investment income by quintile.

It should be noted that a comparative study found that FRS based estimates of investment income were significantly lower than FES based estimates, partly because 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 1994-95-2008-09**

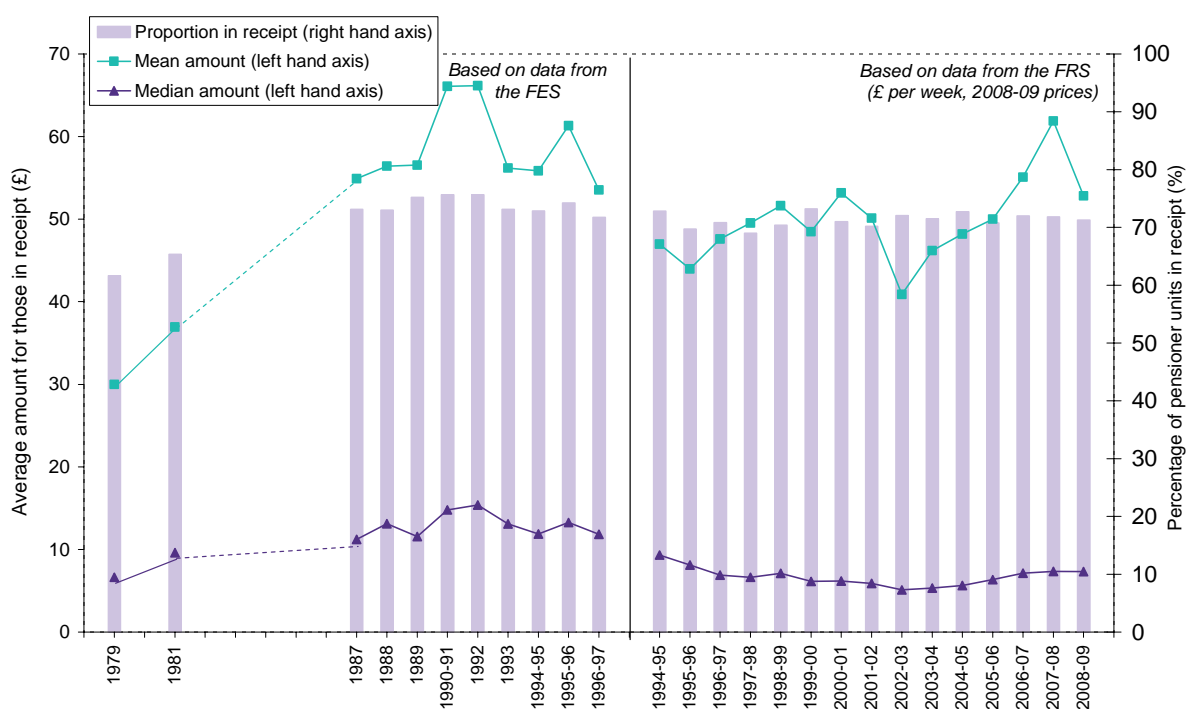


Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1996-97-2008-09

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of investment income (%)</b>						
<b>All pensioner units</b>						
Total	71%	70%	71%	72%	72%	71%
Pensioner couples	79%	79%	77%	79%	78%	76%
Single pensioners	65%	64%	65%	66%	66%	67%
<b>Recently retired pensioner units</b>						
Total	72%	71%	69%	72%	72%	70%
Pensioner couples	78%	79%	76%	79%	77%	76%
Single pensioners	63%	59%	59%	63%	66%	63%
<b>Average amount of investment income for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	48	52	50	55	62	53
Pensioner couples	67	71	71	75	87	74
Single pensioners	30	34	30	35	37	32
<b>Recently retired pensioner units</b>						
Total	64	78	79	72	90	66
Pensioner couples	81	92	102	83	110	88
Single pensioners	33	49	36	55	59	34
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	7	7	6	7	7	7
Pensioner couples	13	13	11	12	14	12
Single pensioners	4	4	3	4	4	5
<b>Recently retired pensioner units</b>						
Total	10	11	9	10	9	10
Pensioner couples	15	16	13	14	13	13
Single pensioners	5	5	4	4	5	5

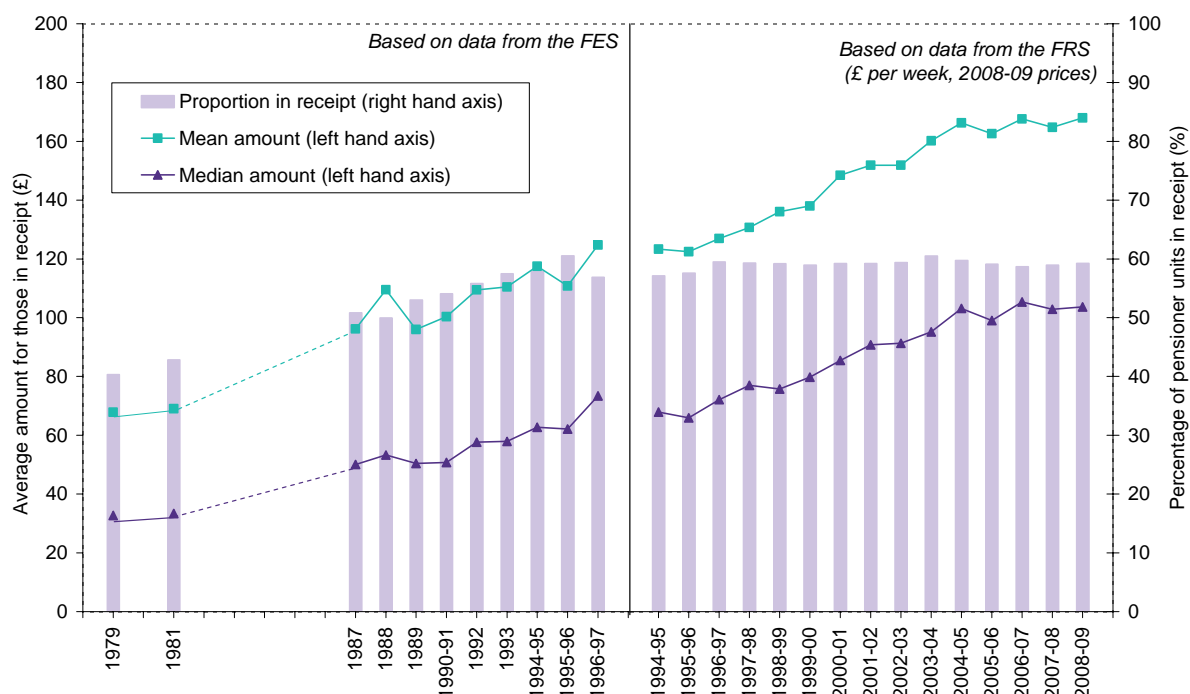
## Pensioners in receipt of occupational pension income

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 59% of pensioner units in 2008-09, compared to 40% in 1979 (**Figure 3.8**).

The average amount of occupational pension income for those in receipt has increased because of a number of factors. The coverage of occupational pension schemes increased rapidly in the 1950s and 1960s, so increasingly pensioners are likely to have been a member of a scheme (this change is most noticeable between 1979 and 1996-97). These 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 occupational pension income may be partly based) have generally been higher for those retiring more recently. A further factor has been the introduction in 1988 of index-linking of occupational pension income (for 'contracted out' schemes, which cover the majority of people with occupational pensions). Older pensioners now are more likely to have maintained the real value of their occupational pension income than older pensioners in 1979.

The latest estimates based on FRS data show that in 2008-09, 59% of pensioner units received occupational pension income, at an average of £168 a week (**Table 3.7**). Average occupational pension income has continued to increase over recent years, and the trend in the proportion in receipt has remained broadly flat.

**Figure 3.8: Pensioner units in receipt of occupational pension income, 1979-1996-97 and 1994-95-2008-09**



## 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, 1996-97-2008-09**

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of occupational pension income (%)</b>						
<b>All pensioner units</b>						
Total	59%	59%	59%	59%	59%	59%
Pensioner couples	71%	70%	66%	67%	65%	65%
Single pensioners	51%	51%	53%	52%	54%	55%
<b>Recently retired pensioner units</b>						
Total	66%	65%	56%	59%	60%	60%
Pensioner couples	76%	74%	65%	65%	62%	62%
Single pensioners	53%	52%	43%	44%	43%	47%
<b>Average amount of occupational pension income for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	127	136	163	168	165	168
Pensioner couples	167	179	214	221	218	224
Single pensioners	85	92	110	111	110	112
<b>Recently retired pensioner units</b>						
Total	161	166	210	198	207	206
Pensioner couples	185	190	237	229	241	255
Single pensioners	112	115	151	134	142	129
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	72	76	99	105	103	104
Pensioner couples	105	117	142	155	158	158
Single pensioners	50	54	69	72	70	70
<b>Recently retired pensioner units</b>						
Total	101	107	139	136	135	136
Pensioner couples	121	130	159	168	163	184
Single pensioners	76	74	103	88	84	83

### Pensioners in receipt of personal pension income

Income from personal pensions includes personal pensions, 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 2008-09, 15% 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 £100 per week in 2008-09, although half of all recipients had £42 per week or less.

As a small proportion of pensioners have personal pension income, the results are subject to relatively large levels of uncertainty.

