

The Pensioners' Incomes Series

2009-10



DWP Department for
Work and Pensions

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Chapter 1: Introduction and Summary of Main Results

The publication

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

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

Online access

This publication is on the internet at

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

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

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

Definitions and conventions used in the Pensioners' Incomes Series

The Pensioners' 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 2009/10)
- **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 2009-10 FRS and are consistent with the results for this year.

Table 1.1: The number of pensioner units in the United Kingdom, 2009-10

	Recently retired	Under 75	75 or over	All
All pensioner units	2,000,000	5,000,000	3,600,000	8,550,000
<i>of which</i>				
Pensioner couples	1,200,000	3,000,000	1,200,000	4,200,000
Single pensioners	800,000	2,000,000	2,400,000	4,400,000
Single male pensioners	300,000	500,000	600,000	1,100,000
Single female pensioners	500,000	1,500,000	1,800,000	3,300,000

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 2009-10 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 2009-10 (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 2009-10 do not contain data for all years. Complete tables for the period 1994-95 to 2009-10 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 includes 3 year averages where the comparison is to 1998-01. This year was used as 1998-99 was the first consistent year and therefore is the earliest year which would provide a completely consistent comparison.

Further details regarding the data sources used by and the methods used within the Pensioners' Incomes Series 2009-10 can be found in Appendix A.

Changes to the publication

In chapter 5, a new table (Table 5.7) has been introduced to show components of mean gross income for married and cohabiting pensioner units. The table is presented as a three year average.

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 eleven years. **Net income after housing costs** for pensioner units has grown by 47% between 1998-99 and 2009-10, whereas **average earnings** have risen by 14% 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 47% since 1998-99** compared with 38% before deducting housing costs. This is partly a result of increasing numbers of pensioners owning their own home. Around three quarters of pensioners own their homes outright.

Differences between pensioner units

Chapter 2

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

- In 2009-10 state benefits accounted for 42% of pensioners' income; occupational pensions made up 25%, earnings 20%, investment income 8%, and personal pensions 4%.
- Pensioner couples on average have around two-and-a-half times the level of occupational pensions and approximately three times the amount of investment income as single pensioners. Pensioner couples also have approximately seven times the level of earnings of single pensioners.
- On average **older pensioners have lower incomes**. In 2009-10 pensioner couples where the head was aged 75 or over had an average net income of £400 a week after housing costs per week, compared with £493 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 £240 per week in 2009-10 compared with £208 for single female pensioners.
- Pensioners in London, the East 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

- 96% of all pensioner units reported income from the **State Pension** in 2009-10, at an average of £120 a week for singles and £173 a week for couples.
- 30% of pensioner units received at least one **income related benefit** in 2009-10, such as Pension Credit, Housing Benefit or Council Tax Benefit.
- 22% of pensioner units were in receipt of **disability benefits**. Pensioner couples received an average £77 a week from disability benefits in 2009-10 compared to £60 for single pensioners.

- In 2009-10, 71% of pensioner units had some **investment income**, for example from savings or stocks and shares, although for most pensioners this was a relatively small amount. For example, half of those who had investment income received £5 a week or less from it.
- 61% of pensioner units had income from an **occupational pension** at an average amount of £184 per week. 17% had personal pension income in 2009-10.
- 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 69% in 2009-10 (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 2009-10 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 19% and 25% 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 2007-10. 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 22% in the bottom quintile and 26% 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

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

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 2008-09 and 2009-10 see **Table 2.2**.

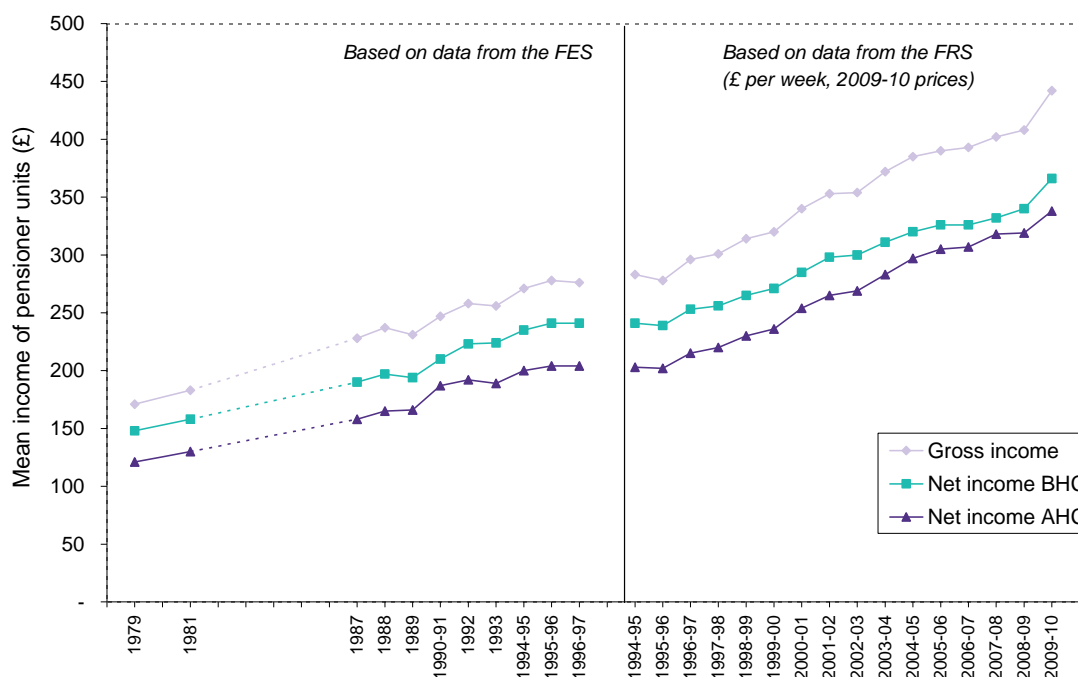
Chapter 2: Pensioners' Incomes

Trends in income for all pensioner units

Pensioner units on average received £442 a week in gross income in 2009-10 (**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 £366 a week in net income, compared with £470 for the working age population. After deduction of housing costs, average income stood at £338 a week, compared with £405 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 38% since 1998-99, compared to real average earnings growth of about 14% over the same period. Net income after housing costs has grown more quickly, increasing by 47% 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 1994-95-2009-10

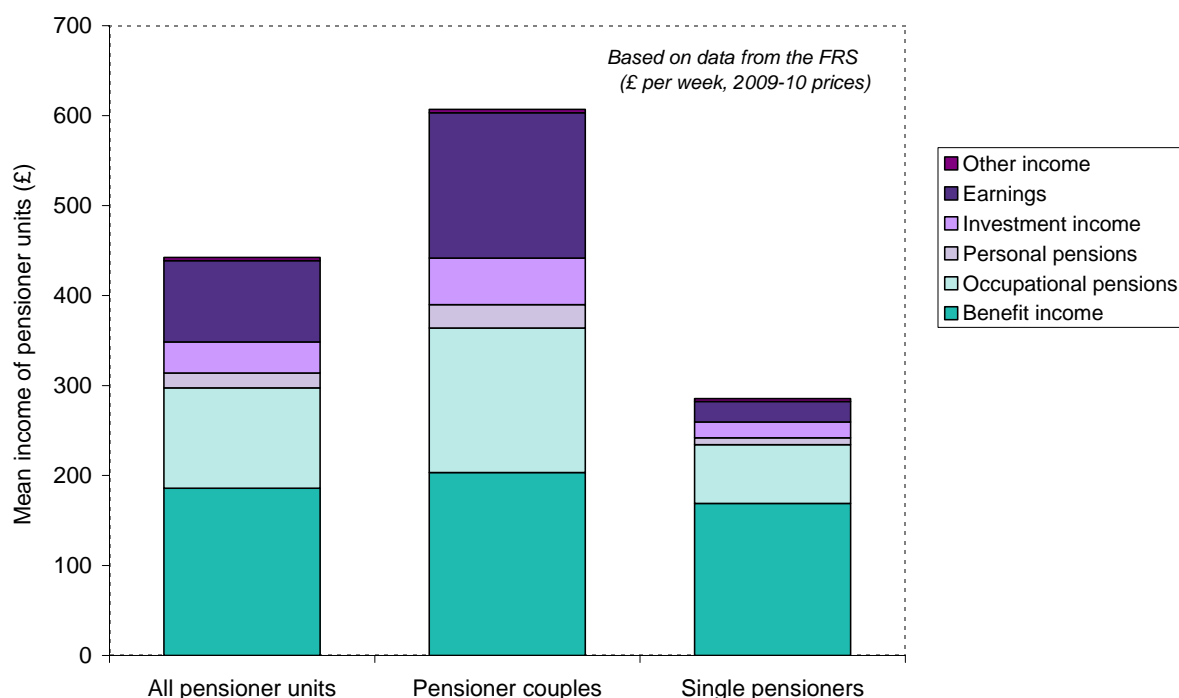


The rise in income in the latest year is explored further in subsequent tables and figures but broadly reflects increases to benefit income, occupational pension and earnings.

Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2009-10:

- 42% of average gross income came from state benefits (including the State Pension)
- Occupational pensions provided 25% of average gross pensioner income
- 8% of gross income came from investment income
- On average 20% of gross income came from earnings, although this is concentrated among a relatively small group of pensioners.

Figure 2.2: Sources of gross income, 2009-10



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 38% between 1998-99 and 2009-10.
- **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 two years, average investment income has fallen.

Average benefit income has seen 29% growth in real terms over the eleven 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.

Chapter 2: Pensioners' Incomes

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 1994-95-2009-10



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 approximately three times the amount of investment income as single pensioners. Pensioner couples also have approximately seven 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 2009-10 net income after housing costs has increased by 38% for pensioner couples, and 43% for singles. As pensioners are increasingly likely to own their own home these increases are smaller before housing costs; 32% for couples and 33% for single pensioners over the same period.

Table 2.1: The average incomes of pensioner units, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>						
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	As a % of gross income in 2009-10
All pensioner units							
Gross income	296	314	393	402	408	442	100%
<i>of which</i>							
Benefit income	141	145	171	170	176	186	42%
Occupational pension	76	81	99	97	100	112	25%
Personal pension income	3	5	14	14	15	17	4%
Investment income	34	36	40	45	38	34	8%
Earnings	40	45	66	73	76	90	20%
Other income	2	2	3	3	4	3	1%
Net income BHC							
Mean	253	265	326	332	340	366	83%
Median	196	200	250	253	268	287	
Net income AHC							
Mean	215	230	307	318	319	338	76%
Median	157	166	229	238	244	256	
Pensioner couples							
Gross income	424	451	546	564	566	607	100%
<i>of which</i>							
Benefit income	161	162	188	187	192	203	33%
Occupational pension	118	127	148	143	146	161	27%
Personal pension income	6	9	23	25	25	26	4%
Investment income	53	56	60	69	57	52	9%
Earnings	84	93	124	137	141	161	27%
Other income	2	3	3	4	5	4	1%
Net income BHC							
Mean	357	372	444	455	460	490	81%
Median	280	288	354	365	374	388	
Net income AHC							
Mean	317	338	432	448	446	466	77%
Median	242	259	339	355	358	367	
Single pensioners							
Gross income	199	213	266	266	276	286	100%
<i>of which</i>							
Benefit income	126	131	158	156	162	169	59%
Occupational pension	44	47	58	59	62	65	23%
Personal pension income	1	2	6	5	6	8	3%
Investment income	19	22	23	24	22	18	6%
Earnings	7	9	18	19	21	23	8%
Other income	1	2	3	3	3	3	1%
Net income BHC							
Mean	175	185	229	229	239	247	86%
Median	150	155	198	199	207	217	
Net income AHC							
Mean	138	151	204	208	213	216	76%
Median	105	114	165	168	176	180	

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 2009-10).

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 2009-10 and between 1998-99 and 2009-10. We also give a 95% confidence interval for the growth rate between 1996-97 and 2009-10. (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 2009-10 are shown in **Table B1.2** in Annex B.

Table 2.2 shows that some estimates, such as the 32% increase in benefit income for all pensioner units since 1996-97, are subject to little uncertainty. While others, like the 125% 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, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2009-10	% growth 1996-97-2009-10	% growth 1998-99-2009-10	95% confidence interval 1996-97 -2009-10
All pensioner units						
Gross income	296	314	442	50%	41%	43% to 56%
<i>of which</i>						
Benefit income	141	145	186	32%	29%	30% to 33%
Occupational pension	76	81	112	47%	38%	39% to 55%
Personal pension income	3	5	17	413%	231%	310% to 517%
Investment income	34	36	34	1%	-6%	-12% to 14%
Earnings	40	45	90	125%	101%	89% to 161%
Other income	2	2	3	131%	53%	57% to 205%
Net income BHC						
Mean	253	265	366	44%	38%	40% to 49%
Median	196	200	287	47%	44%	42% to 51%
Net income AHC						
Mean	215	230	338	57%	47%	51% to 63%
Median	157	166	256	63%	54%	57% to 69%
Pensioner couples						
Gross income	424	451	607	43%	35%	35% to 52%
<i>of which</i>						
Benefit income	161	162	203	26%	25%	24% to 29%
Occupational pension	118	127	161	36%	27%	27% to 44%
Personal pension income	6	9	26	325%	179%	228% to 422%
Investment income	53	56	52	-3%	-8%	-18% to 13%
Earnings	84	93	161	93%	73%	59% to 127%
Other income	2	3	4	102%	31%	-9% to 212%
Net income BHC						
Mean	357	372	490	37%	32%	31% to 44%
Median	280	288	388	39%	35%	35% to 42%
Net income AHC						
Mean	317	338	466	47%	38%	40% to 54%
Median	242	259	367	52%	42%	47% to 57%
Single pensioners						
Gross income	199	213	286	44%	34%	39% to 49%
<i>of which</i>						
Benefit income	126	131	169	34%	29%	32% to 37%
Occupational pension	44	47	65	49%	39%	37% to 60%
Personal pension income	1	2	8	626%	319%	267% to 985%
Investment income	19	22	18	-9%	-20%	-26% to 8%
Earnings	7	9	23	207%	142%	121% to 293%
Other income	1	2	3	160%	77%	87% to 233%
Net income BHC						
Mean	175	185	247	42%	33%	38% to 46%
Median	150	155	217	44%	40%	41% to 47%
Net income AHC						
Mean	138	151	216	56%	43%	51% to 61%
Median	105	114	180	72%	58%	67% to 78%

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 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 pension of this type 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, 2009-10

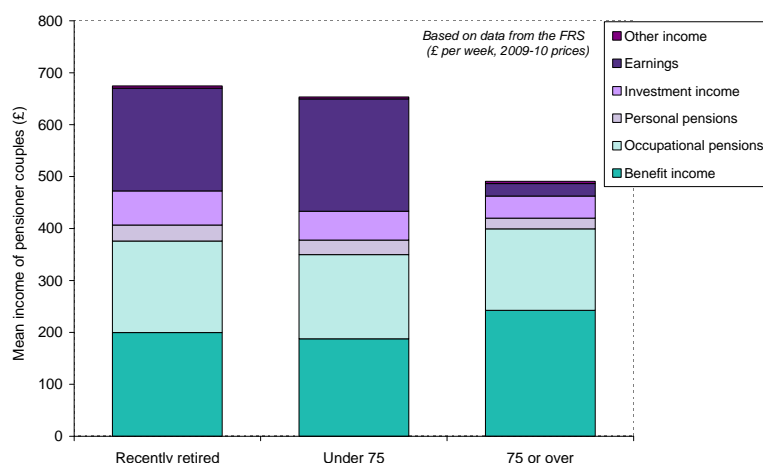


Table 2.3 shows the change in average incomes of pensioner couples by age. Note that interpreting year-on-year changes in estimates should be done with great care.