**Figure 3.9: Pensioner units in receipt of personal pension income, 1994-95-2008-09**

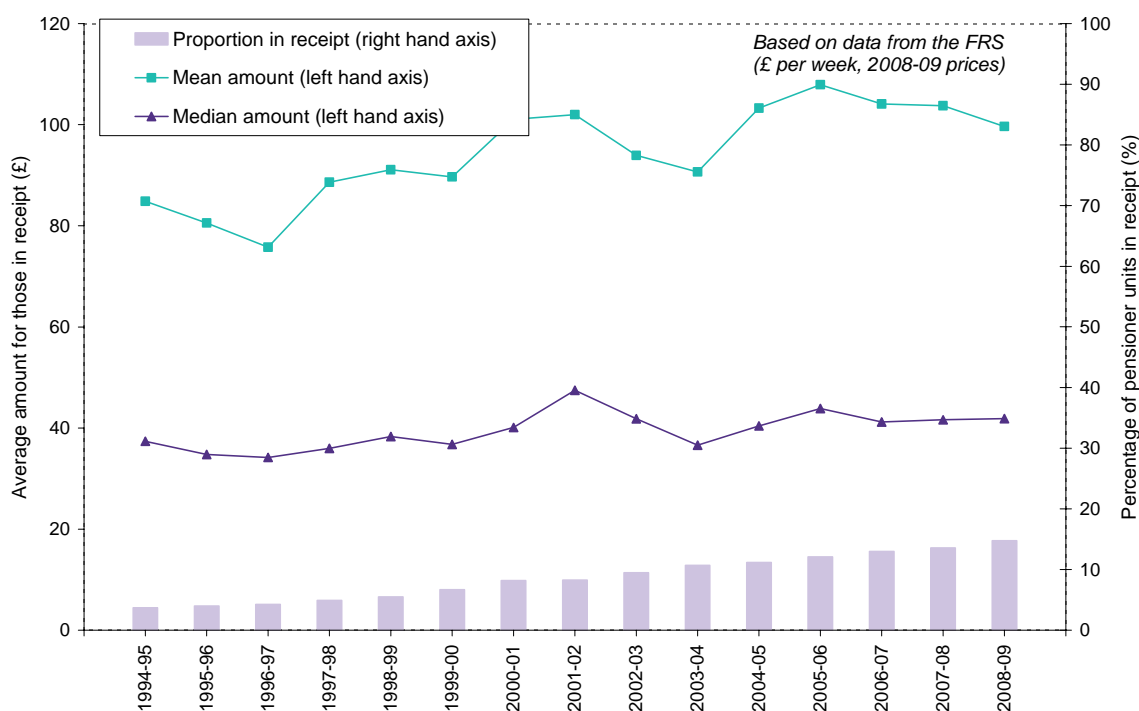


Table 3.8: The proportion of pensioner units with personal pension income and the average amount for those in receipt, 1996-97-2008-09

*Incomes in £ per week, 2008-09 prices*

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of personal pension income (%)</b>						
<b>All pensioner units</b>						
Total	4%	5%	12%	13%	14%	15%
Pensioner couples	7%	9%	19%	20%	21%	22%
Single pensioners	2%	3%	7%	7%	7%	9%
<b>Recently retired pensioner units</b>						
Total	7%	10%	20%	21%	19%	19%
Pensioner couples	10%	13%	26%	27%	26%	25%
Single pensioners	3%	6%	12%	11%	11%	13%
<b>Average amount of personal pension income for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	76	91	108	104	104	100
Pensioner couples	83	100	118	111	115	114
Single pensioners	55	68	85	88	75	71
<b>Recently retired pensioner units</b>						
Total	92	98	101	94	99	97
Pensioner couples	98	110	111	102	104	109
Single pensioners	65	59	73	69	82	67
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	34	38	44	41	42	42
Pensioner couples	38	45	48	45	46	48
Single pensioners	28	25	36	35	32	32
<b>Recently retired pensioner units</b>						
Total	43	39	43	40	38	41
Pensioner couples	45	47	48	44	42	49
Single pensioners	34	23	33	27	29	24

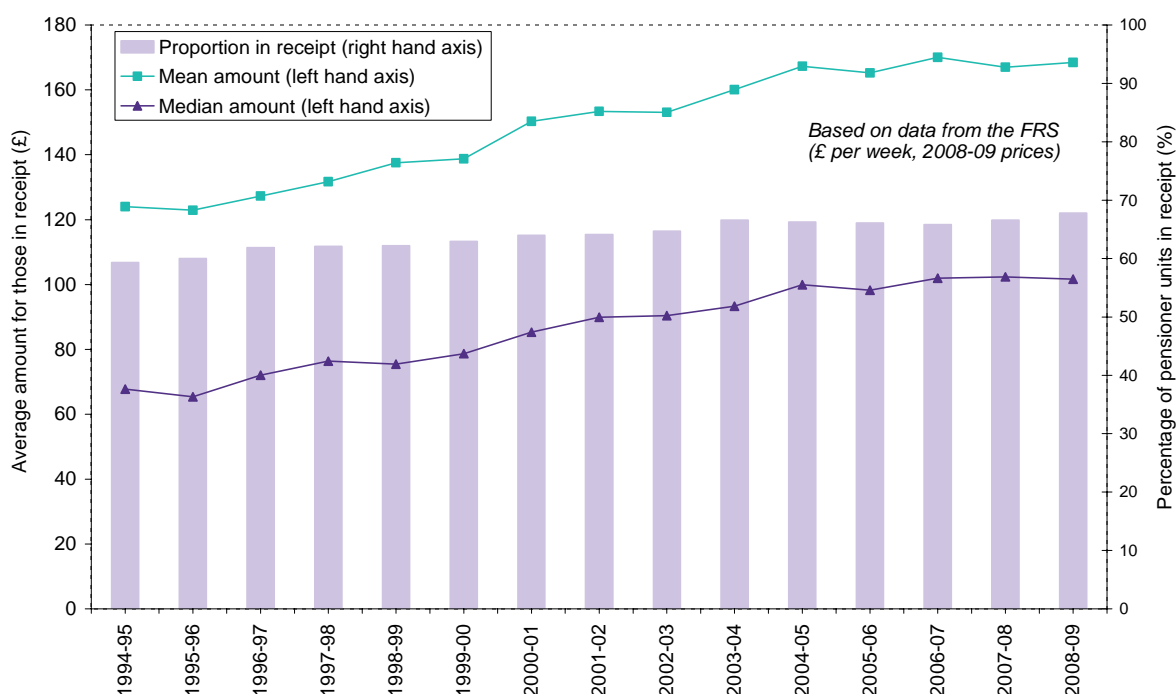
## Pensioners in receipt of private pension income

Private pension income is the sum of occupational and personal pension income. Given the relative importance of the two, the results are dominated by occupational 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 2008-09, 68% 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, and was £168 per week in 2008-09, although half of all recipients had less than £102 per week. Recently retired pensioner units in receipt of private pension income on average receive more income from this source compared to older pensioner units.

**Figure 3.10: Pensioner units in receipt of private pension income, 1994-95-2008-09**



## 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, 1996-97-2008-09**

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of private pension income (%)</b>						
<b>All pensioner units</b>						
Total	62%	62%	66%	66%	67%	68%
Pensioner couples	74%	75%	77%	77%	76%	77%
Single pensioners	52%	53%	57%	56%	58%	60%
<b>Recently retired pensioner units</b>						
Total	70%	71%	67%	67%	65%	66%
Pensioner couples	80%	81%	77%	79%	76%	75%
Single pensioners	55%	56%	51%	51%	49%	54%
<b>Average amount of private pension income for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	127	138	165	170	167	168
Pensioner couples	167	181	215	220	219	222
Single pensioners	85	92	111	113	110	112
<b>Recently retired pensioner units</b>						
Total	163	168	207	195	202	201
Pensioner couples	187	193	235	226	232	244
Single pensioners	112	113	146	131	141	127
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	72	75	98	102	102	102
Pensioner couples	104	116	138	149	149	148
Single pensioners	50	53	69	71	68	69
<b>Recently retired pensioner units</b>						
Total	102	107	129	128	127	130
Pensioner couples	121	132	153	161	152	167
Single pensioners	76	71	98	79	85	79

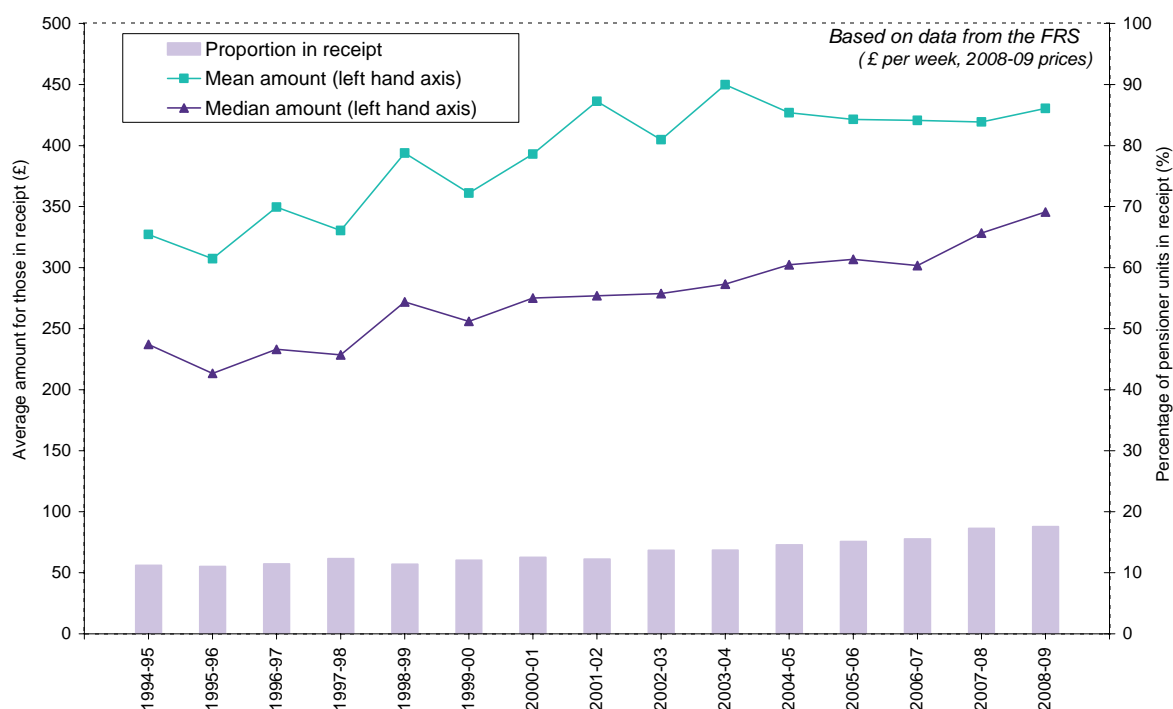
## Pensioners in receipt of income from earnings