Table 2.3: The average incomes of pensioner couples by age, 1996-97-2009-10

Incomes in £ per week, 2009-10 prices

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	As a % of gross income in 2009-10
Recently retired pensioner couples							
Gross income	470	495	569	609	614	675	100%
<i>of which</i>							
Benefit income	173	177	195	196	193	200	30%
Occupational pension	140	142	150	151	158	176	26%
Personal pension income	10	15	28	27	27	31	5%
Investment income	64	74	66	85	67	65	10%
Earnings	81	83	127	146	165	198	29%
Other income	2	6	3	5	3	4	1%
Net income BHC							
Mean	396	409	464	489	496	542	80%
Median	305	317	374	377	404	421	
Net income AHC							
Mean	356	375	452	483	482	518	77%
Median	272	287	361	369	389	402	
Pensioner couples where the head is under 75							
Gross income	455	484	588	595	604	653	100%
<i>of which</i>							
Benefit income	153	154	176	173	177	188	29%
Occupational pension	128	133	152	141	148	162	25%
Personal pension income	7	11	26	25	24	28	4%
Investment income	56	60	64	69	61	55	8%
Earnings	109	122	167	182	189	217	33%
Other income	2	4	3	4	5	4	1%
Net income BHC							
Mean	378	395	470	473	483	518	79%
Median	294	306	376	377	394	403	
Net income AHC							
Mean	337	360	458	465	468	493	75%
Median	257	278	364	367	376	380	
Pensioner couples where the head is 75 or over							
Gross income	336	362	444	485	471	491	100%
<i>of which</i>							
Benefit income	185	184	218	223	231	242	49%
Occupational pension	91	110	139	148	139	157	32%
Personal pension income	3	6	15	23	26	21	4%
Investment income	45	46	49	66	48	43	9%
Earnings	11	15	20	21	23	24	5%
Other income	1	1	4	4	4	4	1%
Net income BHC							
Mean	297	312	379	412	403	421	86%
Median	249	247	309	335	339	356	
Net income AHC							
Mean	260	279	368	407	389	400	81%
Median	208	213	294	328	322	330	

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, 2009-10

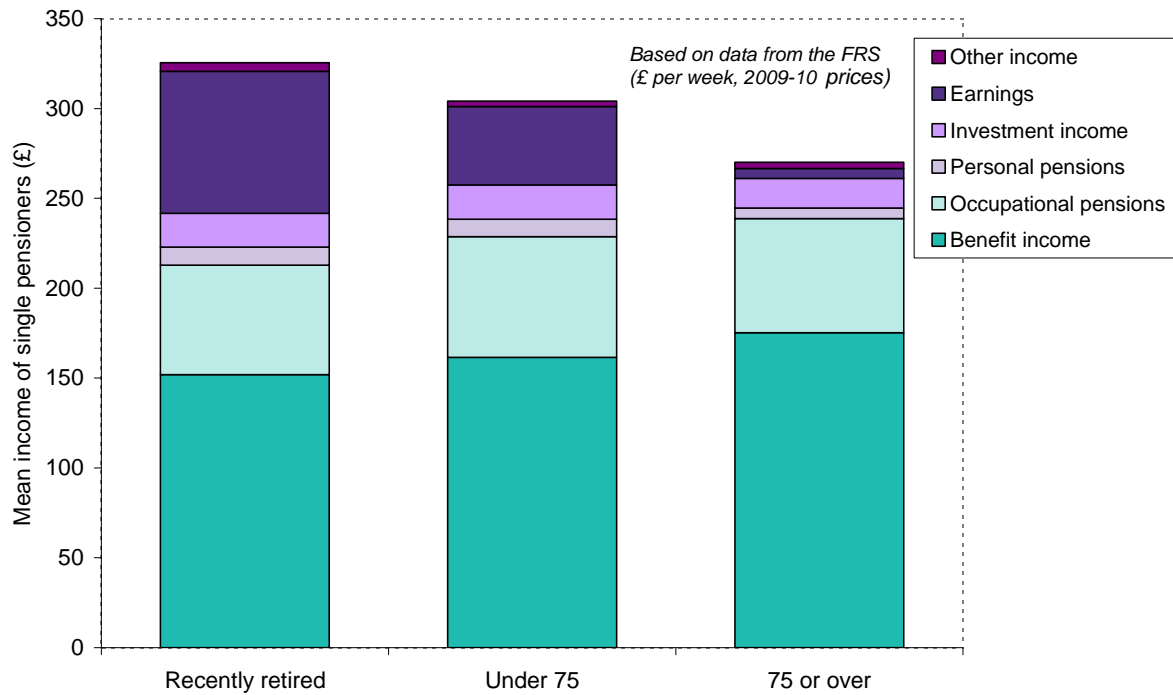


Table 2.4: The average incomes of single pensioners by age, 1996-97-2009-10

Incomes in £ per week, 2009-10 prices

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	As a % of gross income in 2009-10
Recently retired single pensioners							
Gross income	232	264	317	329	311	326	100%
<i>of which</i>							
Benefit income	123	126	146	139	148	152	47%
Occupational pension	59	60	59	61	61	61	19%
Personal pension income	2	3	8	9	8	10	3%
Investment income	21	29	34	39	22	19	6%
Earnings	25	40	64	78	69	79	24%
Other income	2	6	5	4	3	5	2%
Net income BHC							
Mean	198	221	265	267	261	273	84%
Median	168	170	211	209	213	230	
Net income AHC							
Mean	157	184	234	242	230	234	72%
Median	127	133	170	172	179	188	
Single pensioners under 75							
Gross income	215	232	287	293	289	304	100%
<i>of which</i>							
Benefit income	123	127	152	151	158	162	53%
Occupational pension	54	54	64	62	63	67	22%
Personal pension income	2	3	6	7	7	10	3%
Investment income	21	26	28	30	21	19	6%
Earnings	14	18	34	39	37	44	14%
Other income	2	3	4	3	2	3	1%
Net income BHC							
Mean	186	198	243	245	247	259	85%
Median	155	159	202	202	212	219	
Net income AHC							
Mean	149	163	217	222	219	224	74%
Median	111	117	168	166	177	180	
Single pensioners 75 or over							
Gross income	183	196	248	244	264	270	100%
<i>of which</i>							
Benefit income	128	135	162	159	167	175	65%
Occupational pension	34	40	53	56	61	63	23%
Personal pension income	1	1	6	4	5	6	2%
Investment income	18	18	20	20	22	16	6%
Earnings	2	1	4	2	7	6	2%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	164	174	218	215	232	238	88%
Median	147	152	193	196	205	215	
Net income AHC							
Mean	128	140	194	197	208	209	77%
Median	100	110	163	170	175	182	

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, 2009-10

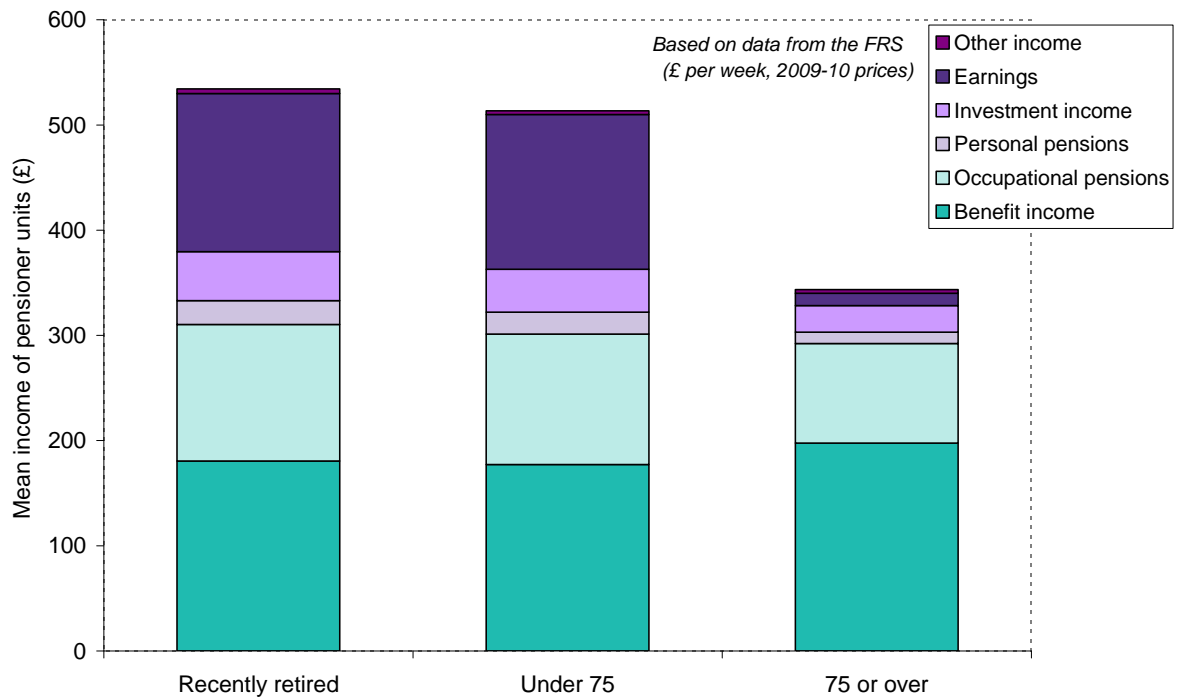


Table 2.5: The average incomes of pensioner units by age, 1996-97-2009-10

Incomes in £ per week, 2009-10 prices

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	As a % of gross income in 2009-10
Recently retired pensioner units							
Gross income	373	402	462	489	477	534	100%
<i>of which</i>							
Benefit income	152	156	175	171	173	181	34%
Occupational pension	107	109	111	112	114	130	24%
Personal pension income	7	10	19	19	19	23	4%
Investment income	46	56	52	65	47	47	9%
Earnings	59	65	101	117	122	150	28%
Other income	2	6	4	4	3	5	1%
Net income BHC							
Mean	316	333	379	394	390	434	81%
Median	244	253	292	298	309	332	
Net income AHC							
Mean	275	298	360	380	369	404	76%
Median	207	222	274	287	285	307	
Pensioner units where the head is under 75							
Gross income	344	366	457	466	465	513	100%
<i>of which</i>							
Benefit income	139	142	166	164	168	177	35%
Occupational pension	93	96	114	108	111	124	24%
Personal pension income	5	7	17	17	17	21	4%
Investment income	40	44	48	53	43	41	8%
Earnings	65	74	109	121	122	147	29%
Other income	2	3	3	3	4	3	1%
Net income BHC							
Mean	289	303	371	375	379	414	81%
Median	219	227	283	288	296	319	
Net income AHC							
Mean	250	268	353	361	359	385	75%
Median	184	193	261	271	275	292	
Pensioner units where the head is 75 or over							
Gross income	226	242	308	317	329	344	100%
<i>of which</i>							
Benefit income	144	148	179	179	187	198	58%
Occupational pension	50	59	79	84	85	95	28%
Personal pension income	1	2	9	10	12	11	3%
Investment income	25	26	29	34	30	25	7%
Earnings	4	5	9	8	12	12	3%
Other income	1	1	4	3	3	4	1%
Net income BHC							
Mean	201	212	267	275	285	299	87%
Median	166	172	221	225	237	248	
Net income AHC							
Mean	172	183	240	250	257	272	79%
Median	137	145	192	200	211	222	

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 £240) than for single women (£208) in 2009-10. **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 2009-10, single men received £85 a week on average from this source, compared with £58 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 incomes than female single pensioners within each age group, however this does not hold for all individual components of gross income as illustrated by average benefit income among single pensioners aged 75 or over.

Figure 2.7: Net income (AHC) of single pensioners by gender 1979-1996-97 and 1994-95-2009-10

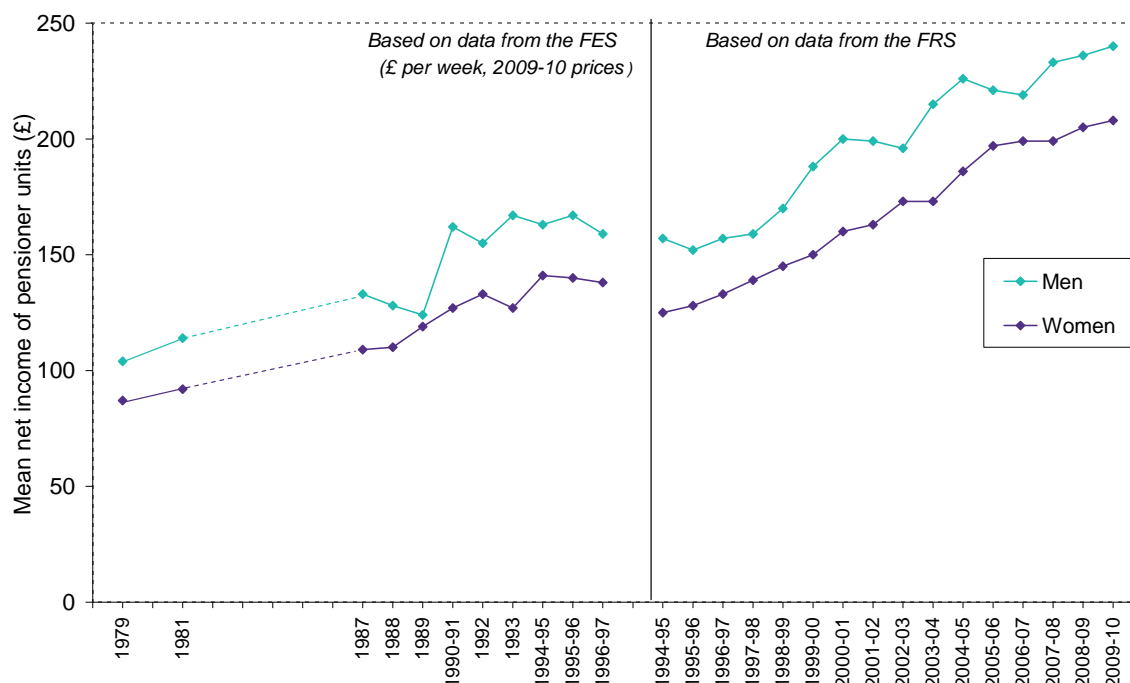


Table 2.6: The average incomes of single pensioners by gender, 1996-97-2009-10

Incomes in £ per week, 2009-10 prices

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	As a % of gross income in 2009-10
Single male pensioners							
Gross income	226	239	287	298	305	320	100%
<i>of which</i>							
Benefit income	126	129	158	156	164	170	53%
Occupational pension	65	67	75	78	81	85	27%
Personal pension income	2	5	10	12	13	13	4%
Investment income	26	27	27	32	29	25	8%
Earnings	6	10	15	17	17	24	8%
Other income	*	2	2	3	2	3	1%
Net income BHC							
Mean	195	206	246	253	263	274	86%
Median	161	164	209	213	220	232	
Net income AHC							
Mean	157	170	219	233	236	240	75%
Median	122	124	173	184	191	197	
Single female pensioners							
Gross income	191	205	259	255	265	274	100%
<i>of which</i>							
Benefit income	126	132	157	155	162	169	62%
Occupational pension	37	41	52	52	55	58	21%
Personal pension income	1	1	5	3	4	6	2%
Investment income	17	21	22	22	19	15	5%
Earnings	8	9	18	20	23	22	8%
Other income	1	2	4	3	3	3	1%
Net income BHC							
Mean	169	179	224	220	230	238	87%
Median	148	152	193	194	204	212	
Net income AHC							
Mean	133	145	199	199	205	208	76%
Median	101	111	162	163	172	176	
Single male pensioners under 75							
Gross income	247	261	298	321	309	325	100%
Benefit income	129	131	159	156	164	167	51%
Mean Net Income BHC	210	221	254	266	266	277	85%
Mean Net Income AHC	169	184	224	243	238	237	73%
Single male pensioners 75 or over							
Gross income	205	218	277	279	302	315	100%
Benefit income	123	128	158	156	164	173	55%
Mean Net Income BHC	180	191	240	241	261	272	86%
Mean Net Income AHC	145	157	215	224	235	242	77%
Single female pensioners under 75							
Gross income	205	223	283	283	281	297	100%
Benefit income	122	126	150	150	155	160	54%
Mean Net Income BHC	179	190	239	238	240	253	85%
Mean Net Income AHC	143	156	214	214	212	220	74%
Single female pensioners 75 or over							
Gross income	177	190	239	232	251	255	100%
Benefit income	130	137	163	160	168	176	69%
Mean Net Income BHC	159	169	211	206	221	227	89%
Mean Net Income AHC	124	135	187	187	199	198	78%

Differences by region

Pensioner incomes vary by region within the UK. Single pensioners and pensioner couples in London, the East 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, 2007-10

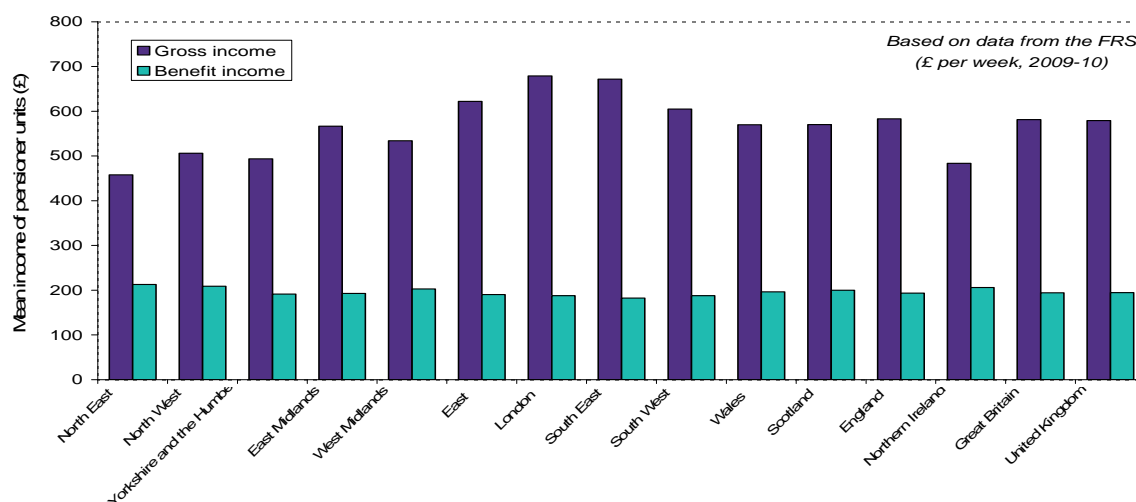


Table 2.7: The average income of pensioner units by region / country, 2007-10

Incomes in £ per week, in 2009-10 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	583	193	471	455	278	162	240	213
North East	458	213	386	370	246	171	220	193
North West	506	209	422	407	261	171	230	205
Yorkshire and the Humber	494	191	413	398	250	165	221	195
East Midlands	567	193	455	443	253	159	221	198
West Midlands	534	203	439	425	267	169	233	208
East	622	190	499	482	300	158	254	231
London	679	188	528	506	306	164	259	218
South East	671	182	530	512	318	152	264	237
South West	605	187	490	475	268	154	232	207
Wales	570	196	464	452	274	161	237	218
Scotland	570	200	466	453	269	165	236	214
Northern Ireland	484	206	404	400	223	161	198	184
Great Britain	581	194	470	455	277	162	239	213
United Kingdom	579	194	469	453	276	162	238	212

Notes:

(1) Data based on the average of three years of results from 2007-08, 2008-09 and 2009-10 FRS data and updated to 2009-10 prices

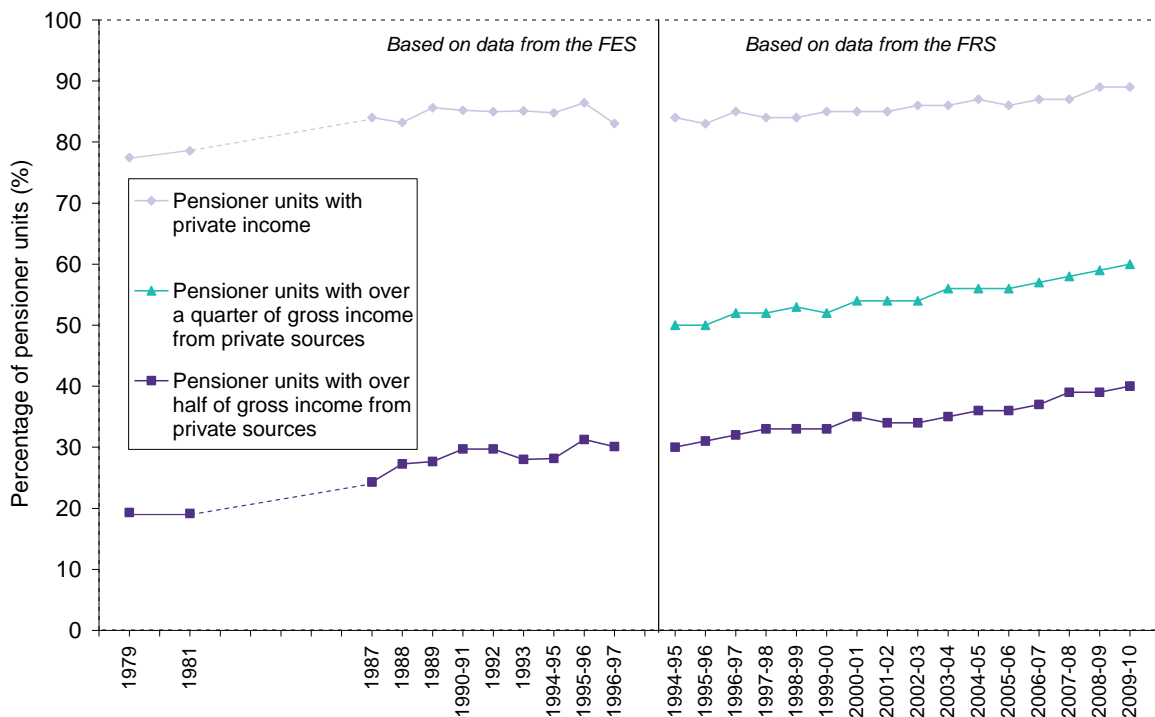
Chapter 3: Sources of Pensioners' Incomes

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 2009-10, the vast majority of pensioner units had some private income on top of state benefits (94% 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 (40%) of pensioner units, more than half of their gross income came from private sources in 2009-10 (**Table 3.2**). This proportion was higher for couples (54%) than singles (27%). **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 60% in 2009-10.

Figure 3.1: Benefit and private income, 1979-1996-97 and 1994-95-2009-10



Chapter 3: Sources of Pensioners' Incomes

Table 3.1: The proportion of pensioner units with income on top of state benefits, 1996-97-2009-10

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
All pensioner units						
Total	85%	84%	87%	87%	89%	89%
Pensioner couples	93%	92%	94%	93%	95%	94%
Single pensioners	78%	78%	81%	83%	84%	84%
Recently retired pensioner units						
Total	87%	86%	87%	86%	87%	89%
Pensioner couples	93%	92%	95%	92%	94%	94%
Single pensioners	79%	76%	77%	78%	79%	81%

Table 3.2: The proportion of pensioner units with more than 50% of income from private sources, 1996-97-2009-10

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
All pensioner units						
Total	32%	33%	37%	39%	39%	40%
Pensioner couples	46%	49%	52%	55%	54%	54%
Single pensioners	22%	22%	25%	27%	27%	27%
Recently retired pensioner units						
Total	43%	45%	49%	51%	51%	54%
Pensioner couples	50%	52%	57%	57%	60%	62%
Single pensioners	34%	35%	38%	42%	40%	43%

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. More information on sampling and reporting errors can be found in appendix B.

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.

Tables 3.3 to 3.5 include the three broad types of benefit income: State Pension (basic and additional State Pension and widow's benefits), income related benefits and disability related benefits. These three benefit types are not exhaustive – 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 (96%) received income from this source (**Figure 3.2**). 71% of pensioner units received some investment income, whilst 61% 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 19%.

Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2009-10

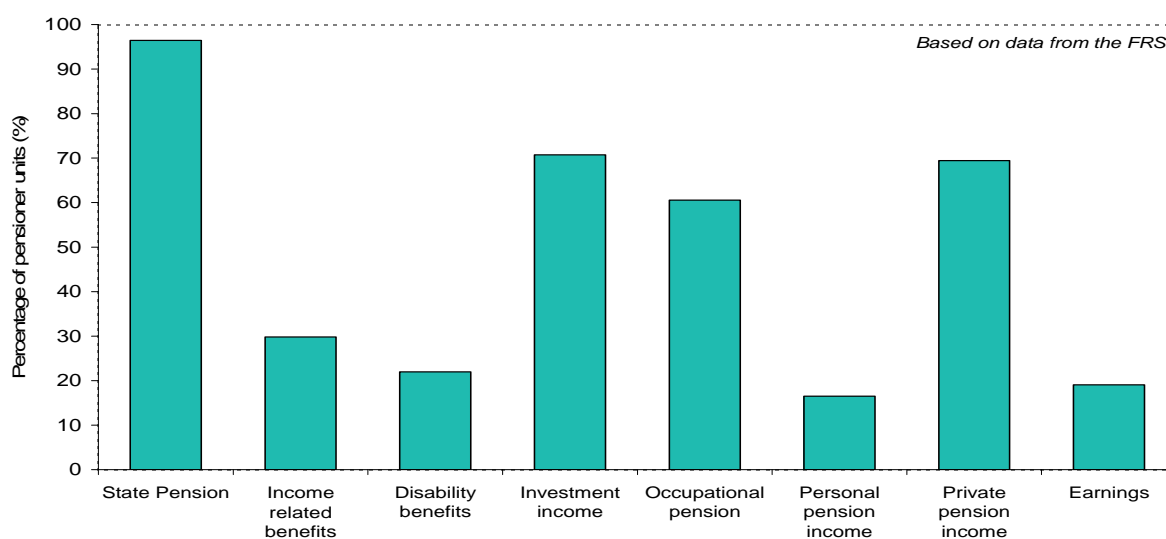


Figure 3.3 shows the distribution of income that pensioners receive from various sources. E.g. 15% of pensioner units receive between £90 and £100 per week from their State Pension. These figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income 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, 2009-10

Income received from each source (£ per week, 2009-10 prices)

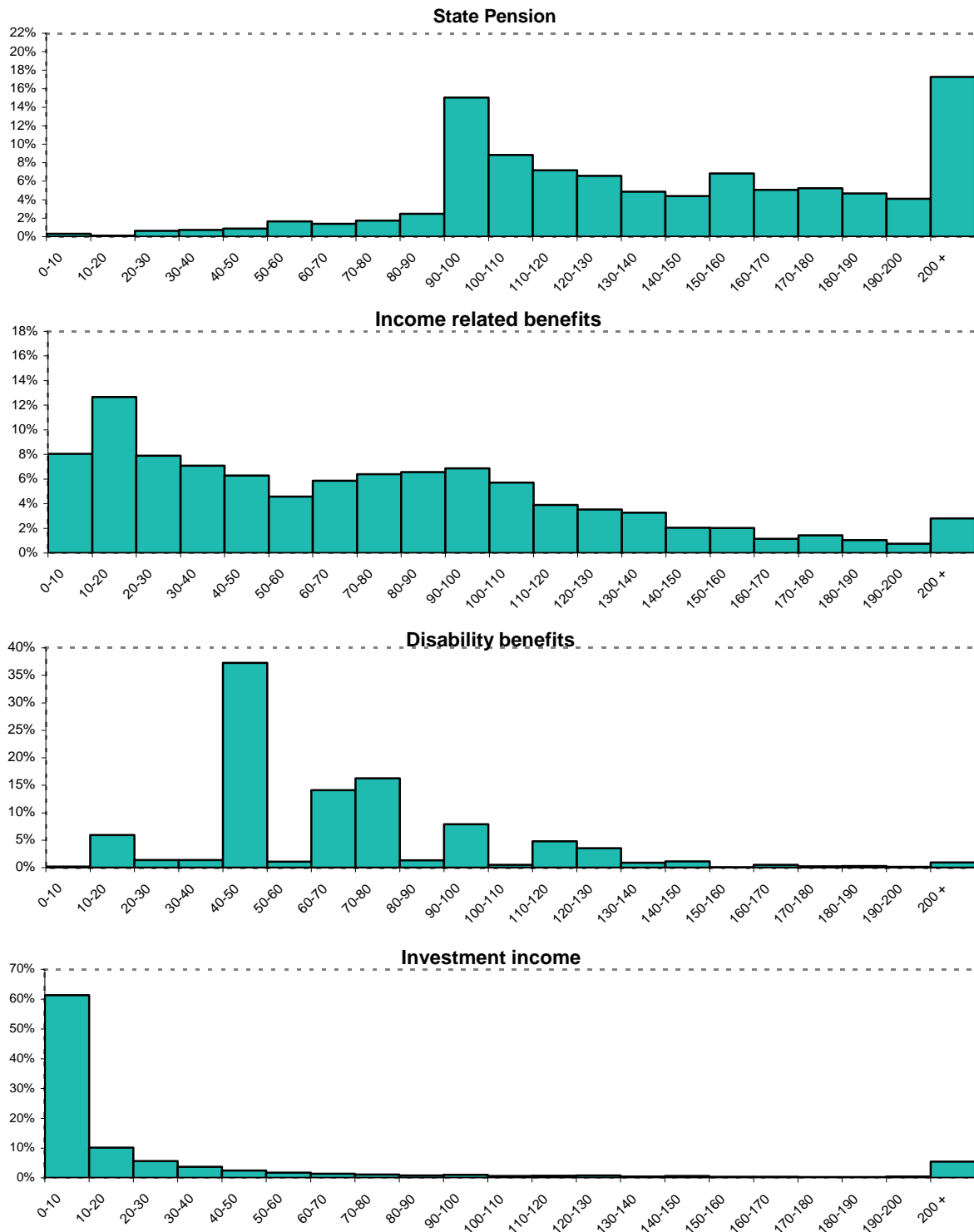
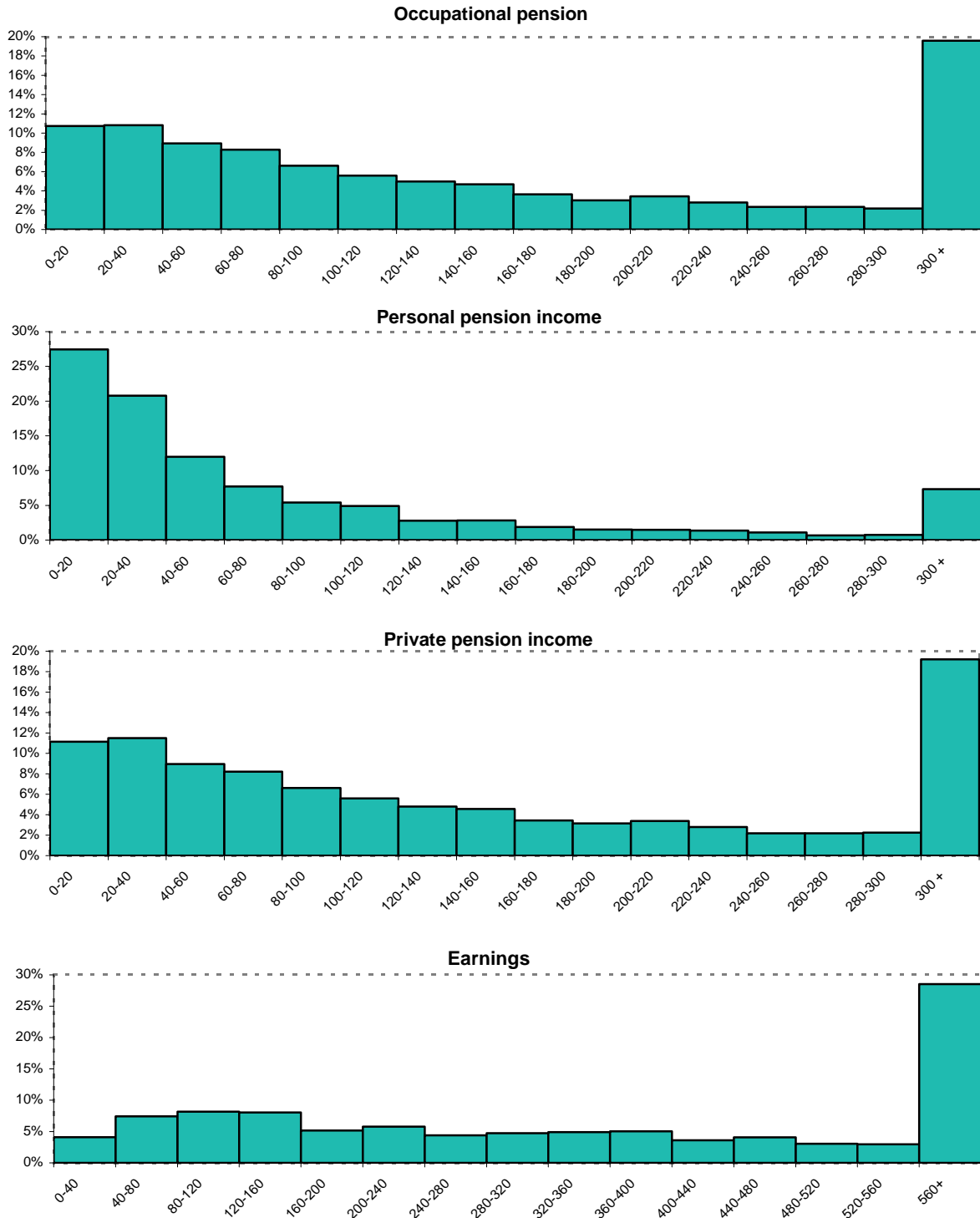


Figure 3.3 Part 2: Distribution of income from selected income sources for those in receipt, 2009-10

Chapter 3: Sources of Pensioners' Incomes

Income received from each source (£ per week, 2009-10 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

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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 (96%) received the State Pension in 2009-10 (**Table 3.3**). This proportion was slightly 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 £146 per week in 2009-10 (£120 for singles and £173 for couples). Between 1998-99 and 2009-10 there was 35% 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.