Income from earnings refers to gross earnings from employment and self employment. In 2008-09, 18% of pensioner units were in receipt of income from earnings, with couples more likely to be in receipt than single pensioners (**Table 3.10**). Recently retired pensioner units are much more likely to have income from earnings compared to all pensioner units, with 33% reporting to have earnings as a source of income.

The average amount of income from earnings in 2008-09 for those in receipt was £430 per week, with half of all pensioner units receiving earnings having more than £345 per week.

Pensioner couples in PI include couples where one member is below state pension age but the other is over. As such, some of the results include earnings from people under state pension age. The number of couples where one member is under state pension age increased substantially in 2008-09. 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, 1994-95-2008-09**



## 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, 1996-97-2008-09**

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Proportion in receipt of income from earnings (%)</b>						
<b>All pensioner units</b>						
Total	11%	11%	15%	16%	17%	18%
Pensioner couples	22%	22%	26%	27%	29%	30%
Single pensioners	4%	4%	6%	6%	7%	7%
<b>Recently retired pensioner units</b>						
Total	20%	20%	30%	29%	33%	33%
Pensioner couples	26%	23%	35%	35%	37%	40%
Single pensioners	12%	16%	22%	21%	27%	24%
<b>Average amount of income from earnings for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	350	394	421	421	419	430
Pensioner couples	388	425	466	463	462	475
Single pensioners	191	256	262	275	268	282
<b>Recently retired pensioner units</b>						
Total	291	320	390	343	356	372
Pensioner couples	318	351	446	362	395	416
Single pensioners	208	250	264	301	285	286
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	233	272	307	302	328	345
Pensioner couples	280	299	339	331	371	381
Single pensioners	103	171	184	212	209	210
<b>Recently retired pensioner units</b>						
Total	198	226	274	259	279	299
Pensioner couples	210	238	303	262	319	326
Single pensioners	178	202	220	252	230	231

### Pensioners in receipt of income from annual lump sum payments

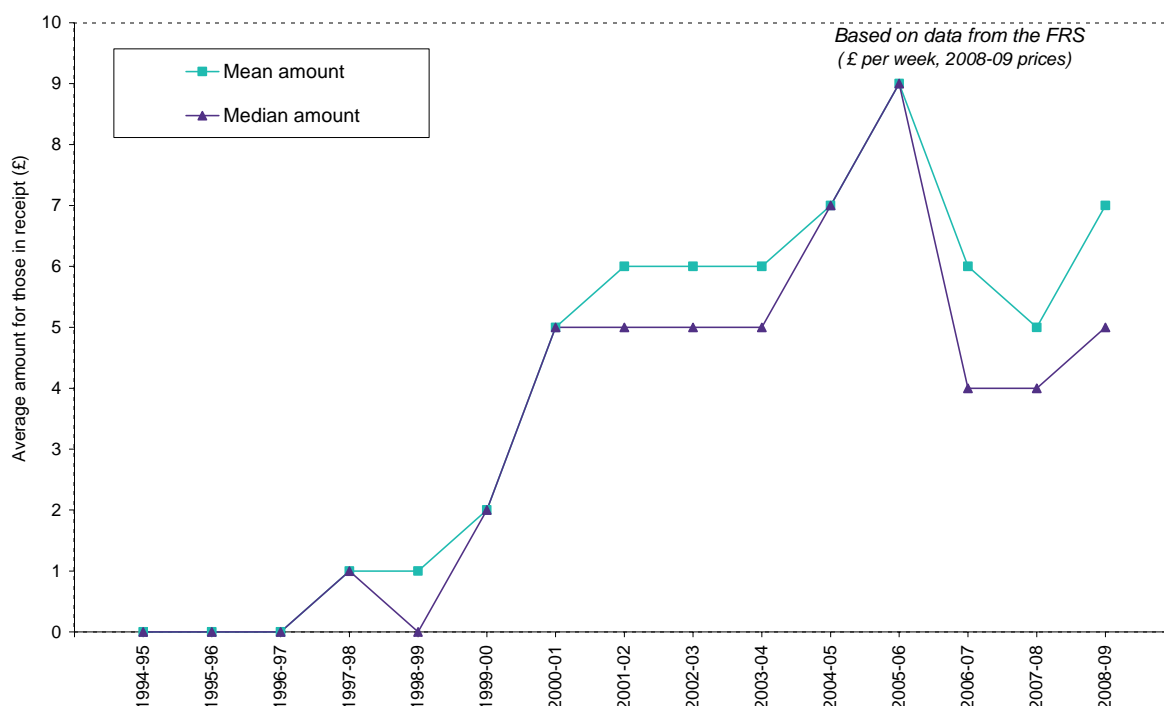
Income from annual lump sum payments specifically refers to amounts that a pensioner may receive once a year. Winter Fuel payments and age-related payments fall into this category; as does income gained due to free TV licences for the over-75s. Such payments are typically paid in full at a particular time, so the amount has been converted into a weekly equivalent.

A Winter Fuel Payment of £20 was introduced in 1997-98 and Free TV licences for the over-75s were introduced in November 2000. Since then fluctuations in the average amount are due to changes in the amount of the Winter Fuel Payment and age-related payment (if any). The peak in 2005-06 is due to the introduction of age-related payments in 2004-05 and their subsequent increase in 2005-06. They were not repeated in 2006-07 or 2007-08.

The large increase in lump sum payments in 2008-09 is largely due to the Christmas bonus increasing from £10 to £70 and there were additional payments to Winter Fuel payments of £50 for those aged over 60, and by £100 for those aged over 80.

In 2008-09, it is assumed that practically all pensioner units receive some income from a lump sum payment due to their universal nature, with the average amount received being £7 per week.

Figure 3.12: Pensioner units in receipt of income from annual lump sums, 1994-95-2008-09



## Chapter 3: Sources of Pensioners' Incomes

**Table 3.11: The average amount of income from annual lump sums for those in receipt, 1996-97-2008-09**

	<i>Incomes in £ per week, 2008-09 prices</i>					
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Average amount of income from annual payments for those in receipt (£pw)</b>						
<b>Mean amounts</b>						
<b>All pensioner units</b>						
Total	*	1	9	6	5	7
Pensioner couples	*	1	9	5	5	6
Single pensioners	*	1	9	6	6	7
<b>Recently retired pensioner units</b>						
Total	*	1	7	4	4	5
Pensioner couples	*	1	8	4	4	5
Single pensioners	*	1	5	4	4	5
<b>Median amounts</b>						
<b>All pensioner units</b>						
Total	*	*	9	4	4	5
Pensioner couples	*	*	9	4	4	5
Single pensioners	*	*	9	6	5	6
<b>Recently retired pensioner units</b>						
Total	*	*	8	4	4	5
Pensioner couples	*	*	9	4	4	5
Single pensioners	*	*	4	4	4	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 more appropriate to use the after housing costs measure.

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. Comparisons between single pensioners and pensioner couples are sensitive to the precise way in which incomes are equivalised (see Appendix A for more information).

**Tables 4.1, 4.3 and 4.4** are presented as three year averages. This is because quintiles are relatively small groups and results may 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 the different costs people will face. For example the costs involved in disability or old age, or for working people the costs associated with travelling to work.

## Median incomes by quintile

For pensioner couples in 2008-09, the median net income (before and after housing costs) of the top fifth was around four times that of the bottom fifth. 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.

The distribution of pensioners' incomes has become wider since the mid 1990s. **Figure 4.1** compares the median net incomes of the bottom fifth and top fifth of pensioner couples in 1994-97, 1998-01, 2002-05 and 2006-09 (based on the FRS). The widening gap is mainly a result of the increasing value of occupational pensions and investments, which has led to faster growth in incomes towards the top of the distribution.

Between 1979 and 1996-97 the median income of the top fifth of pensioner couples grew by 91% compared with 30% for the bottom fifth on an AHC basis (see Historical Tables on the internet site). The pattern for single pensioners is similar.

The rate of growth in median incomes between 1998-01 and 2006-09 was fairly evenly spread across the income distribution. Pensioner couples in the bottom quintile saw 27% growth in the top quintile and 26% in the bottom on an AHC basis – **Table 4.1**.