The growth in the latest year is due to the increase in the basic State Pension being higher than inflation in 2009/10.

Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996-97 and 1994-95-2009-10

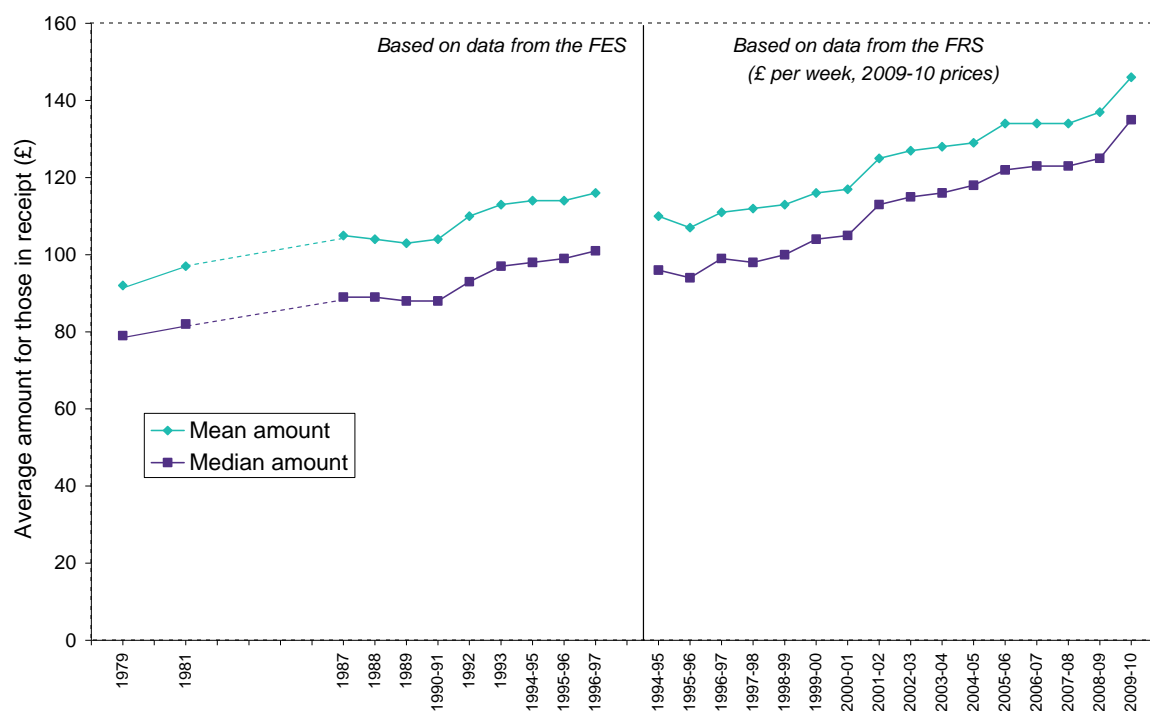


Table 3.3: The proportion of pensioner units with income from State Pension and the average amount for those in receipt, 1996-97-2009-10

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Incomes in £ per week, 2009-10 prices

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of State Pension (%)						
All pensioner units						
Total	94%	95%	95%	95%	95%	96%
Pensioner couples	91%	93%	94%	93%	93%	95%
Single pensioners	97%	97%	97%	96%	96%	98%
Recently retired pensioner units						
Total	91%	95%	93%	91%	91%	93%
Pensioner couples	92%	97%	95%	92%	92%	94%
Single pensioners	88%	92%	92%	90%	90%	92%
Average amount of State Pension for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	111	113	134	134	137	146
Pensioner couples	135	139	161	162	162	173
Single pensioners	94	94	112	112	116	120
Recently retired pensioner units						
Total	126	133	145	144	143	152
Pensioner couples	144	154	169	171	168	178
Single pensioners	98	99	111	108	113	114
Median amounts						
All pensioner units						
Total	99	100	123	123	125	135
Pensioner couples	147	148	166	166	168	178
Single pensioners	90	90	107	106	109	115
Recently retired pensioner units						
Total	131	137	143	142	134	146
Pensioner couples	149	151	168	170	168	182
Single pensioners	96	95	105	102	105	109

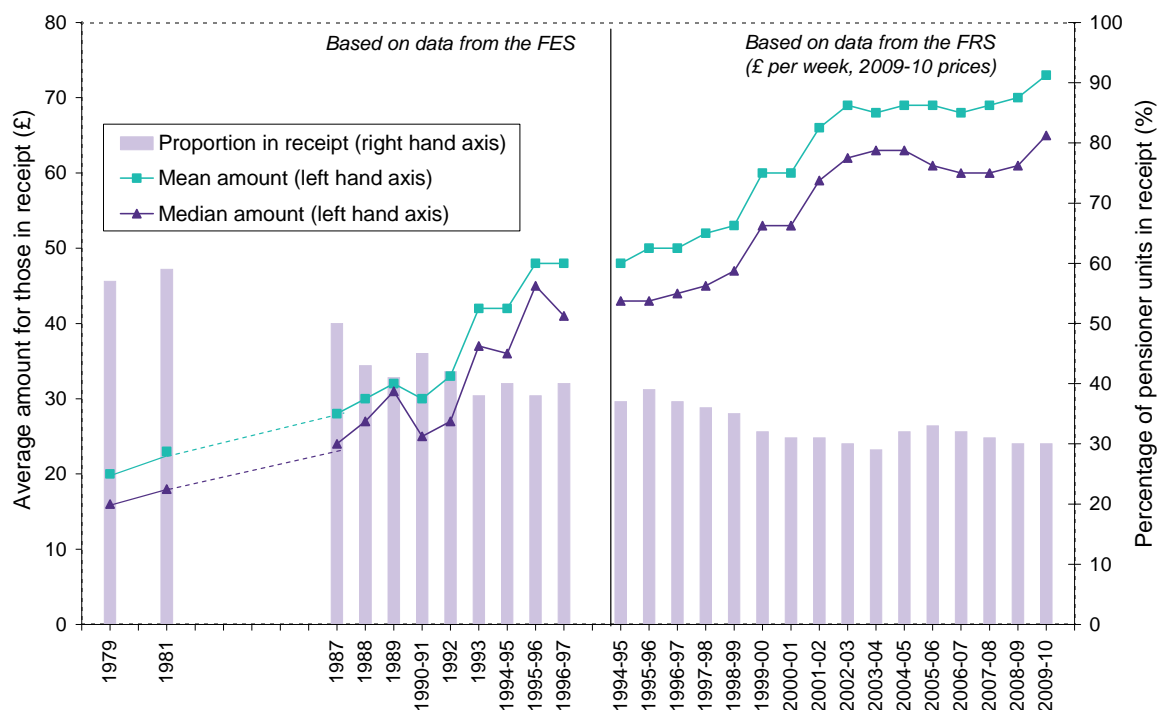
Pensioners in receipt of income related benefits

Income related benefits in 2009-10 included Pension Credit, Housing Benefit, Council Tax Benefit, and Social Fund Grants. In previous years this has included Minimum Income Guarantee (MIG) and Income Support, the predecessors to Pension Credit.

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

These benefits were less common than the State Pension, but were nevertheless received by just under a third of all pensioner units in 2009-10 (**Table 3.4**). This contrasts with 57% of pensioner units reporting receipt in 1979. Receipt was considerably more common in 2009/10 among single pensioners (43%) than pensioner couples (16%).

Figure 3.5: Pensioner units in receipt of income related benefits, 1979-1996-97 and 1994-95-2009-10



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Table 3.4: The proportion of pensioner units with income from income related benefits and the average amount for those in receipt, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of income related benefits (%)						
All pensioner units						
Total	37%	35%	32%	31%	30%	30%
Pensioner couples	22%	19%	18%	18%	17%	16%
Single pensioners	48%	47%	44%	42%	42%	43%
Recently retired pensioner units						
Total	29%	25%	26%	26%	26%	22%
Pensioner couples	21%	15%	16%	17%	16%	13%
Single pensioners	41%	41%	40%	39%	38%	36%
Average amount of income related benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	50	53	68	69	70	73
Pensioner couples	49	50	67	67	70	75
Single pensioners	51	54	69	70	70	72
Recently retired pensioner units						
Total	49	51	68	72	74	83
Pensioner couples	43	43	60	70	71	80
Single pensioners	53	54	73	73	76	84
Median amounts						
All pensioner units						
Total	44	47	60	60	61	65
Pensioner couples	32	31	51	50	54	63
Single pensioners	47	51	63	64	63	66
Recently retired pensioner units						
Total	35	45	61	63	69	75
Pensioner couples	27	27	48	54	59	64
Single pensioners	44	51	70	72	77	82

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 2009-10 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 just under two fifths. Amounts of Attendance Allowance may have been reported as State Pension.

More than one fifth (22%) of all pensioner units received some form of disability benefit in 2009-10. **Figure 3.6** shows the large increase in this proportion between 1979 and 1996-97 and that there has been little change in the late 1990s and early 2000s. Receipt of disability benefits was slightly less common among recently retired pensioners.

The average amount for pensioner units in receipt was £68 a week in 2009-10. Results show that median income from disability benefits tend to fluctuate greatly. This is because disability benefits are usually paid at one of a number of rates. For example, Attendance Allowance was paid at either a lower rate (£47.10) or a higher rate (£70.35) in 2009-10; 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 peaks in the distribution are around those two levels of Attendance Allowance, or two higher rates of Disability Living Allowance for singles.

Figure 3.6: Pensioner units in receipt of disability benefits, 1979-1996-97 and 1994-95-2009-10

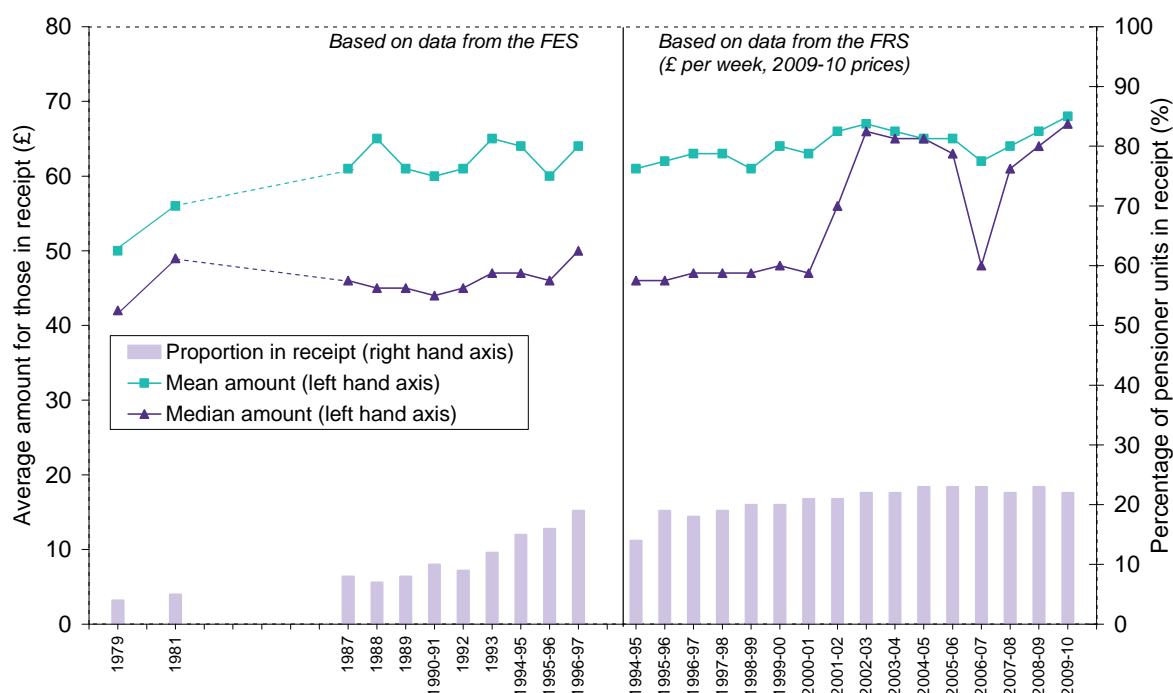


Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of disability benefits (%)						
All pensioner units						
Total	18%	20%	23%	22%	23%	22%
Pensioner couples	22%	21%	22%	22%	23%	21%
Single pensioners	14%	20%	23%	22%	23%	23%
Recently retired pensioner units						
Total	17%	15%	19%	18%	18%	16%
Pensioner couples	21%	18%	21%	21%	19%	16%
Single pensioners	12%	12%	17%	15%	17%	15%
Average amount of disability benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	63	61	62	64	66	68
Pensioner couples	69	67	70	74	75	77
Single pensioners	56	56	56	55	59	60
Recently retired pensioner units						
Total	66	61	65	69	72	75
Pensioner couples	67	63	70	78	79	81
Single pensioners	62	55	57	53	62	65
Median amounts						
All pensioner units						
Total	47	47	48	61	64	67
Pensioner couples	65	64	65	66	67	70
Single pensioners	45	45	47	46	47	49
Recently retired pensioner units						
Total	64	47	62	63	64	69
Pensioner couples	65	57	64	66	65	71
Single pensioners	63	47	48	47	48	66

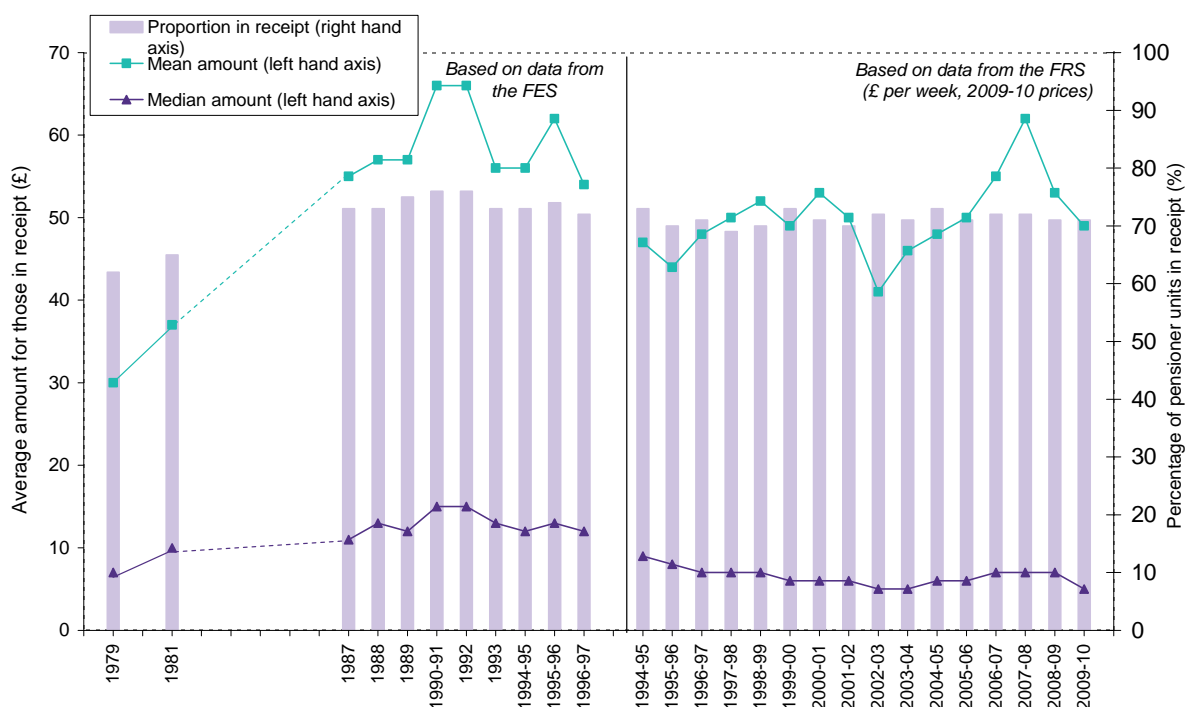
Pensioners in receipt of investment income

Investment income was the second most common source of income, received by 71% of all pensioner units in 2009-10 (**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 £5 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 £49.

After the rises seen between 2002-03 and 2007-08 in the average amounts of investment income received by pensioners, the last two years show investment income has fallen. This fall is likely to be due to the reduced interest rates over this period. 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 as much 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 1994-95-2009-10



Chapter 3: Sources of Pensioners' Incomes

Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of investment income (%)						
All pensioner units						
Total	71%	70%	72%	72%	71%	71%
Pensioner couples	79%	79%	79%	78%	76%	77%
Single pensioners	65%	64%	66%	66%	67%	65%
Recently retired pensioner units						
Total	72%	71%	72%	72%	70%	72%
Pensioner couples	78%	79%	79%	77%	76%	77%
Single pensioners	63%	59%	63%	66%	63%	63%
Average amount of investment income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	48	52	55	62	53	49
Pensioner couples	67	71	76	88	75	68
Single pensioners	30	34	35	37	32	27
Recently retired pensioner units						
Total	64	78	73	91	67	65
Pensioner couples	81	93	83	111	89	85
Single pensioners	33	49	55	59	34	30
Median amounts						
All pensioner units						
Total	7	7	7	7	7	5
Pensioner couples	13	13	12	14	12	9
Single pensioners	4	4	4	4	5	3
Recently retired pensioner units						
Total	10	11	10	9	10	6
Pensioner couples	15	16	14	13	13	10
Single pensioners	5	5	5	5	6	3

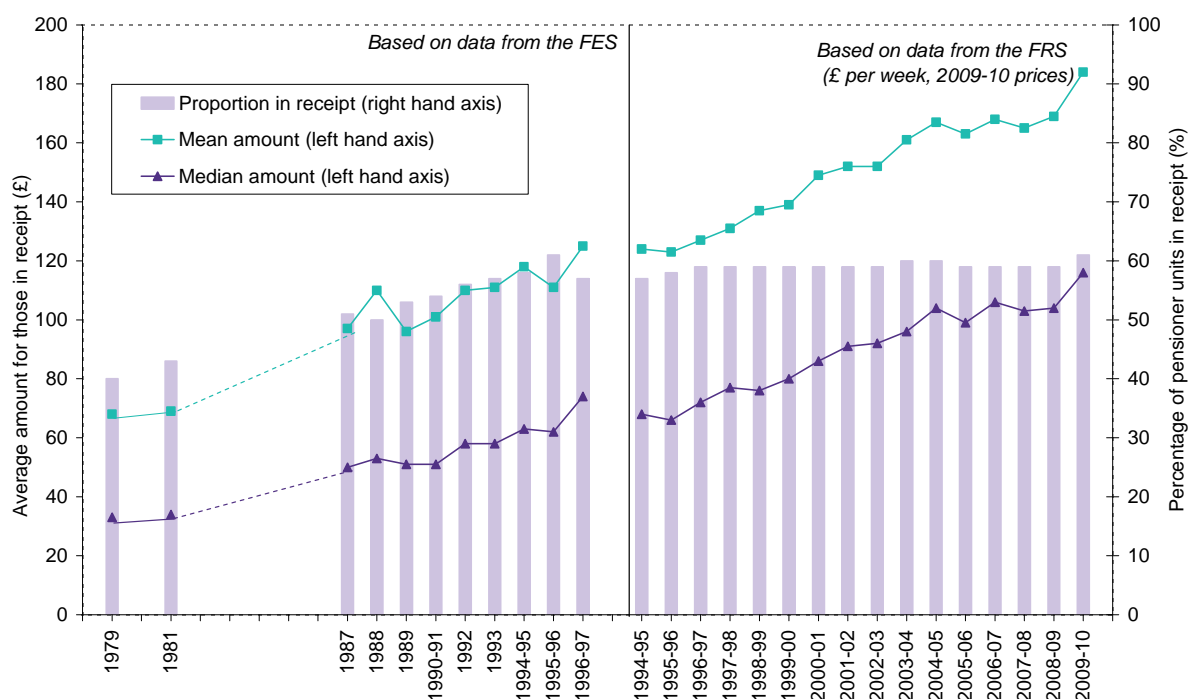
Pensioners in receipt of occupational pension income

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 61% of pensioner units in 2009-10, compared to 40% in 1979 (**Figure 3.8**).

The average amount of occupational pension income for those in receipt has increased due to 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 2009-10, 61% of pensioner units received occupational pension income, at an average of £184 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 1994-95-2009-10



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, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of occupational pension income (%)						
All pensioner units						
Total	59%	59%	59%	59%	59%	61%
Pensioner couples	71%	70%	67%	65%	65%	68%
Single pensioners	51%	51%	52%	54%	55%	54%
Recently retired pensioner units						
Total	66%	65%	59%	60%	60%	61%
Pensioner couples	76%	74%	65%	62%	62%	68%
Single pensioners	53%	52%	44%	43%	47%	45%
Average amount of occupational pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	127	137	168	165	169	184
Pensioner couples	167	180	222	219	225	238
Single pensioners	86	92	112	110	113	121
Recently retired pensioner units						
Total	162	166	198	208	207	222
Pensioner couples	186	190	230	242	256	260
Single pensioners	112	115	134	143	129	136
Median amounts						
All pensioner units						
Total	72	76	106	103	104	116
Pensioner couples	106	118	155	158	159	166
Single pensioners	51	54	72	70	70	79
Recently retired pensioner units						
Total	102	107	136	136	137	149
Pensioner couples	121	131	168	164	185	186
Single pensioners	76	74	88	84	83	96

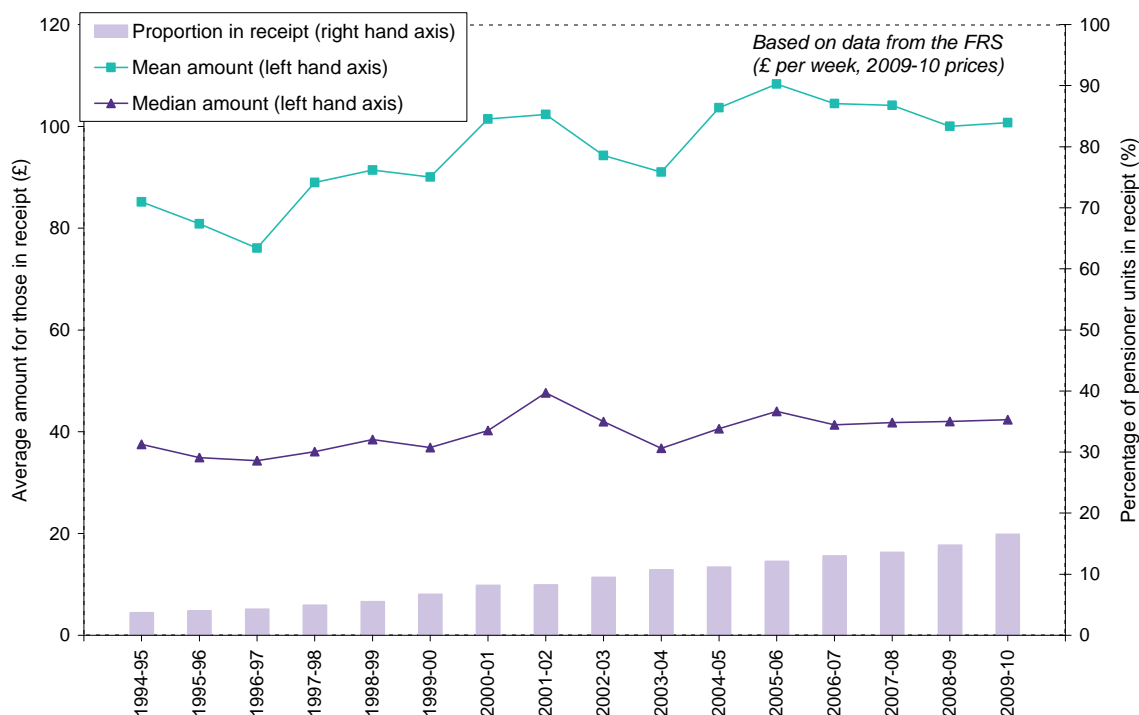
Pensioners in receipt of personal pension income

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 2009-10, 17% 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 £101 per week in 2009-10, although half of all recipients had £42 per week or less.

Figure 3.9: Pensioner units in receipt of personal pension income, 1994-95-2009-10



Chapter 3: Sources of Pensioners' Incomes

Table 3.8: The proportion of pensioner units with personal pension income and the average amount for those in receipt, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of personal pension income (%)						
All pensioner units						
Total	4%	5%	13%	14%	15%	17%
Pensioner couples	7%	9%	20%	21%	22%	23%
Single pensioners	2%	3%	7%	7%	9%	10%
Recently retired pensioner units						
Total	7%	10%	21%	19%	19%	22%
Pensioner couples	10%	13%	27%	26%	25%	26%
Single pensioners	3%	6%	11%	11%	13%	15%
Average amount of personal pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	76	91	104	104	100	101
Pensioner couples	83	101	111	116	114	113
Single pensioners	56	68	88	75	71	74
Recently retired pensioner units						
Total	92	99	94	99	97	104
Pensioner couples	98	110	102	104	109	117
Single pensioners	65	60	69	82	68	69
Median amounts						
All pensioner units						
Total	34	38	41	42	42	42
Pensioner couples	38	45	45	46	48	49
Single pensioners	28	26	35	32	32	34
Recently retired pensioner units						
Total	43	39	40	39	41	44
Pensioner couples	45	47	44	43	49	54
Single pensioners	34	23	27	29	24	28

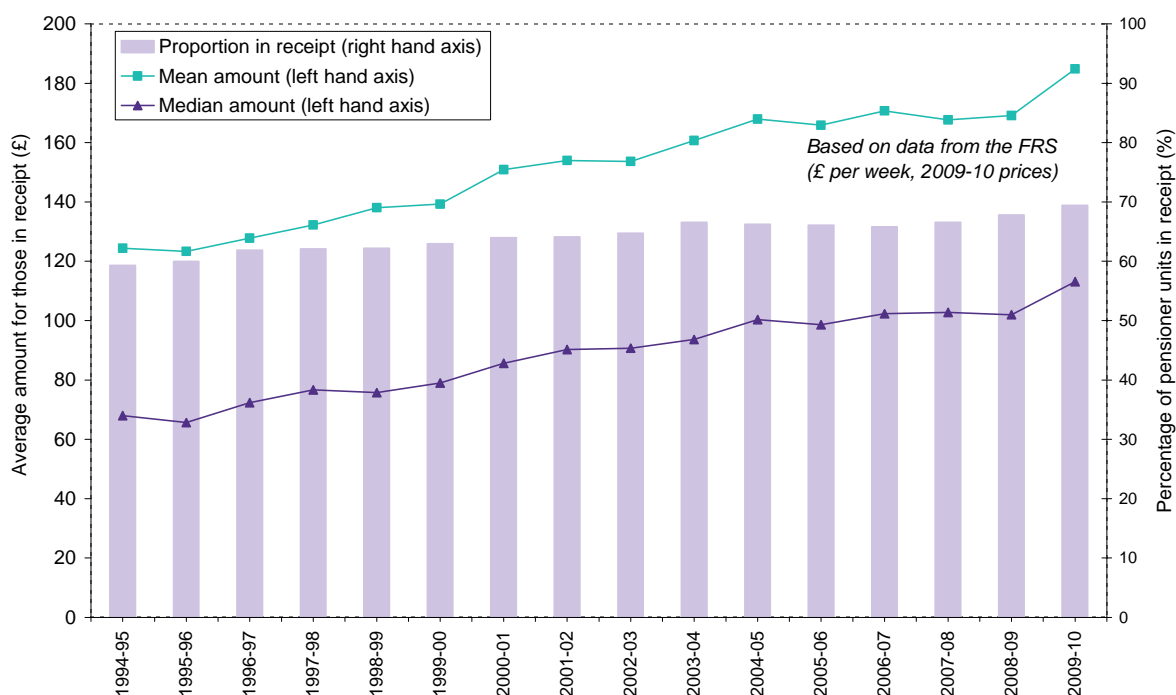
Pensioners in receipt of private pension income

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 2009-10, 69% 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 £185 per week in 2009-10, although half of all recipients had less than £113 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, 1994-95-2009-10



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, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of private pension income (%)						
All pensioner units						
Total	62%	62%	66%	67%	68%	69%
Pensioner couples	74%	75%	77%	76%	77%	79%
Single pensioners	52%	53%	56%	58%	60%	60%
Recently retired pensioner units						
Total	70%	71%	67%	65%	66%	69%
Pensioner couples	80%	81%	79%	76%	75%	80%
Single pensioners	55%	56%	51%	49%	54%	54%
Average amount of private pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	128	138	171	168	169	185
Pensioner couples	167	181	221	220	223	236
Single pensioners	85	92	114	110	112	121
Recently retired pensioner units						
Total	163	168	196	203	202	220
Pensioner couples	188	194	226	233	245	260
Single pensioners	112	114	131	142	128	132
Median amounts						
All pensioner units						
Total	72	76	102	103	102	113
Pensioner couples	104	117	149	149	148	156
Single pensioners	50	54	72	69	69	75
Recently retired pensioner units						
Total	102	107	129	127	130	141
Pensioner couples	122	132	161	152	168	175
Single pensioners	76	71	79	86	80	87

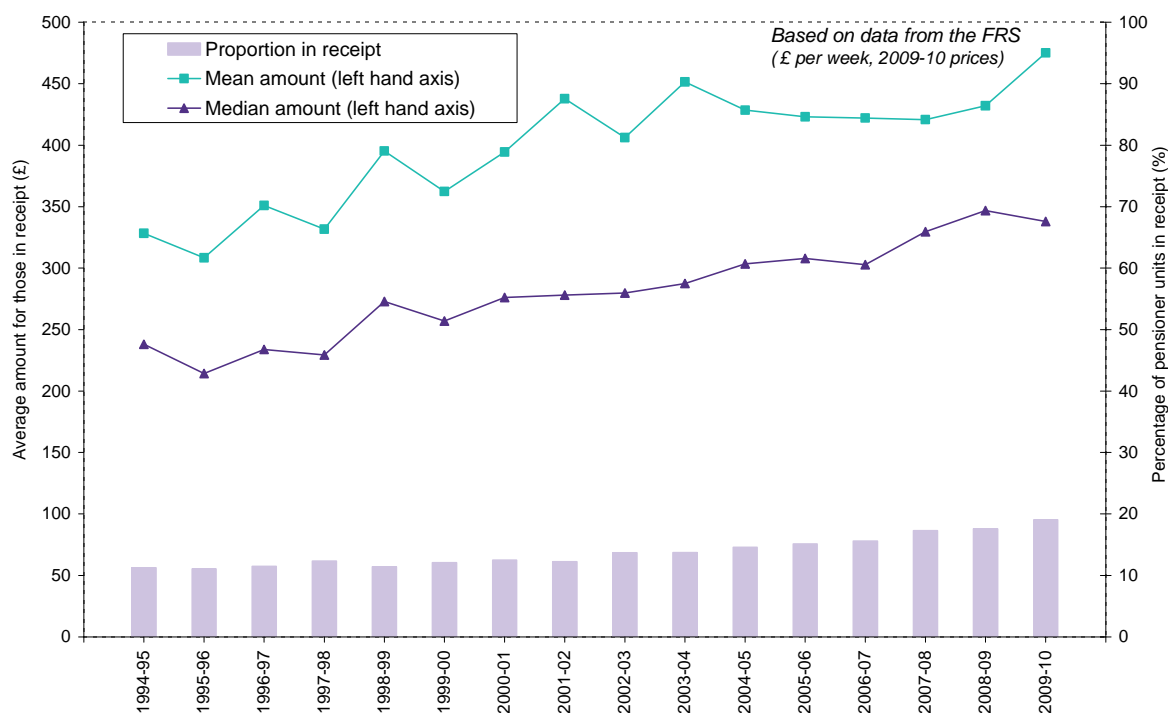
Pensioners in receipt of income from earnings

Income from earnings refers to gross earnings from employment and self employment. In 2009-10, 19% 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 35% reporting to have earnings as a source of income.