## 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 2006-09**

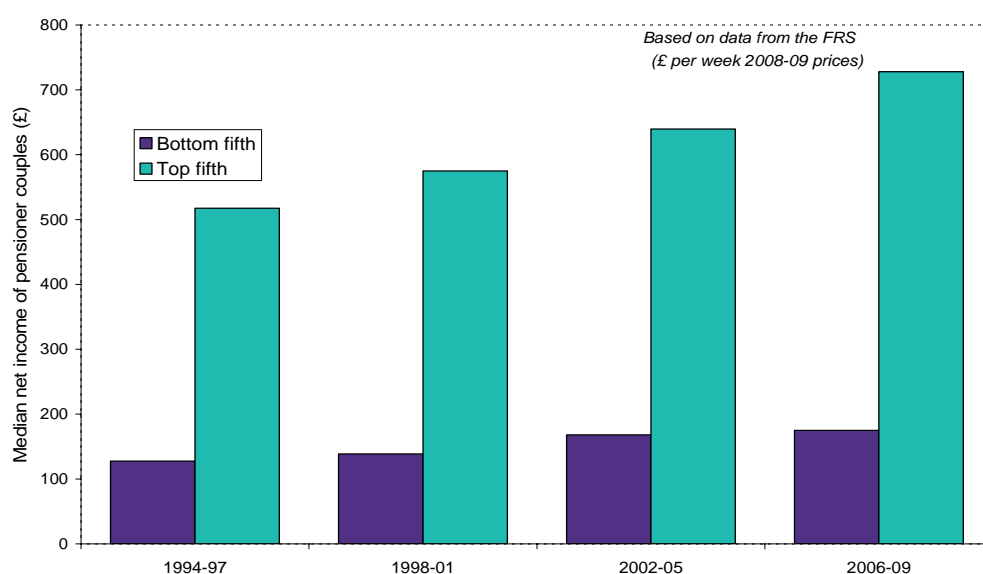
*Incomes in £ per week, 2008-09 prices*

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
<b>Medians</b>						
<b>Pensioner couples</b>						
<b>Net income before housing costs</b>						
1998-01	171	233	296	392	626	379
2006-09	197	281	363	477	755	452
% growth 1998-01-2006-09	15%	21%	23%	22%	21%	19%
<b>Net income after housing costs</b>						
1998-01	139	196	260	355	575	337
2006-09	175	257	340	457	728	428
% growth 1998-01-2006-09	26%	31%	31%	29%	27%	27%
<b>Medians</b>						
<b>Single pensioners</b>						
<b>Net income before housing costs</b>						
1998-01	97	134	162	203	300	193
2006-09	113	161	201	249	353	231
% growth 1998-01-2006-09	16%	20%	24%	23%	18%	20%
<b>Net income after housing costs</b>						
1998-01	74	94	119	167	260	155
2006-09	90	130	165	221	328	202
% growth 1998-01-2006-09	22%	38%	39%	32%	26%	30%

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, 2002-05 and 2006-09**



## Age and gender in the income distribution

**Table 4.2** shows the spread of different groups of pensioners in 2008-09. Two thirds of pensioners own their own home outright, and so tend to have relatively low housing costs. Net income after deducting housing costs better reflects their living standards compared to 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 22% of pensioner couples 75 and over are in the bottom fifth compared with 19% of pensioner couples under 75. There is a similar pattern in the net BHC income distribution.
- **Older single pensioners are slightly more likely to be in the bottom fifth** of the single pensioners' income distribution (before housing costs) than younger single pensioners. 21% of single pensioners 75 and over are in the bottom fifth compared to 19% of single pensioners under 75. After housing costs 20% of both single pensioners 75 and over and single pensioners under 75 are in the bottom fifth.
- **Single females are more likely to be in the bottom fifth** of the single pensioners' income distribution (both before and after housing costs) than single males. After housing costs 22% of single females are in the bottom fifth compared to 16% of men. There is a similar pattern in the net BHC income distribution. This is partly because a larger proportion of older pensioners are female than male. However, **Table 2.6** showed that within the 75 and over age group female single pensioners 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 HBAI analysis where the income distribution is based on the household income.

**Figure 4.2: Pensioner couples by age and position in the net income (AHC) distribution, 2008-09**

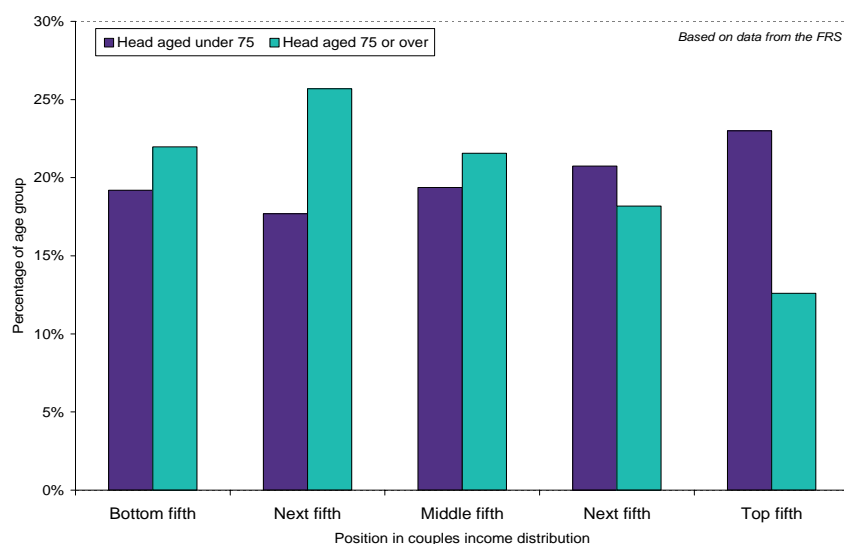


Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2008-09

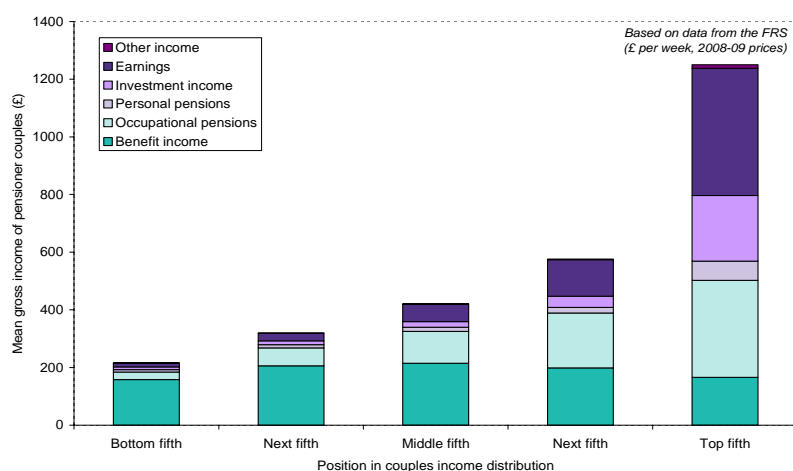
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
<b>Pensioner couples' net income</b>						
<b>Before housing costs distribution</b>						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	17%	17%	19%	21%	25%	100%
Head aged under 75	19%	18%	19%	21%	23%	100%
Head aged 75 and over	23%	24%	22%	18%	12%	100%
<b>Pensioner couples' net income</b>						
<b>After housing costs distribution</b>						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	18%	17%	19%	21%	25%	100%
Head aged under 75	19%	18%	19%	21%	23%	100%
Head aged 75 and over	22%	26%	22%	18%	13%	100%
<b>Single pensioners' net income</b>						
<b>Before housing costs distribution</b>						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	14%	20%	19%	21%	25%	100%
Single females	22%	20%	20%	20%	18%	100%
Recently retired	20%	18%	19%	17%	26%	100%
Aged under 75	19%	19%	20%	20%	22%	100%
Aged 75 and over	21%	20%	20%	20%	18%	100%
<b>Single pensioners' net income</b>						
<b>After housing costs distribution</b>						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	16%	19%	21%	20%	25%	100%
Single females	22%	20%	20%	20%	18%	100%
Recently retired	23%	19%	16%	16%	26%	100%
Aged under 75	20%	21%	18%	19%	22%	100%
Aged 75 and over	20%	19%	22%	21%	18%	100%

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

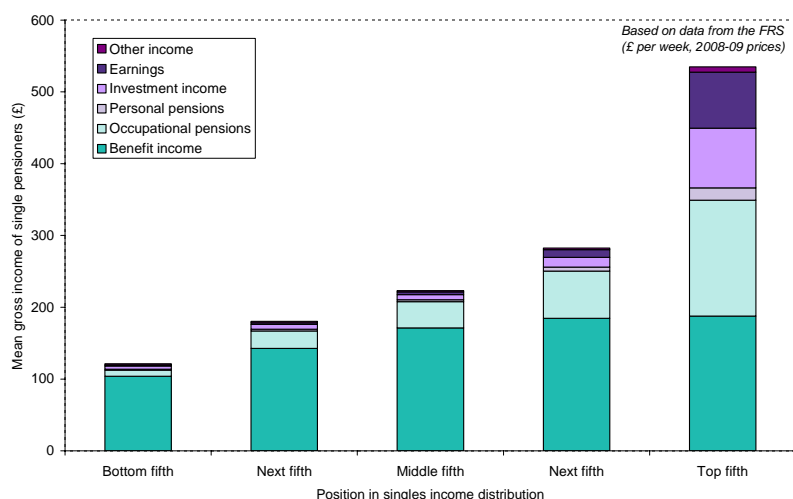
**Table 4.3** shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (BHC) distribution. It should be noted that mean gross incomes (**Table 4.3**) are higher, particularly for the top fifth, than median gross incomes (**Table 4.1**) because of a small number of pensioners with very high incomes which skew the results.