The average amount of income from earnings in 2009-10 for those in receipt was £475 per week, with half of all pensioner units receiving earnings having more than £338 per week. Figure 3.3 has shown that the distribution for those in receipt of earnings is fairly similar in 2008/09 and 2009/10, reflected in the slight reduction in the median. However, there has been an increase in the mean as a result of increases for those who have much higher earnings in the region of over £560 a week, but this has not affected the median because it is a change at the very top of the distribution.

Pensioner couples 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 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, 1994-95-2009-10



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, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>					
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Proportion in receipt of income from earnings (%)						
All pensioner units						
Total	11%	11%	16%	17%	18%	19%
Pensioner couples	22%	22%	27%	29%	30%	31%
Single pensioners	4%	4%	6%	7%	7%	8%
Recently retired pensioner units						
Total	20%	20%	29%	33%	33%	35%
Pensioner couples	26%	23%	35%	37%	40%	40%
Single pensioners	12%	16%	21%	27%	24%	27%
Average amount of income from earnings for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	351	395	422	421	432	475
Pensioner couples	389	427	464	464	477	529
Single pensioners	192	257	277	269	283	282
Recently retired pensioner units						
Total	292	321	344	357	374	430
Pensioner couples	320	353	363	397	417	489
Single pensioners	208	251	302	286	287	297
Median amounts						
All pensioner units						
Total	234	273	303	330	347	338
Pensioner couples	281	300	332	373	382	386
Single pensioners	103	172	213	210	211	217
Recently retired pensioner units						
Total	198	227	260	280	300	308
Pensioner couples	211	239	263	320	327	347
Single pensioners	179	202	253	231	232	263

Pensioners in receipt of income from annual lump sum payments

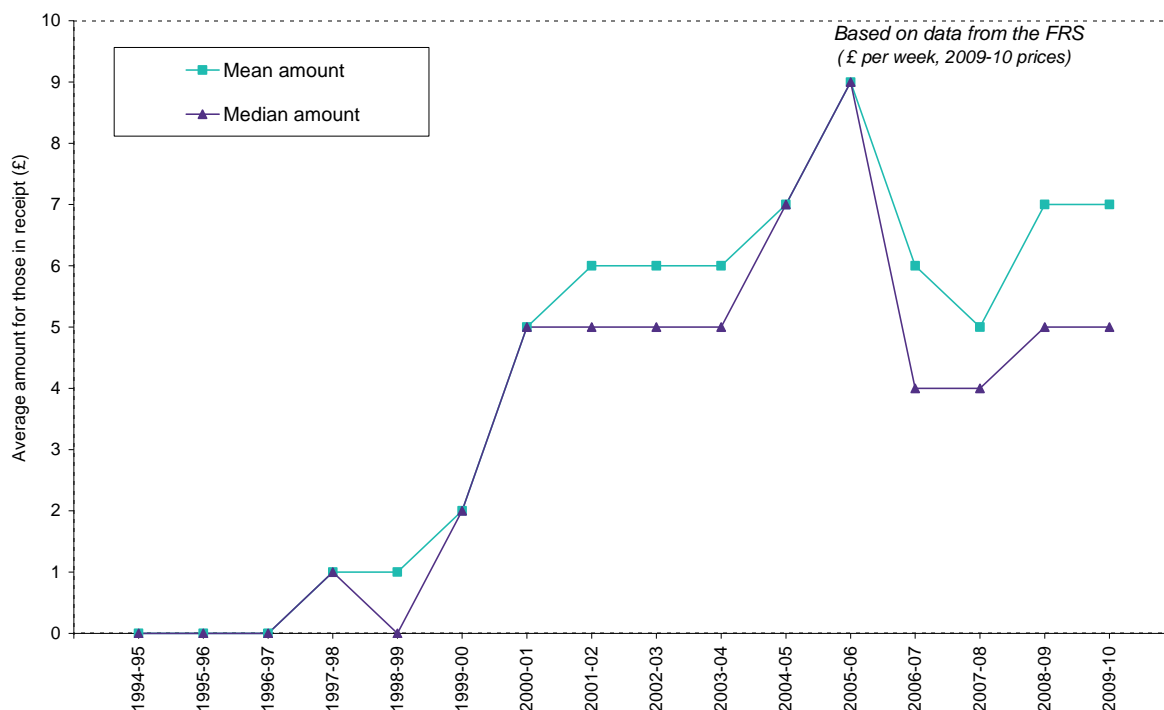
Income from annual lump sum payments specifically refers to amounts that a pensioner may receive once a year. Winter Fuel payments and age-related payments fall into this category; as does income gained due to free TV licences for the over-75s. Such payments are typically paid in full at a particular 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 which were also continued in 2009/10.

In 2009-10, 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, 1994-95-2009-10



Chapter 3: Sources of Pensioners' Incomes

Table 3.11: The average amount of income from annual lump sums for those in receipt, 1996-97-2009-10

Incomes in £ per week, 2009-10 prices

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Average amount of income from annual payments for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	*	1	6	5	7	7
Pensioner couples	*	1	5	5	6	6
Single pensioners	*	1	6	6	7	7
Recently retired pensioner units						
Total	*	1	4	4	5	5
Pensioner couples	*	1	4	4	5	5
Single pensioners	*	1	4	4	5	5
Median amounts						
All pensioner units						
Total	*	*	4	4	5	5
Pensioner couples	*	*	4	4	5	5
Single pensioners	*	*	6	5	6	7
Recently retired pensioner units						
Total	*	*	4	4	5	5
Pensioner couples	*	*	4	4	5	5
Single pensioners	*	*	4	4	5	5

Chapter 4: Distribution of Pensioners' Incomes

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

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

In both sets of tables, the distribution is calculated separately under the before and after housing costs measures. When considering changes in incomes over time it is 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 2009-10, the median net income of the top fifth was around three and a half times that of the bottom fifth, before housing costs, and around 4 times after housing costs. For single pensioners median net income of the top fifth was around three times that of the bottom fifth, before housing costs, and around three and a half times after housing costs.

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, 2003-06 and 2007-10 (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 2007-10 was fairly evenly spread across the income distribution. Pensioner couples saw 29% growth in the bottom quintile and 28% growth in the top quintile 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 2007-10

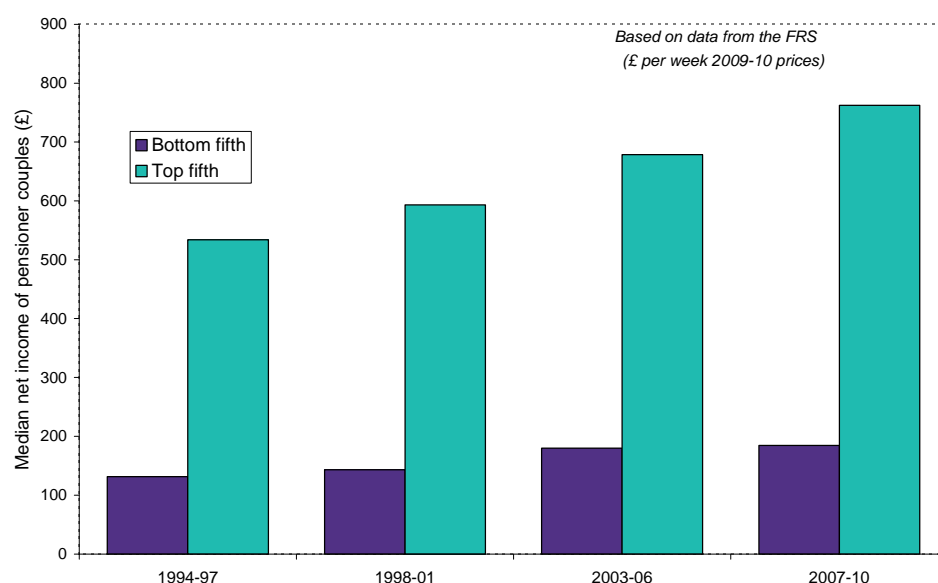
Incomes in £ per week, 2009-10 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Medians						
Pensioner couples						
Net income before housing costs						
1998-01	172	234	297	394	629	380
2007-10	205	293	376	495	776	469
% growth 1998-01-2007-10	19%	25%	27%	26%	23%	23%
Net income after housing costs						
1998-01	143	202	268	366	593	347
2007-10	185	274	360	485	762	453
% growth 1998-01-2007-10	29%	36%	34%	33%	28%	31%
Medians						
Single pensioners						
Net income before housing costs						
1998-01	97	135	162	204	301	194
2007-10	118	167	208	259	367	238
% growth 1998-01-2007-10	22%	24%	28%	27%	22%	23%
Net income after housing costs						
1998-01	76	96	123	172	268	160
2007-10	95	137	175	235	348	212
% growth 1998-01-2007-10	25%	43%	42%	37%	30%	33%

Notes:

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

Figure 4.1: Net income (AHC) of pensioner couples by position in the income distribution, 1994-97, 1998-01, 2003-06 and 2007-10



Age and gender in the income distribution

Table 4.2 shows the spread of different groups of pensioners in 2009-10. Around three quarters 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 23% 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. However, after housing costs, there is a slight difference as 20% of single pensioners 75 and over are in the bottom fifth compared to 21% of single pensioners under 75.
- **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 21% of single females are in the bottom fifth compared to 17% 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 Households Below Average Income (HBAI) analysis, which displays analysis for the overall income distribution, 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, 2009-10

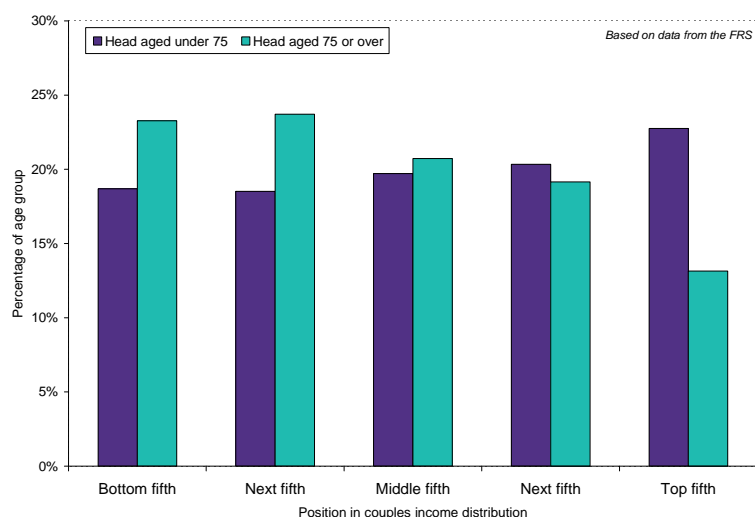


Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2009-10

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	18%	17%	19%	21%	26%	100%
Head aged under 75	18%	19%	19%	21%	23%	100%
Head aged 75 and over	24%	23%	22%	18%	13%	100%
Pensioner couples' net income						
After housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	17%	18%	19%	21%	25%	100%
Head aged under 75	19%	19%	20%	20%	23%	100%
Head aged 75 and over	23%	24%	21%	19%	13%	100%
Single pensioners' net income						
Before housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	14%	18%	22%	22%	24%	100%
Single females	22%	21%	19%	19%	19%	100%
Recently retired	18%	17%	19%	17%	29%	100%
Aged under 75	19%	20%	19%	18%	23%	100%
Aged 75 and over	21%	20%	21%	21%	17%	100%
Single pensioners' net income						
After housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	17%	18%	20%	21%	24%	100%
Single females	21%	21%	20%	20%	19%	100%
Recently retired	21%	18%	18%	16%	27%	100%
Aged under 75	21%	20%	20%	17%	23%	100%
Aged 75 and over	20%	20%	20%	23%	17%	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, because of a small number of pensioners with very high incomes which skew the results.

Income from state benefits in 2007-10 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 £347 for the top fifth of pensioner couples and £167 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, 2007-10

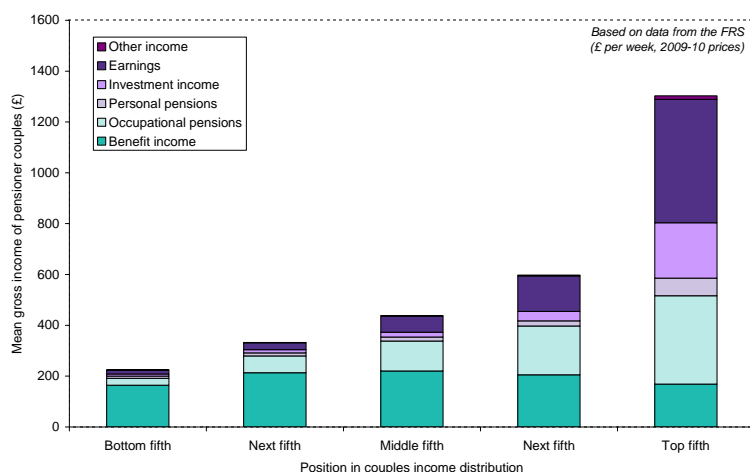
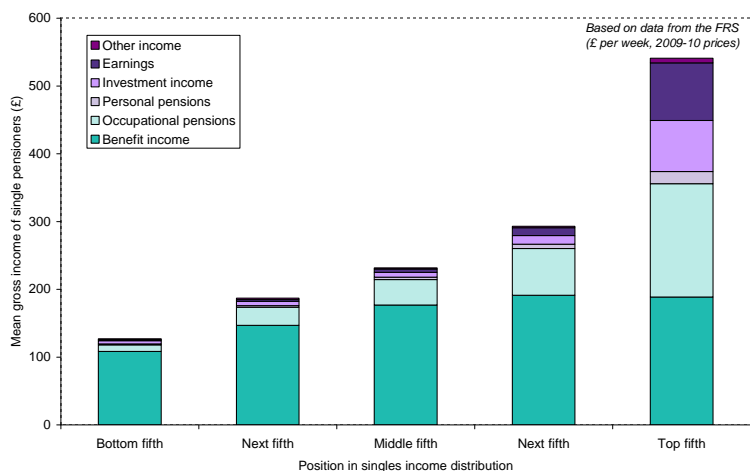


Figure 4.4: Sources of gross income of single pensioners by position in the net income (BHC) distribution, 2007-10



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 2007-10

Incomes in £ per week, 2009-10 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1998-01 Means						
Pensioner couples						
Gross income	188	260	338	469	1052	461
<i>of which</i>						
Benefit income	148	185	191	170	147	168
Occupational pension	21	45	86	165	327	129
Personal pension income	3	4	6	10	36	12
Investment income	9	11	19	38	204	56
Earnings	7	15	35	86	324	93
Other income	1	*	1	1	13	3
Single pensioners						
Gross income	106	148	179	229	449	222
<i>of which</i>						
Benefit income	96	122	142	154	163	136
Occupational pension	5	18	26	54	145	50
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
2007-10 Means						
Pensioner couples						
Gross income	225	332	438	597	1303	586
<i>of which</i>						
Benefit income	164	213	221	205	169	197
Occupational pension	27	66	117	192	347	152
Personal pension income	9	12	16	20	69	25
Investment income	8	13	19	37	218	60
Earnings	15	27	64	140	486	148
Other income	1	2	2	2	13	4
Single pensioners						
Gross income	127	187	232	293	541	279
<i>of which</i>						
Benefit income	108	147	177	191	189	164
Occupational pension	9	27	38	69	167	63
Personal pension income	2	3	3	7	18	6
Investment income	5	6	7	13	75	22
Earnings	1	2	5	11	85	21
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. The income distribution here considers income after housing costs whereas the immediately preceding tables considered before housing costs. 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 2007-10 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 £359 for the top fifth of pensioner couples and £182 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, 2007-10

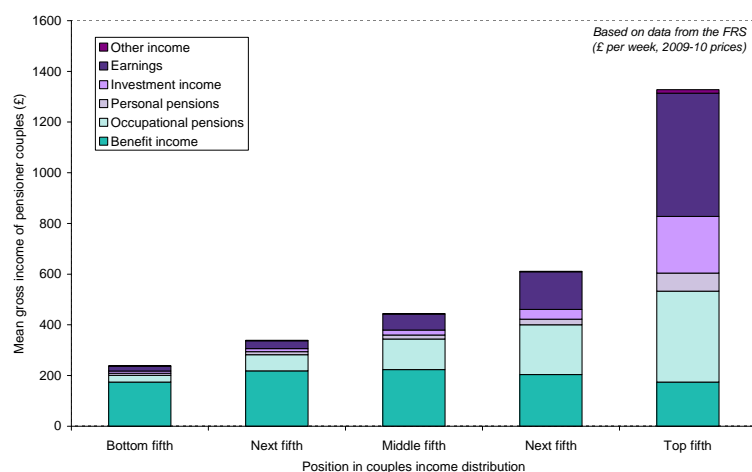
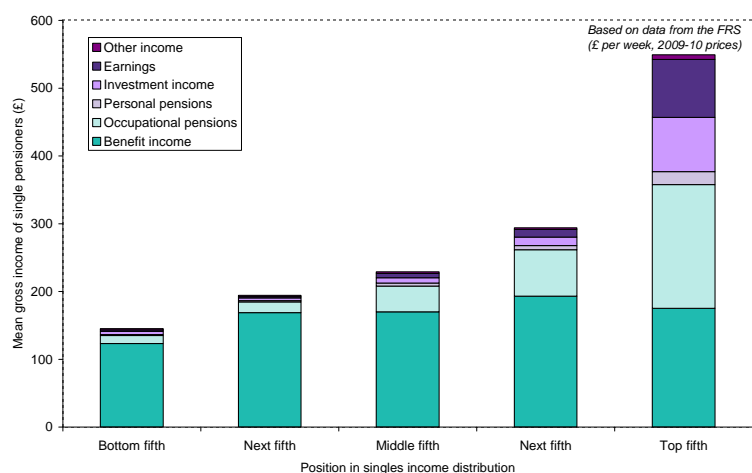


Figure 4.6: Sources of gross income of single pensioners by position in the net income (AHC) distribution, 2007-10



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 2007-10

Incomes in £ per week, 2009-10 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1998-01 Means						
Pensioner couples						
Gross income	191	251	329	458	1026	451
<i>of which</i>						
Benefit income	156	181	180	162	143	164
Occupational pension	17	42	83	163	323	126
Personal pension income	3	4	6	10	36	12
Investment income	7	10	19	37	201	55
Earnings	7	13	39	86	310	91
Other income	1	*	1	1	13	3
Single pensioners						
Gross income	121	147	165	218	435	217
<i>of which</i>						
Benefit income	108	133	89	152	143	125
Occupational pension	8	9	19	46	152	47
Personal pension income	*	*	3	1	8	3
Investment income	4	3	7	13	81	22
Earnings	*	*	1	4	45	10
Other income	1	1	1	2	6	2
2007-10 Means						
Pensioner couples						
Gross income	239	339	444	611	1328	592
<i>of which</i>						
Benefit income	174	218	224	204	174	199
Occupational pension	26	64	120	197	359	153
Personal pension income	8	12	16	22	71	26
Investment income	9	12	20	38	224	61
Earnings	20	31	63	149	486	150
Other income	1	2	2	2	13	4
Single pensioners						
Gross income	145	194	229	294	549	282
<i>of which</i>						
Benefit income	123	169	170	193	175	166
Occupational pension	12	16	38	68	182	63
Personal pension income	2	2	4	6	19	7
Investment income	5	4	8	12	80	22
Earnings	2	2	6	11	85	21
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 78% in the top fifth. The trend is similar after housing costs with 41% of the bottom fifth receiving occupational pension income and 80% 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, 52% of single pensioners in the middle quintile are in receipt of income related benefits, compared with 18% 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 3rd, 4th and 5th quintiles getting income related benefits on the before housing costs basis than when rent is deducted from incomes for the after housing costs basis (**Table 4.5**).

Chapter 4: Distribution of Pensioners' Incomes

Table 4.5: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2009-10

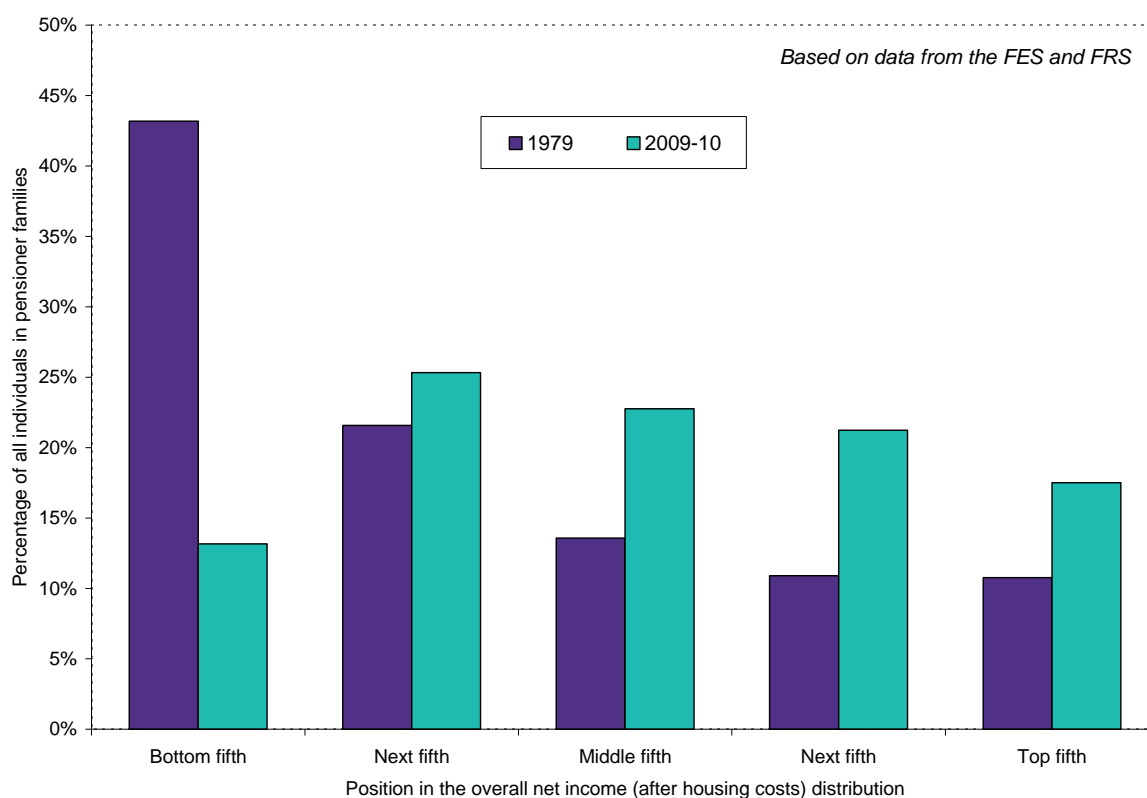
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	94%	97%	98%	96%	91%	95%
Income related benefits	24%	28%	18%	8%	2%	16%
Disability benefits	11%	27%	32%	24%	11%	21%
Investment income	62%	69%	77%	83%	92%	77%
Occupational pension	42%	68%	73%	77%	78%	68%
Personal Pension income	21%	22%	21%	21%	30%	23%
Earnings	11%	14%	25%	40%	63%	31%
Pensioner couples' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	93%	97%	98%	97%	91%	95%
Income related benefits	30%	27%	15%	6%	1%	16%
Disability benefits	11%	30%	32%	21%	11%	21%
Investment income	59%	69%	77%	86%	92%	77%
Occupational pension	41%	66%	74%	77%	80%	68%
Personal Pension income	19%	23%	21%	22%	30%	23%
Earnings	11%	16%	24%	41%	62%	31%
Single pensioners' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	96%	99%	98%	98%	97%	98%
Income related benefits	39%	52%	52%	47%	26%	43%
Disability benefits	4%	15%	23%	42%	30%	23%
Investment income	61%	64%	58%	63%	80%	65%
Occupational pension	32%	52%	53%	62%	70%	54%
Personal Pension income	8%	8%	9%	9%	17%	10%
Earnings	2%	3%	5%	7%	23%	8%
Single pensioners' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	96%	98%	99%	99%	97%	98%
Income related benefits	44%	67%	45%	41%	17%	43%
Disability benefits	7%	9%	29%	43%	26%	23%
Investment income	57%	54%	65%	66%	84%	65%
Occupational pension	31%	40%	58%	66%	74%	54%
Personal Pension income	7%	6%	11%	9%	18%	10%
Earnings	3%	1%	6%	7%	23%	8%

Pensioners in the overall net income distribution

Tables 4.6 and 4.7 show the position of individuals within the overall household income distribution. This is the approach which is used in the HBAI publication which analyses the overall 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 2009-10 is shown in Figure 4.7. In 1979, 44% of all pensioners were in the bottom fifth before housing costs and by 2009-10 this proportion halved to 22%. 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 13% in 2009-10. 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 2009-10



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 2009-10

Quintiles based on equivalised household income

Results based upon data from the FES (for 1979) and the FRS (for 1998-99 and 2009-10)

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1979						
All pensioners						
Before housing costs	44%	23%	14%	10%	9%	100%
After housing costs	43%	22%	14%	11%	11%	100%
Pensioner couples						
Before housing costs	40%	22%	16%	11%	11%	100%
After housing costs	41%	20%	15%	12%	12%	100%
Single pensioners						
Before housing costs	49%	24%	11%	8%	7%	100%
After housing costs	47%	23%	11%	9%	9%	100%
1998-99						
All pensioners						
Before housing costs	24%	28%	19%	16%	13%	100%
After housing costs	17%	28%	21%	17%	17%	100%
Pensioner couples						
Before housing costs	24%	27%	19%	16%	14%	100%
After housing costs	16%	28%	21%	18%	17%	100%
Single pensioners						
Before housing costs	27%	34%	20%	10%	8%	100%
After housing costs	22%	33%	19%	14%	12%	100%
2009-10						
All pensioners						
Before housing costs	22%	25%	22%	18%	14%	100%
After housing costs	13%	25%	23%	21%	18%	100%
Pensioner couples						
Before housing costs	19%	23%	21%	19%	17%	100%
After housing costs	12%	23%	23%	22%	20%	100%
Single pensioners						
Before housing costs	26%	28%	22%	15%	7%	100%
After housing costs	15%	30%	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, 50% of all pensioners were in the top half in 2009-10; 53% 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 1994-95-2009-10

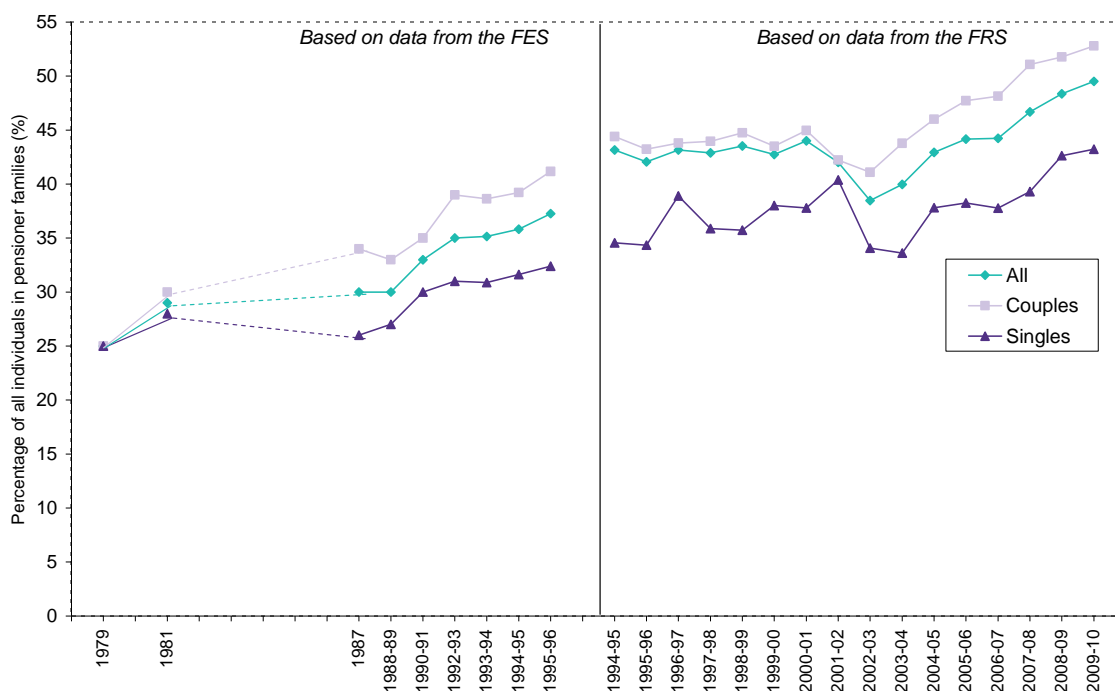


Table 4.7: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1996-97-2009-10

Quintiles based on equivalised household income

	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10
Net income before housing costs						
All pensioner units	38%	37%	36%	37%	40%	42%
Pensioner couples	39%	39%	41%	43%	45%	47%
Single pensioners	31%	27%	28%	27%	31%	32%
Net income after housing costs						
All pensioner units	43%	44%	44%	47%	48%	50%
Pensioner couples	44%	45%	48%	51%	52%	53%
Single pensioners	39%	36%	38%	39%	43%	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 2009-10 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.

It also 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.

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.

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

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 2009-10, the numbers are too small to provide a separate analysis of them in this section, and so they are excluded.

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

- Couples with the woman above 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, 2009-10

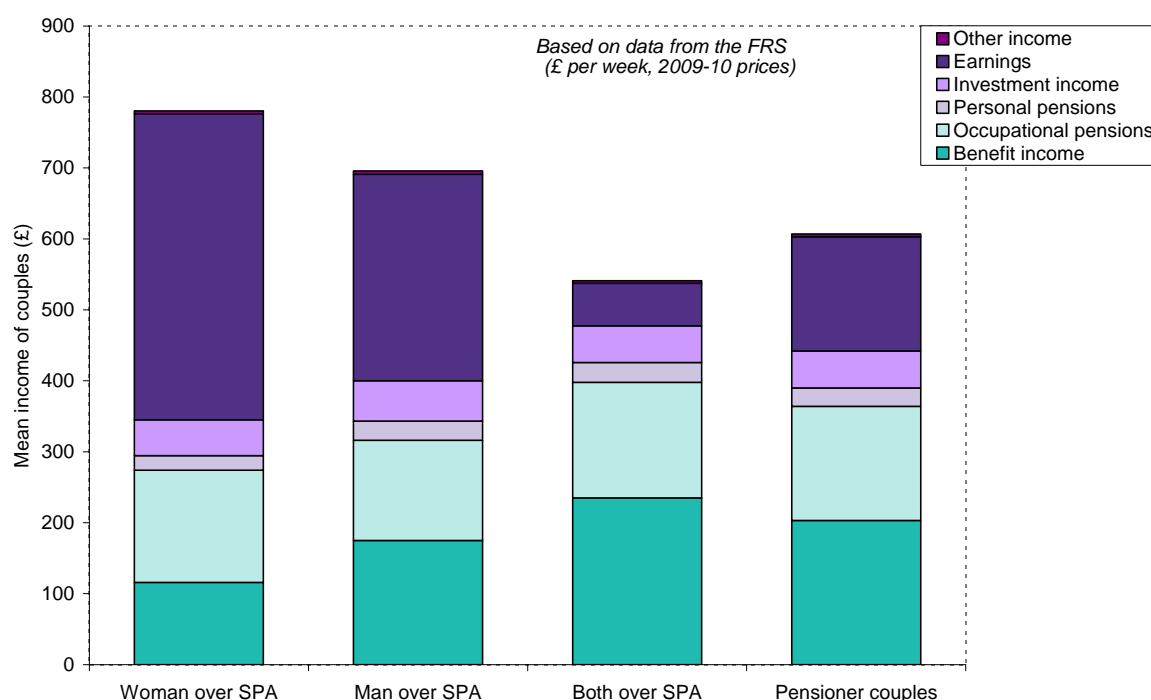


Figure 5.1 shows that pensioner couples with one member over state pension age and one below have, on average, significantly higher earnings, and as a result a higher overall income.