Income from state benefits in 2006-09 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% of gross income for pensioner couples. Occupational pension income increases rapidly as we move up the distribution, reaching an average of £336 for the top fifth of pensioner couples and £161 for the top fifth of single pensioners. Income from investments and earnings also increase 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 position in the net income (BHC) distribution, 2006-09**



**Figure 4.4: Sources of gross income of single pensioners by position in the net income (BHC) distribution, 2006-09**



## 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 2006-09**

*Incomes in £ per week, 2008-09 prices*

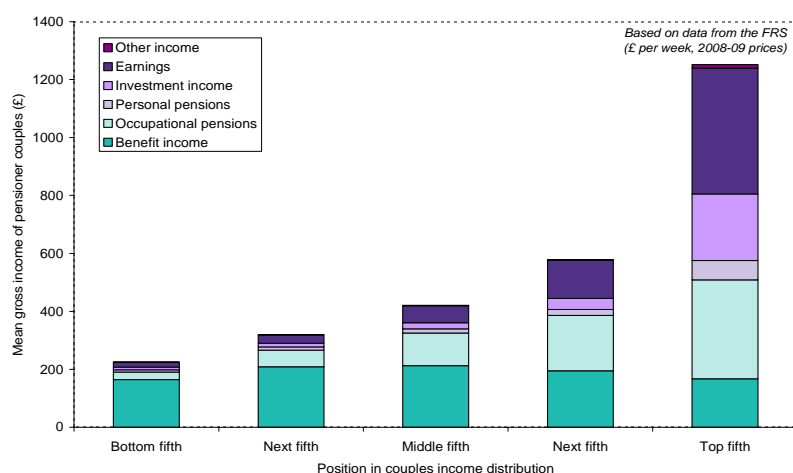
	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
<b>1998-01 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	187	259	336	468	1048	460
<i>of which</i>						
Benefit income	147	184	190	169	146	167
Occupational pension	20	45	86	164	326	128
Personal pension income	3	4	6	10	36	12
Investment income	9	11	19	38	203	56
Earnings	7	15	35	85	323	93
Other income	1	*	1	1	13	3
<b>Single pensioners</b>						
<b>Gross income</b>	106	148	178	228	448	221
<i>of which</i>						
Benefit income	95	122	142	154	163	135
Occupational pension	5	18	26	54	144	49
Personal pension income	*	1	1	2	8	2
Investment income	5	6	7	14	80	22
Earnings	*	1	2	3	47	11
Other income	*	1	1	2	7	2
<b>2006-09 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	216	320	421	576	1250	568
<i>of which</i>						
Benefit income	158	206	215	199	166	192
Occupational pension	26	62	111	190	336	148
Personal pension income	8	11	15	20	67	24
Investment income	9	13	19	38	228	63
Earnings	13	26	60	127	442	136
Other income	1	1	2	2	12	4
<b>Single pensioners</b>						
<b>Gross income</b>	121	180	223	282	535	274
<i>of which</i>						
Benefit income	104	143	171	184	188	161
Occupational pension	9	24	36	66	161	61
Personal pension income	1	3	3	6	17	6
Investment income	4	7	7	14	83	24
Earnings	1	2	4	11	78	20
Other income	2	2	2	2	7	3

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

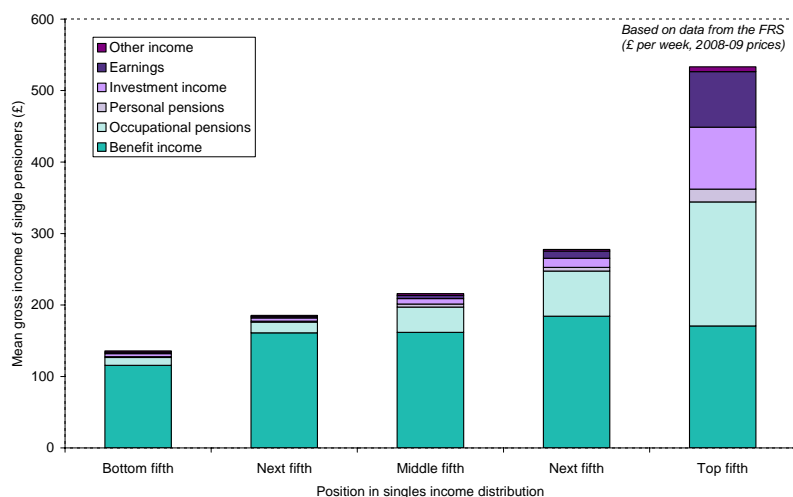
**Table 4.4** shows how different sources of income contribute to the gross incomes of pensioners in different income quintiles of the net income (AHC) distribution. It should be noted that mean gross incomes (**Table 4.4**) are higher, particularly for the top fifth, than median gross incomes (**Table 4.1**) because of a small number of pensioners with very high incomes which skew the results.

Income from state benefits in 2008-09 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 73% of gross income for pensioner couples. Occupational pension income increases rapidly as we move up the distribution, reaching an average of £341 for the top fifth of pensioner couples and £174 for the top fifth of single pensioners. Income from investments and earnings also increase 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 position in the net income (AHC) distribution, 2006-09**



**Figure 4.6: Sources of gross income of single pensioners by position in the net income (AHC) distribution, 2006-09**



## 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 2006-09**

*Incomes in £ per week, 2008-09 prices*

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
<b>1998-01 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	185	243	318	444	994	437
<i>of which</i>						
Benefit income	151	175	174	157	139	159
Occupational pension	17	41	81	158	313	122
Personal pension income	2	4	6	9	35	11
Investment income	7	10	18	36	195	53
Earnings	7	13	38	83	300	88
Other income	1	*	1	1	12	3
<b>Single pensioners</b>						
<b>Gross income</b>	117	142	160	212	422	211
<i>of which</i>						
Benefit income	105	129	87	147	138	121
Occupational pension	8	9	19	45	147	45
Personal pension income	*	*	3	1	8	3
Investment income	4	2	7	13	78	21
Earnings	*	*	1	4	44	10
Other income	1	1	1	2	6	2
<b>2006-09 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	225	320	421	579	1252	559
<i>of which</i>						
Benefit income	165	208	213	195	167	190
Occupational pension	26	58	112	191	341	146
Personal pension income	7	11	15	20	67	24
Investment income	10	12	20	38	229	62
Earnings	16	29	59	133	434	134
Other income	1	2	2	2	12	4
<b>Single pensioners</b>						
<b>Gross income</b>	136	185	216	278	533	270
<i>of which</i>						
Benefit income	116	161	162	184	171	159
Occupational pension	11	15	36	63	174	60
Personal pension income	1	1	4	5	18	6
Investment income	4	4	8	13	87	23
Earnings	2	2	5	10	78	19
Other income	2	2	2	2	7	3

### 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.

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. In the before housing costs distribution, the proportion of pensioner couples with occupational pension income ranged from 42% in the bottom fifth of the distribution to 72% in the top fifth. The trend is similar after housing costs with 42% of the bottom fifth receiving occupational pension income and 73% in the top fifth.

The lowest rates of receipt for disability benefits were generally found towards the bottom of the income distribution. This is because disability benefits themselves (and disability related additions to income related benefits) help move people up the income distribution. It is worth noting though that in this analysis no account is taken of the extra costs associated with disability when calculating each 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 received income related benefits too. This is partly due to these benefits serving to push people up the distribution; particularly disability related additions to income related benefits (which are paid on top of disability benefits such as Attendance Allowance and Disability Living Allowance).

Across all quintiles a greater proportion of single pensioners are in receipt of income related benefits than pensioner couples. This holds true for a BHC and AHC basis. For example, on a BHC basis, 27% of single pensioners in the top quintile are in receipt of income related benefits, compared with 1% 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 BHC and AHC 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 thus 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 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> quintiles getting income related benefits on the before housing costs basis than when rent is deducted from incomes for the after housing costs basis (**Table 4.5**).

**Table 4.5: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2008-09**

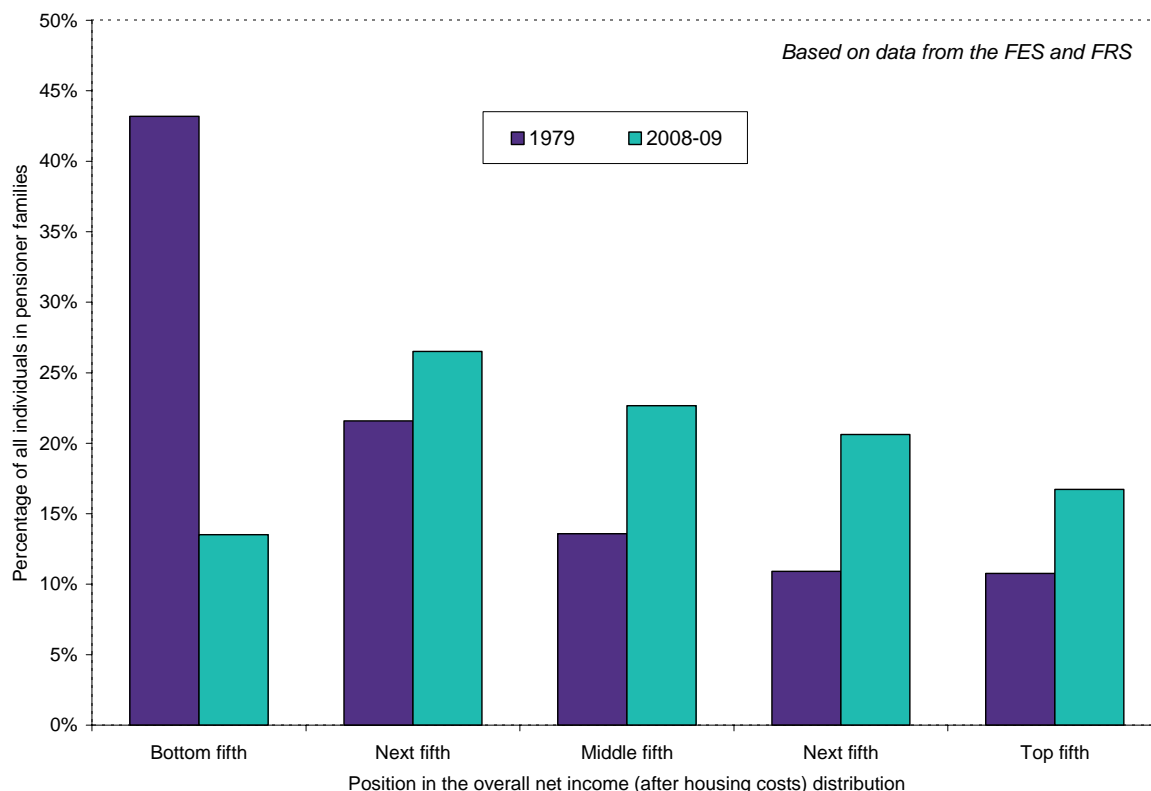
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
<b>Pensioner couples' net income</b>						
<b>Before housing costs distribution</b>						
<b>Proportion of each quintile in receipt of:</b>						
State Pension	86%	96%	96%	95%	91%	93%
Income related benefits	28%	27%	18%	10%	1%	17%
Disability benefits	14%	30%	36%	27%	9%	23%
Investment income	61%	70%	77%	82%	92%	76%
Occupational pension	42%	65%	70%	74%	72%	65%
Personal Pension income	18%	18%	21%	22%	29%	22%
Earnings	11%	16%	23%	38%	61%	30%
<b>Pensioner couples' net income</b>						
<b>After housing costs distribution</b>						
<b>Proportion of each quintile in receipt of:</b>						
State Pension	86%	96%	96%	96%	91%	93%
Income related benefits	30%	29%	17%	7%	1%	17%
Disability benefits	14%	33%	35%	25%	9%	23%
Investment income	59%	70%	78%	83%	93%	76%
Occupational pension	42%	63%	71%	74%	73%	65%
Personal Pension income	18%	19%	21%	23%	29%	22%
Earnings	13%	15%	22%	39%	60%	30%
<b>Single pensioners' net income</b>						
<b>Before housing costs distribution</b>						
<b>Proportion of each quintile in receipt of:</b>						
State Pension	90%	97%	99%	98%	97%	96%
Income related benefits	37%	47%	56%	40%	27%	42%
Disability benefits	4%	16%	20%	39%	34%	23%
Investment income	60%	64%	62%	67%	82%	67%
Occupational pension	31%	54%	54%	65%	69%	55%
Personal Pension income	6%	9%	7%	9%	13%	9%
Earnings	2%	3%	3%	7%	22%	7%
<b>Single pensioners' net income</b>						
<b>After housing costs distribution</b>						
<b>Proportion of each quintile in receipt of:</b>						
State Pension	89%	97%	98%	99%	97%	96%
Income related benefits	42%	68%	45%	36%	18%	42%
Disability benefits	7%	10%	28%	41%	29%	23%
Investment income	55%	58%	65%	71%	85%	67%
Occupational pension	33%	38%	61%	67%	75%	55%
Personal Pension income	5%	7%	9%	8%	15%	9%
Earnings	2%	2%	4%	7%	22%	7%

**Pensioners in the overall net income distribution**

Tables 4.6 and 4.7 show the position of individuals within the overall household income distribution. Before dividing households into quintiles, household income is equivalised, meaning that 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 income distribution in 1979 and 2008-09 is shown in Figure 4.7. In 1979, 44% of all pensioners were in the bottom fifth before housing costs and by 2008-09 this proportion had almost halved to 23%. As increasing numbers of pensioners own their own 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% in 1979 to 14% in 2008-09. A greater proportion of single pensioners are in the bottom fifth both on a BHC and AHC basis in comparison to couples.

**Figure 4.7: Pensioners' position in the overall net income (AHC) distribution, 1979 and 2008-09**



## 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 2008-09**

*Quintiles based on equivalised household income*

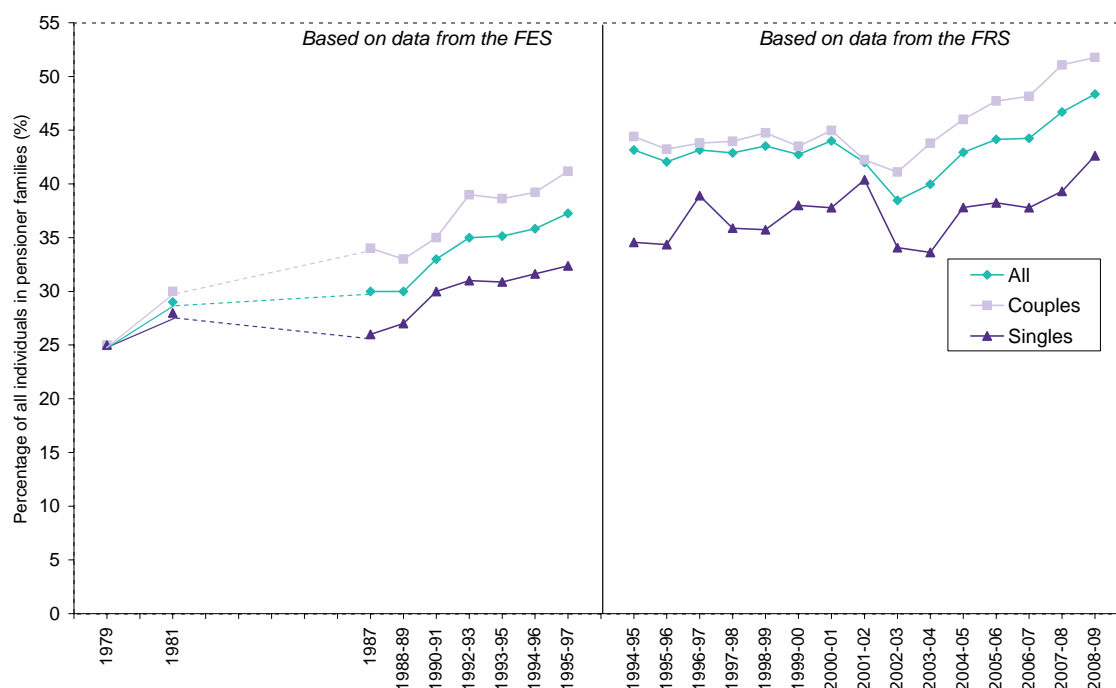
*Results based upon data from the FES (for 1979) and the FRS (for 1998-99 and 2008-09)*

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
<b>1979</b>						
<b>All pensioners</b>						
Before housing costs	44%	23%	14%	10%	9%	100%
After housing costs	43%	22%	14%	11%	11%	100%
<b>Pensioner couples</b>						
Before housing costs	40%	22%	16%	11%	11%	100%
After housing costs	41%	20%	15%	12%	12%	100%
<b>Single pensioners</b>						
Before housing costs	49%	24%	11%	8%	7%	100%
After housing costs	47%	23%	11%	9%	9%	100%
<b>1998-99</b>						
<b>All pensioners</b>						
Before housing costs	24%	28%	19%	16%	13%	100%
After housing costs	17%	28%	21%	17%	17%	100%
<b>Pensioner couples</b>						
Before housing costs	24%	27%	19%	16%	14%	100%
After housing costs	16%	28%	21%	18%	17%	100%
<b>Single pensioners</b>						
Before housing costs	27%	34%	20%	10%	8%	100%
After housing costs	22%	33%	19%	14%	12%	100%
<b>2008-09</b>						
<b>All pensioners</b>						
Before housing costs	23%	27%	21%	17%	12%	100%
After housing costs	14%	26%	23%	21%	17%	100%
<b>Pensioner couples</b>						
Before housing costs	20%	24%	21%	18%	16%	100%
After housing costs	12%	24%	23%	21%	20%	100%
<b>Single pensioners</b>						
Before housing costs	27%	31%	22%	14%	7%	100%
After housing costs	15%	31%	22%	20%	12%	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, 48% of all pensioners were in the top half in 2008-09; 52% of individuals in pensioner couples and 43% of single pensioners.

**Figure 4.8: Proportion of individuals in pensioner families in the top half of the overall population net income (AHC) distribution, 1979-1995/97 and 1994-95-2008-09**



**Table 4.7: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1996-97-2008-09**

*Quintiles based on equivalised household income*

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09
<b>Net income before housing costs</b>						
All pensioner units	38%	37%	36%	36%	37%	40%
Pensioner couples	39%	39%	41%	41%	43%	45%
Single pensioners	31%	27%	29%	28%	27%	31%
<b>Net income after housing costs</b>						
All pensioner units	43%	44%	44%	44%	47%	48%
Pensioner couples	44%	45%	48%	48%	51%	52%
Single pensioners	39%	36%	38%	38%	39%	43%

## 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. **In particular, differences in incomes between groups and changes over time are unlikely to be statistically significant.**

Firstly, it looks at mixed status pensioner couples (where one member is above state pension age (SPA) and the other is below), highlighting the different income profile of these pensioners compared to couples where both members are over state pension age.

In 2008-09 there was a large increase in the number of pensioner couples where one member is under state pension age. The income profile of the average pensioner unit is likely to have been affected by this increase.