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, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>						
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	As a % of gross income in 2009-10
Couples where one partner is over state pension age but the other is not							
Gross income	526	563	685	664	673	764	100%
<i>of which</i>							
Benefit income	105	108	117	111	117	127	17%
Occupational pension	123	136	134	130	137	155	20%
Personal pension income	6	7	22	16	18	22	3%
Investment income	55	52	65	62	60	52	7%
Earnings	233	255	344	342	334	405	53%
Other income	4	4	3	4	7	4	1%
Net income BHC							
Mean	414	441	520	504	514	574	75%
Median	321	351	405	402	443	452	
Net income AHC							
Mean	367	400	502	490	493	543	71%
Median	279	311	389	388	424	424	

Mixed status couples are included in the analysis in chapters 1, 2, 3 and 4. These couples are a relatively small group but there are far more of them in 2009-10 than in 2008-09. In 2009-10, there were 1.2 million mixed status couples; this is 50,000 more than the previous year. For some sub-groups, and analysis of some components of income, for instance earnings, inclusion or exclusion of these mixed status couples will make a difference. This is particularly true for pensioner couples where the head is under 75.

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, 2009-10

		<i>Incomes in £ per week, 2009-10 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)	31%	529	386
Man over SPA, Woman under SPA	61%	473	362
Woman over SPA, Man under SPA	65%	664	458
Strictly one member over SPA, one under SPA	64%	630	451
Both members over SPA	16%	365	251

Chapter 5: Additional Analysis and Context

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 250,000 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, 2009-10

	Under SPA		Over SPA		All
	Males	Females	Males	Females	
Singles					
Not retired	6,550,000	5,800,000	100,000	450,000	12,950,000
Retired	100,000	50,000	1,000,000	2,800,000	3,950,000
All	6,650,000	5,850,000	1,100,000	3,300,000	16,900,000
	Both under SPA	Female over SPA	Male over SPA	Both over SPA	All
Couples					
Neither retired	10,950,000	450,000	50,000	200,000	11,650,000
One retired	200,000	400,000	150,000	450,000	1,200,000
Both retired	50,000	150,000	50,000	2,300,000	2,550,000
All	11,200,000	1,000,000	250,000	2,950,000	15,400,000

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, 2009-10

<i>Incomes in £ per week, in 2009-10 prices</i>		
Retired under SPA	Amount of income	Proportion in receipt
Gross income	274	
<i>of which</i>		
Benefit Income	62	63%
State Pension	3	4%
Income related benefits	34	29%
Disability benefits	10	14%
Occupational pension	154	61%
Personal pension income	7	58%
Investment income	49	8%
Earnings	*	*
Other income	2	8%
Net income BHC		
Mean	221	
Median	193	
Net income AHC		
Mean	194	
Median	150	

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 third or fourth 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. The equivalent information for all pensioners is given in Table 2.1.

Table 5.5: The average incomes of pensioner units 65 or over, 1996-97-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>						As a % of gross
	1996-97	1998-99	2006-07	2007-08	2008-09	2009-10	income in 2009-10
All pensioner units							
Gross income	284	294	366	378	385	407	100%
<i>of which</i>							
Benefit income	147	151	181	181	187	197	48%
Occupational pension	73	77	98	98	99	110	27%
Personal pension income	3	5	13	15	15	17	4%
Investment income	34	35	37	44	38	33	8%
Earnings	25	24	34	37	42	46	11%
Other income	1	2	3	3	3	3	1%
Net income BHC							
Mean	245	252	310	318	326	345	85%
Median	191	195	244	247	260	278	
Net income AHC							
Mean	208	218	291	304	306	318	78%
Median	153	162	224	232	238	249	
Pensioner couples							
Gross income	410	421	506	535	535	553	100%
<i>of which</i>							
Benefit income	176	178	208	210	216	226	41%
Occupational pension	117	123	150	147	147	160	29%
Personal pension income	7	10	22	28	28	27	5%
Investment income	55	56	57	72	58	51	9%
Earnings	53	51	65	74	82	85	15%
Other income	1	3	3	4	4	4	1%
Net income BHC							
Mean	350	354	421	441	445	462	84%
Median	275	280	340	357	358	372	
Net income AHC							
Mean	311	322	409	435	432	439	79%
Median	238	250	325	346	344	352	
Single pensioners							
Gross income	196	208	260	260	272	280	100%
<i>of which</i>							
Benefit income	127	132	160	158	166	172	61%
Occupational pension	43	46	58	60	63	67	24%
Personal pension income	1	2	6	6	6	8	3%
Investment income	20	21	22	23	22	18	6%
Earnings	5	5	10	9	12	13	5%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	173	182	225	225	237	244	87%
Median	150	154	196	200	207	215	
Net income AHC							
Mean	137	148	201	204	211	213	76%
Median	104	113	164	169	177	180	

Ethnic minority groups

Ethnic minorities account for 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 £248 compared to £181 and £193 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.

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, 2007-10

Incomes in £ per week, in 2009-10 prices

Ethnic Minority groups	All	White	Asian / Asian British	Black / Black British	Chinese / Other
Gross income	417	419	395	323	377
<i>of which</i>					
Benefit income	177	178	168	180	163
State Pension	132	133	110	111	110
Income related benefits	21	21	33	48	29
Disability benefits	15	15	15	11	17
Occupational pension	103	104	77	49	99
Personal pension income	15	15	9	3	19
Investment income	39	39	54	5	39
Earnings	80	80	81	83	54
Other income	3	3	5	3	4
Net income BHC					
Mean	346	433	324	275	313
Median	300	270	215	233	255
Net income AHC					
Mean	325	326	305	230	282
Median	246	248	193	181	216
Proportion of pensioners in receipt of:					
Benefit income	100%	100%	98%	100%	98%
State Pension	95%	96%	87%	88%	83%
Income related benefits	30%	30%	44%	54%	31%
Disability benefits	22%	22%	22%	19%	24%
Occupational pension	60%	60%	34%	45%	44%
Personal pension income	15%	15%	7%	6%	14%
Investment income	71%	72%	47%	49%	64%
Earnings	18%	18%	16%	19%	21%
Total population figures (rounded to 10,000)	8,510,000	8,200,000	140,000	90,000	50,000

Notes:

(1) Data based on the average of three years of FRS results from 2007-08, 2008-09 and 2009-10 uprated to 2009-10 prices

Marital status of couples

In 2009-10, 2% of all pensioner units were cohabiting couples and 47% were married couples, with the remainder as single pensioners. The sample sizes for cohabiting pensioners on the FRS are small and so it is difficult to get robust estimates from the survey. For these results a three year dataset has been used and so comparisons with tables in the main text can only be indicative.

Results show that:

- Cohabiting pensioner couples have higher overall income than married pensioner couples (for example, median net income (AHC) of cohabiting pensioner couples is £394 compared to £359 for married pensioner couples)
- Higher overall income for cohabiting couples is mainly due to this group having a much higher level of earnings compared to married pensioner couples; the average level of earnings for cohabiting pensioner couples is £257 per week compared to £142 per week for married pensioner couples.
- Overall, cohabiting pensioner couples tend to be younger than married pensioner couples which would explain the higher level of earnings.
- Levels of benefit income and investment income are similar for both groups, while occupational income is higher for married couples.

Table 5.7: The components of mean gross income of married and cohabiting pensioner units, 2007-10

Incomes in £ per week, 2009-10 prices

Marital status of couples	All	Married pensioner couples	Cohabiting pensioner couples
Gross income	579	577	637
<i>of which</i>			
Benefit income	194	195	189
Occupational pension	150	151	112
Personal pension income	25	25	23
Investment income	59	59	53
Earnings	146	142	257
Other income	4	4	3
Net income BHC			
Mean	469	467	501
Median	376	374	427
Net income AHC			
Mean	453	453	474
Median	360	359	394

Notes:

(1) Data based on the average of three years of FRS results from 2007-08, 2008-09 and 2009-10 uprated to 2009-10 prices

Appendices

A Data Sources and Methods

B Reliability of Estimates

Appendix A: Data Sources and Methods

The PI series in 2009-10 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 between the FES and FRS. The FRS has a sample size of over 8,000 pensioner units which is three times greater than the FES. Consequently, FRS based results are subject to less sampling variability, particularly when looking at small subgroups of pensioners. The two surveys have different response rates and response profiles, and there are some definitional differences in the data that are collected. Because of these differences, direct comparisons between results from the FES and FRS should not normally be made.

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

More information on data sources and methodology

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

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

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

A Robustness Assessment Report considering income data on the FRS can be found on the Households Below Average Income web page at <http://statistics.dwp.gov.uk/asd/index.php?page=hbai>.

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

National Statistics Quality Review of Income Statistics

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

Estimates for 1990/91

The PI Series gives single calendar year estimates up to the calendar year 1993, and single financial year estimates thereafter. However, in 1991 one quarter of the Family Expenditure 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, maintenance payments and from November 2000 free TV licences for those aged 75 and over

Net Income

Net income before housing costs (BHC) is gross income less:

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

and parental contributions to children living away from home.

Net income after housing costs (AHC) are also net of:

- rent (gross of housing benefits)
- water rates, sewage rates and council water charges
- structural insurance (for owner occupiers)
- mortgage interest payments (net of any tax relief)
- and ground rent and service charges.

Income from Housing Benefit is included within gross income as an income related benefit.

Definition of head of pensioner unit

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

Appendix A: Data Sources and Methods

Differences between the FRS and FES

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

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

Negative Incomes

Negative incomes are not thought to be indicative of standards of living. Pensioner units with negative net income before housing costs have their gross income components of income, and their net income before housing costs, set to zero. Net income after housing costs is set to zero minus housing costs, and so for a small number of cases will be negative.

See the PI methodological paper no 2 for more information on negative incomes. This is available on the web at

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

Households Below Average Income and the main Pensioners' Incomes Series

Tables 4.6 and 4.7 in the Pensioners' Incomes Series provide information on the position of pensioners within the overall income distribution. These tables define pensioners as adults in families where at least one member is over 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

unequalised income. Indeed equalisation 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 2009-10 prices, rather than equalised income.

Equalisation Scales: HBAI has historically used the McClements equalisation scale. Following user consultation, the 2005-06 edition of HBAI used Modified OECD equalisation scales. The same change has been made to **Tables 4.6** and **4.7** since the 2005-06 edition of the PI series. Information on the effect of the change can be found in Appendix B of the 2005-06 edition of the PI series.

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

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

Sources of uncertainty

Reporting errors: Imperfect recall and respondents choosing to deliberately give incorrect answers are examples of reporting error. If these errors are systematic they may lead to bias in survey estimates of average income and proportions in receipt. There is evidence that such a downward bias exists in survey estimates for amounts and proportions in receipt of Pension Credit and Attendance Allowance.

Under-reporting: The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. As a result it under-reports receipt for most of the benefits. The discrepancies between FRS and administrative data are particularly pronounced for Attendance Allowance and Pension Credit. More information on under-reporting can be found at <http://statistics.dwp.gov.uk/asd/frs/index.php?page=intro> in chapter 7 of the current year's FRS.

Systematic bias in the sample arises if certain groups are less likely to respond to a survey than others. This is corrected to some extent in the FRS by weighting to match subgroups of the population by age, gender, family status, tenure, council tax band and broad geographic region. It is impossible to account for all possible bias so some results are still affected.

Random Sampling errors occur in a survey because survey estimates are based on a subset of the population and this subset will not be identical to the remaining population who have not been interviewed. More information on sampling errors can be found at <http://statistics.dwp.gov.uk/asd/frs/index.php?page=intro> in chapter 7 of the current year's FRS.

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

Estimating sampling error

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

The standard error can be converted into a 'confidence interval' which gives an indication of the degree of uncertainty surrounding the estimate, by giving a range that the true mean is likely to be within. For example, if mean income is £201 a week, with a 95% 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.

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 2009-10. 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 2009-10 and between 2008-09 and 2009-10. Notice that the size of the confidence interval around the estimate of growth between 2008-09 and 2009-10 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 2009-10 estimates. However, for some 2009-10 estimates and all 1994-95 estimates it has not proved possible to do this. For these estimates, standard errors and confidence intervals have been calculated using simple random sampling assumptions. In most cases this means that the uncertainty surrounding the estimates of recent growth, as published in **Table 2.2**, will be slightly understated.

Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2009-10

	Estimate £pw	Standard error	95% confidence interval		
			Interval width +/-	Relative width	Interval range
All pensioner units					
Gross income	442	8	16	4%	[426, 459]
<i>of which:</i>					
Benefit income	186	1	2	1%	[184, 188]
Occupational pension	112	2	4	4%	[107, 116]
Personal pension income	17	1	2	11%	[15, 19]
Investment income	34	2	3	9%	[31, 38]
Earnings	90	6	12	13%	[78, 103]
Other Income	3	0	0	12%	[3, 4]
Mean net income					
Before housing costs	366	5	11	3%	[355, 376]
After housing costs	338	5	10	3%	[327, 348]
Subgroups of pensioners					
Mean net income BHC					
Pensioner couples	490	10	20	4%	[471, 510]
Single pensioners	247	3	5	2%	[242, 253]
Recently retired head	434	18	36	8%	[398, 470]
Head under 75 years	414	9	17	4%	[397, 431]
Head over 75 years	299	4	8	3%	[291, 307]
Single male pensioners	274	6	11	4%	[263, 285]
Single female pensioners	238	3	6	2%	[232, 244]
Recent growth estimates (% increase 1996/7-2009/10)					
Mean net income BHC					
All pensioner units	44%	3	5	11%	[40%, 49%]
Pensioner couples	37%	3	7	17%	[31%, 44%]
Single pensioners	42%	2	4	10%	[38%, 46%]

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

Table B1.2: Recent growth in average incomes of pensioner units, 1998-99-2009-10

	<i>Incomes in £ per week, 2009-10 prices</i>						
	1998-99	2008-09	2009-10	% growth 1998-99- 2009-10	% growth 2008-09- 2009-10	95% confidence interval 1998-99-2009-10	95% confidence interval 2008-09-2009-10
All pensioner units							
Gross income	314	408	442	41%	8%	34% to 47%	4% to 13%
<i>of which</i>							
Benefit income	145	176	186	29%	5%	27% to 30%	4% to 7%
Occupational pension	81	100	112	38%	12%	30% to 46%	5% to 18%
Personal pension income	5	15	17	231%	13%	160% to 301%	-9% to 34%
Investment income	36	38	34	-6%	-9%	-19% to 7%	-21% to 3%
Earnings	45	76	90	101%	19%	67% to 135%	1% to 37%
Other income	2	4	3	53%	-2%	9% to 98%	-30% to 27%
Net income BHC							
Mean	265	340	366	38%	8%	33% to 43%	4% to 12%
Median	200	268	287	44%	7%	40% to 48%	2% to 12%
Net income AHC							
Mean	230	319	338	47%	6%	41% to 53%	2% to 10%
Median	166	244	256	54%	5%	48% to 60%	0% to 10%
Pensioner couples							
Gross income	451	566	607	35%	7%	26% to 44%	1% to 14%
<i>of which</i>							
Benefit income	162	192	203	25%	6%	22% to 28%	3% to 8%
Occupational pension	127	146	161	27%	10%	17% to 36%	3% to 18%
Personal pension income	9	25	26	179%	5%	113% to 244%	-18% to 27%
Investment income	56	57	52	-8%	-9%	-24% to 9%	-24% to 6%
Earnings	93	141	161	73%	14%	42% to 105%	-5% to 33%
Other income	3	5	4	31%	-17%	-29% to 90%	-56% to 21%
Net income BHC							
Mean	372	460	490	32%	6%	25% to 39%	1% to 12%
Median	288	374	388	35%	4%	28% to 41%	-1% to 8%
Net income AHC							
Mean	338	446	466	38%	5%	30% to 45%	-1% to 10%
Median	259	358	367	42%	3%	34% to 49%	-2% to 7%
Single pensioners							
Gross income	213	276	286	34%	4%	29% to 39%	0% to 7%
<i>of which</i>							
Benefit income	131	162	169	29%	4%	26% to 31%	2% to 6%
Occupational pension	47	62	65	39%	6%	27% to 51%	-3% to 14%
Personal pension income	2	6	8	319%	22%	116% to 521%	-13% to 57%
Investment income	22	22	18	-20%	-19%	-35% to -5%	-34% to -4%
Earnings	9	21	23	142%	9%	81% to 203%	-13% to 31%
Other income	2	3	3	77%	20%	19% to 136%	-10% to 49%
Net income BHC							
Mean	185	239	247	33%	4%	29% to 38%	0% to 7%
Median	155	207	217	40%	5%	37% to 43%	2% to 8%
Net income AHC							
Mean	151	213	216	43%	1%	38% to 48%	-2% to 5%
Median	114	176	180	58%	2%	45% to 72%	-2% to 7%

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