Secondly, it explores the difference between being 'retired' and being a 'pensioner', this group is very similar in make up to mixed status couples and will include some of the same pensioners looked at in the mixed status couples section.

Between 2010 and 2020 the state pension age 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.

Finally, analysis for ethnic minority pensioners is presented. The sample size is small so three years of data have been used to allow an income component breakdown. Results highlight differences in the entitlement to state and private pensions between the different groups.

## Mixed status couples

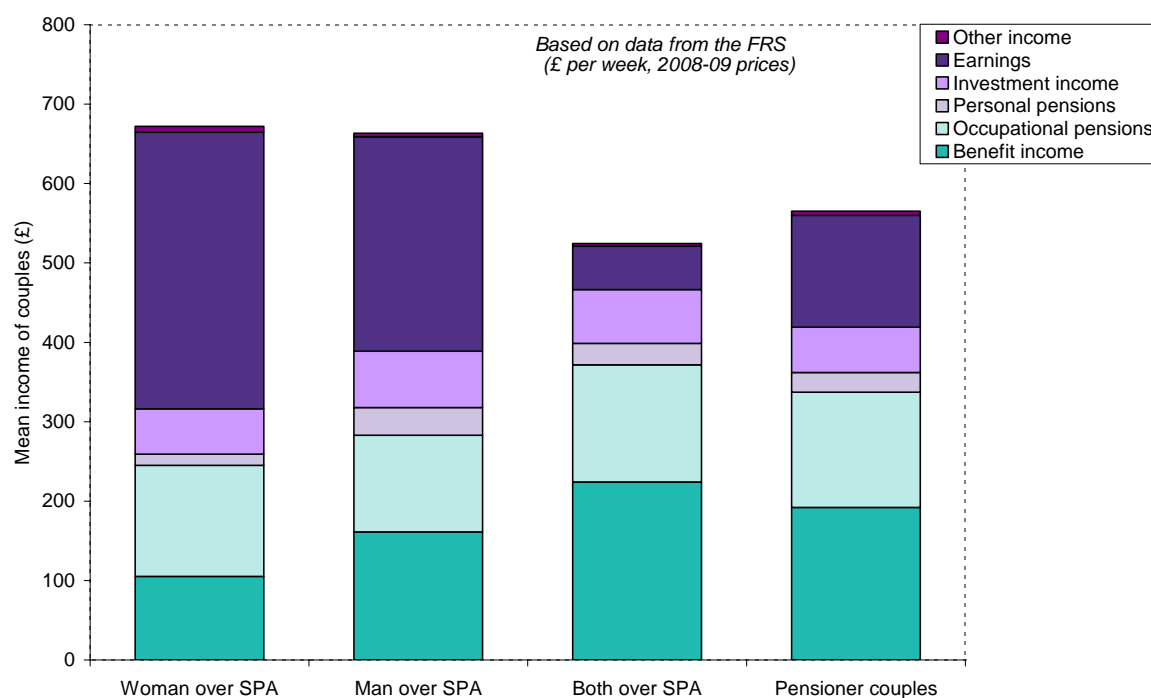
All the tables in the publication so far have related to 'pensioner units' defined as single people over state pension age and couples (married or cohabiting) where one or more adults are over SPA.

This section looks at summary results for mixed status couples, that is those couples where strictly one partner is above state pension age and one below. Although same sex couples are included in the main tables as part of the definition of pensioner couples for 2008-09, 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 it for a number of pensioner groups, namely:

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

**Figure 5.1: Sources of gross income for different types of pensioner couples, 2008-09**



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

## Chapter 5: Additional Analysis and Context

From **Figure 5.1** we can see that couples in which only the woman is over state pension age 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. Couples where one person is above SPA have greater income from earnings and tend to receive less income from benefits.

**Table 5.1** shows the average income of couples where one partner is over state pension but the other is not.

**Table 5.1: The average incomes of couples where one partner is over state pension age but the other is not, 1996-97-2008-09**

*Incomes in £ per week, 2008-09 prices*

	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>Couples where one partner is over state pension age but the other is not</b>							
<b>Gross income</b>	524	561	697	683	661	670	100%
<i>of which</i>							
Benefit income	104	108	124	117	110	116	17%
Occupational pension	123	136	141	134	129	136	20%
Personal pension income	6	7	18	22	16	18	3%
Investment income	55	52	64	65	61	60	9%
Earnings	232	254	343	343	341	333	50%
Other income	4	4	7	3	4	7	1%
<b>Net income BHC</b>							
Mean	413	439	534	518	502	512	76%
Median	320	350	401	403	401	441	
<b>Net income AHC</b>							
Mean	356	387	498	487	475	478	71%
Median	270	301	371	377	376	411	

Mixed status couples are a relatively small group but there are far more of them in 2008-09 than in 2007-08. For some sub-groups, and analysis of some components of income, for instance earnings, inclusion or exclusion of these mixed status couple will make a difference.

**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 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, 2008-09**

		<i>Incomes in £ per week, 2008-09 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)	30%	475	381
Results using previous definition of pensioner couples	19%	390	281
Man over SPA, Woman under SPA	61%	445	348
Woman over SPA, Man under SPA	63%	555	444
Strictly one member over SPA, one under SPA	63%	534	422
Both members over SPA	15%	371	258

## Retired people

The Pensioners' Income 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 350,000 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.
- 550,000 singles over SPA have not retired and 700,000 couples have at least one member over SPA where neither has retired. 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 SPA, 2008-09**

	Under SPA		Over SPA		All
	Males	Females	Males	Females	
<b>Singles</b>					
Not retired	6,600,000	5,850,000	100,000	450,000	13,000,000
Retired	100,000	50,000	1,100,000	3,000,000	4,250,000
All	6,750,000	5,850,000	1,250,000	3,450,000	17,250,000
	Both under SPA	Female over SPA	Male over SPA	Both over SPA	All
<b>Couples</b>					
Neither retired	10,900,000	450,000	100,000	150,000	11,550,000
One retired	250,000	350,000	100,000	400,000	1,050,000
Both retired	100,000	150,000	50,000	2,150,000	2,450,000
All	11,200,000	950,000	250,000	2,750,000	15,100,000

**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 SPA, 2008-09**

<i>Incomes in £ per week, in 2008-09 prices</i>		
<b>Retired under SPA</b>	<b>Amount of income</b>	<b>Proportion in receipt</b>
<b>Gross income</b>	247	
<i>of which</i>		
Benefit Income	64	63%
State Pension	2	2%
Income related benefits	38	31%
Disability benefits	9	13%
Occupational pension	131	64%
Personal pension income	4	55%
Investment income	40	9%
Earnings	*	*
Other income	9	12%
 <b>Net income BHC</b>		
Mean	203	
Median	166	
 <b>Net income AHC</b>		
Mean	163	
Median	125	

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

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

The gross income level would place these retired singles in the top two quintiles 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 state pension age (65 for men, 60 for women) or over, or a couple one or more of which are at state pension age or over. Between 2010 and 2020 the state pension age for women will be increasing from 60 to 65, to match the SPA for men.

**Table 5.5** gives the headline figures for pensioner units 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.

So **Table 5.5** gives the headline pensioners' incomes estimates for the same population of pensioners throughout the period of state pension age equalisation.

Table 5.5: The average incomes of pensioner units 65 or over, 1996-97-2008-09

	<i>Incomes in £ per week, 2008-09 prices</i>						
	1996-97	1998-99	2005-06	2006-07	2007-08	2008-09	As a % of gross income in 2008-09
<b>All pensioner units</b>							
<b>Gross income</b>	283	293	364	364	377	383	100%
<i>of which</i>							
Benefit income	146	150	185	180	180	187	49%
Occupational pension	73	77	95	98	97	99	26%
Personal pension income	3	5	13	13	15	15	4%
Investment income	34	35	34	37	44	37	10%
Earnings	25	24	33	33	37	42	11%
Other income	1	2	4	3	3	3	1%
<b>Net income BHC</b>							
Mean	245	251	309	309	317	325	85%
Median	190	194	247	243	246	259	
<b>Net income AHC</b>							
Mean	202	211	281	282	295	297	78%
Median	148	157	218	218	225	231	
<b>Pensioner couples</b>							
<b>Gross income</b>	408	419	504	504	533	533	100%
<i>of which</i>							
Benefit income	175	178	216	207	210	216	41%
Occupational pension	117	123	143	150	146	147	28%
Personal pension income	6	10	23	22	27	28	5%
Investment income	55	55	54	57	72	58	11%
Earnings	53	50	64	64	74	81	15%
Other income	1	3	4	3	4	4	1%
<b>Net income BHC</b>							
Mean	349	353	421	419	439	443	83%
Median	274	279	340	339	355	357	
<b>Net income AHC</b>							
Mean	302	312	394	397	422	419	79%
Median	230	243	315	315	335	334	
<b>Single pensioners</b>							
<b>Gross income</b>	196	208	258	259	259	271	100%
<i>of which</i>							
Benefit income	126	132	161	159	158	165	61%
Occupational pension	43	46	58	58	60	63	23%
Personal pension income	1	2	5	6	6	6	2%
Investment income	20	21	20	22	23	22	8%
Earnings	5	5	9	10	9	12	4%
Other income	1	1	3	3	3	3	1%
<b>Net income BHC</b>							
Mean	172	181	225	224	224	236	87%
Median	149	154	197	196	199	206	
<b>Net income AHC</b>							
Mean	133	143	195	194	198	205	76%
Median	100	109	161	159	164	171	

### Ethnic minority groups

Ethnic minorities account for 3.3% of all pensioner units in the UK according to the FRS (based on head of pensioner unit), this proportion is similar to the one found in the 2001 Census (3%). The sample sizes for ethnic minority pensioner groups on the FRS are small and so it is difficult to get robust estimates from the survey. For these results a three year dataset has been used and so comparisons with tables in the main text can only be indicative. Data is collected on pensioners in the 'Mixed' ethnic group, but sample sizes are too small to provide robust estimates, even when combining three year's data.

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 £232 compared to £161 and £169 for Black and Asian 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 State Pension

Low pension incomes 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 [www.statistics.gov.uk/articles/population\\_trends/PT116\\_RendallBall.pdf](http://www.statistics.gov.uk/articles/population_trends/PT116_RendallBall.pdf).

Although the 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.

A high proportion of Asian families live in a household with more than one benefit unit – extended family household. This differs from the rest of the groups who for the majority live in one benefit unit households. Income from households is not reflected here.

**Table 5.6: The components of mean gross income of pensioner units, and the proportion in receipt by ethnic minority group, 2006-09**

*Incomes in £ per week, in 2008-09 prices*

<b>Ethnic Minority groups</b>	<b>All</b>	<b>White</b>	<b>Asian / Asian British</b>	<b>Black / Black British</b>	<b>Chinese / Other</b>
<b>Gross income</b>	399	401	375	301	337
<i>of which</i>					
Benefit income	172	172	159	172	152
State Pension	127	128	102	107	104
Income related benefits	21	21	33	45	27
Disability benefits	14	15	14	11	12
Occupational pension	98	100	75	37	80
Personal pension income	14	14	5	3	9
Investment income	41	41	53	6	31
Earnings	71	71	79	79	61
Other income	3	3	4	4	5
<b>Net income BHC</b>					
Mean	331	450	306	259	282
Median	270	258	195	223	227
<b>Net income AHC</b>					
Mean	305	307	283	209	247
Median	230	232	169	161	194
<b>Proportion of pensioners in receipt of:</b>					
Benefit income	100%	100%	98%	100%	98%
State Pension	95%	95%	83%	87%	86%
Income related benefits	31%	31%	45%	53%	33%
Disability benefits	23%	23%	21%	22%	19%
Occupational pension	59%	60%	31%	42%	45%
Personal pension income	14%	14%	6%	6%	8%
Investment income	72%	73%	45%	46%	62%
Earnings	17%	17%	15%	20%	19%
<b>Total population figures</b> (rounded to 10,000)	8,380,000	8,060,000	140,000	90,000	60,000

*Notes:*

(1) Data based on the average of three years of FRS results from 2006-07, 2007-08 and 2008-09 uprated to 2008-09 prices

## Appendices

- A Data Sources and Methods**
- B Reliability of Estimates**

## **Appendix A: Data Sources and Methods**

The PI series in 2008-09 is based on the Households Below Average Income (HBAI) dataset, which is itself based on 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 (see Historical Tables on the PI website). FES data is based on calendar years between 1979 and 1993, and financial years from 1996-97 onwards.

There are a number of differences in 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 is 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](http://statistics.dwp.gov.uk/asd/pensioners_income.asp). These include papers on negative incomes, personal pension income, and definitions of pensioner unit. 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 [www.dwp.gov.uk/asd/frs](http://www.dwp.gov.uk/asd/frs).

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](http://www.statistics.gov.uk)).

A Robustness Assessment Report considering income data on the FRS can be found on the Households Below Average Income web page at [www.dwp.gov.uk/asd/hbai.asp](http://www.dwp.gov.uk/asd/hbai.asp).

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](http://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 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
- **Income from investments**
- **Income from earnings** – including profit and loss from self-employment
- **Other income** – benefits from Friendly Societies, income from dependent children, welfare milk, 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.**

**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.

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

**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/pensioners\\_income.asp](http://statistics.dwp.gov.uk/asd/pensioners_income.asp).

### 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 state pension age, 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 state pension age.

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 2008-09 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.

**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.

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 three 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. 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% confidence interval of +/- £4, then it this means that in 95% 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% 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.

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

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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% and 100% respectively.

**Table B1.1** gives some examples of standard errors and confidence intervals that have been calculated for estimates of pensioners' average incomes in 2008-09. The table shows that while there is a degree of uncertainty about the estimates it does not effect 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 2008-09 and between 2007-08 and 2008-09. Notice that the size of the confidence interval around the estimate of growth between 2007-08 and 2008-09 is large compared to 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 fourteen years at most. Even over this period, uncertainty is clearly a lot greater than for point-in-time estimates. For example, the relative 95% 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 2008-09 estimates. However, for some 2008-09 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.

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

**Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2008-09**

	Estimate £pw	Standard error	95% confidence interval		
			Interval width +/-	Relative width	Interval range
<b>All pensioner units</b>					
<b>Gross income</b>	406	5	10	3%	[396, 417]
<i>of which:</i>					
Benefit income	175	1	2	1%	[174, 177]
Occupational pension	100	2	4	4%	[95, 104]
Personal pension income	15	1	2	16%	[12, 17]
Investment income	38	2	3	9%	[34, 41]
Earnings	76	3	5	7%	[70, 81]
Other Income	4	0	1	27%	[3, 4]
<b>Mean net income</b>					
Before housing costs	338	4	7	2%	[331, 346]
After housing costs	309	4	7	2%	[302, 316]
<b>Subgroups of pensioners</b>					
<b>Mean net income BHC</b>					
Pensioner couples	459	7	13	3%	[446, 472]
Single pensioners	238	3	5	2%	[233, 243]
Recently retired head	389	12	23	6%	[366, 412]
Head under 75 years	378	5	10	3%	[368, 388]
Head over 75 years	284	5	9	3%	[275, 293]
Single male pensioners	262	6	12	4%	[251, 274]
Single female pensioners	229	3	6	3%	[223, 235]
<b>Recent growth estimates</b> <i>(% increase 1996/7-2008/9)</i>					
<b>Mean net income BHC</b>					
All pensioner units	34%	2	4	11%	[30%, 38%]
Pensioner couples	29%	2	5	17%	[24%, 34%]
Single pensioners	37%	2	4	11%	[33%, 41%]

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

Table B1.2: Recent growth in average incomes of pensioner units, 1998-99-2008-09

	<i>Incomes in £ per week, 2008-09 prices</i>						
	1998-99	2007-08	2008-09	% growth 1998-99- 2008-09	% growth 2007-08- 2008-09	95% confidence interval 1998-99-2008-09	95% confidence interval 2007-08-2008-09
<b>All pensioner units</b>							
<b>Gross income</b>	313	401	406	30%	1%	25% to 35%	-3% to 5%
<i>of which</i>							
Benefit income	144	169	175	22%	4%	20% to 24%	2% to 5%
Occupational pension	81	97	100	24%	2%	16% to 31%	-3% to 8%
Personal pension income	5	14	15	193%	4%	124% to 263%	-18% to 26%
Investment income	36	44	38	4%	-15%	-10% to 18%	-27% to -3%
Earnings	45	72	76	69%	4%	48% to 89%	-8% to 16%
Other income	2	3	4	56%	9%	-2% to 114%	-24% to 42%
<b>Net income BHC</b>							
Mean	264	331	338	28%	2%	24% to 32%	-1% to 6%
Median	199	252	267	34%	6%	29% to 39%	1% to 10%
<b>Net income AHC</b>							
Mean	223	308	309	38%	0%	33% to 43%	-3% to 4%
Median	161	231	237	47%	3%	39% to 55%	-3% to 8%
<b>Pensioner couples</b>							
<b>Gross income</b>	449	562	564	26%	0%	19% to 32%	-5% to 6%
<i>of which</i>							
Benefit income	162	187	192	18%	3%	16% to 21%	0% to 5%
Occupational pension	126	143	145	15%	2%	6% to 24%	-5% to 9%
Personal pension income	9	24	25	166%	1%	98% to 234%	-22% to 25%
Investment income	56	68	57	2%	-17%	-16% to 20%	-32% to -2%
Earnings	93	136	141	52%	4%	32% to 71%	-9% to 16%
Other income	3	4	5	58%	26%	-37% to 153%	-34% to 86%
<b>Net income BHC</b>							
Mean	371	454	459	24%	1%	18% to 29%	-3% to 5%
Median	287	364	373	30%	2%	23% to 37%	-2% to 6%
<b>Net income AHC</b>							
Mean	328	435	432	32%	-1%	26% to 38%	-5% to 4%
Median	252	344	347	38%	1%	30% to 46%	-3% to 5%
<b>Single pensioners</b>							
<b>Gross income</b>	212	265	275	29%	4%	24% to 34%	-1% to 8%
<i>of which</i>							
Benefit income	131	155	162	24%	4%	21% to 26%	2% to 6%
Occupational pension	47	59	61	32%	4%	21% to 43%	-4% to 13%
Personal pension income	2	5	6	243%	17%	73% to 413%	-22% to 55%
Investment income	22	24	22	-1%	-11%	-19% to 17%	-30% to 8%
Earnings	9	19	21	122%	10%	67% to 178%	-14% to 35%
Other income	2	3	3	48%	-8%	-3% to 99%	-33% to 16%
<b>Net income BHC</b>							
Mean	185	228	238	29%	4%	25% to 33%	1% to 8%
Median	154	199	206	34%	4%	30% to 37%	1% to 7%
<b>Net income AHC</b>							
Mean	146	202	206	41%	2%	36% to 46%	-2% to 7%
Median	111	163	171	54%	5%	40% to 68%	0% to 9%