

The Pensioners' Incomes Series

2007-08

Editorial Team:

Jack Chapman, Saleyah Miah, Jo Semmence

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 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 www.dwp.gov.uk/asd/pensioners_income.asp. The site includes copies of the tables in excel format, including data for the years omitted from the hard copy publication for reasons of space. The PI web page also includes methodological papers and links to other relevant documents. Historical results, based on the Family Expenditure Survey, can also be found on the web page.

Related statistical reports (for example Households Below Average Income and FRS) published by the Department for Work and Pensions (DWP) can be found on the DWP web site at www.dwp.gov.uk/asd/statistics.asp.

Contact points

The contact point for enquiries and copies of this publication is:

Jack Chapman
Pensions Analysis and Incomes Division
Department for Work and Pensions
The Adelphi
1-11 John Adam Street
London WC2N 6HT
Telephone: 020 7712 2722

Feedback

The Pensioners' Incomes team are looking for feedback on what people find most useful about the publication, and any aspects that can be improved. Any comments will be gratefully received and can be addressed to the contact 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)
- **Pensioner couples:** married or cohabiting pensioners where one or more are over state pension age.

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. Chapter 5 looks at retired units as defined by employment status rather than age.

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

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. The numbers within each different group according to the Family Resources Survey (FRS) are shown in **Table 1.1**. 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 2007-08 FRS and are consistent with the results for this year.

Table 1.1: The number of pensioner units in the United Kingdom, 2007-08

	Recently retired	Under 75	75 or over	All
All pensioner units	1,850,000	4,800,000	3,600,000	8,400,000
<i>of which</i>				
Pensioner couples	1,050,000	2,750,000	1,100,000	3,800,000
Single pensioners	800,000	2,050,000	2,500,000	4,550,000
Single male pensioners	300,000	550,000	650,000	1,200,000
Single female pensioners	500,000	1,500,000	1,850,000	3,350,000

The publication is based on data from the FRS, which is a household survey and therefore does not reflect the situation of the roughly 250,000 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** deducts direct taxes including Council Tax. **Net income after housing costs** also deducts housing costs which include rent, water rates and mortgage interest payments. BHC stands for before housing costs and AHC for after housing costs. A detailed description of gross and net income definitions can be found in Appendix A.

Throughout the publication, figures for incomes are presented in 2007-08 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 2007-08 (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 2007-08 do not contain data for all years. Complete tables for the period 1994-95 to 2007-08 can be found on the Pensioners' Incomes website, as detailed on page 4.

Further details regarding the data sources used by and the methods used within the Pensioners' Incomes Series 2007-08 can be found in Appendix A.

Changes to the publication

In chapter 4 a new table (Table 4.4) has been introduced to show components of mean gross income by quintiles of the net income after housing costs distribution. This table is supplemented by figures 4.5 and 4.6.

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.

Summary of main results

Growth in incomes

Chapter 2

- The average net income after housing costs of all pensioner units grew by 68% in real terms between 1979 and 1996-97. Average earnings in the whole economy grew by 36% in real terms over the same period.
- Pensioners' average income has grown faster than earnings over the last ten years. Net income after housing costs for pensioner units has grown by 38% between 1998-99 and 2007-08, whereas average earnings have risen by 11% in real terms over the same period.
- Growth in pensioner incomes over the last 25 years has resulted from substantial increases in incomes from occupational pensions, investments, earnings and benefits.
- Average net income after housing costs has risen faster than net income before housing costs. After deducting housing costs, average net income has grown by 38% since 1998-99 compared with 25% before deducting housing costs. This is partly a result of increasing numbers of pensioners owning their own home. More than two thirds of households headed by pensioners are owned outright.

Differences between pensioner units

Chapter 2

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

- Pensioner couples on average have around two-and-a-half times the level of occupational pensions and investments as single pensioners, and over seven times the level of earnings.
- On average older pensioners have lower incomes. In 2007-08 pensioner couples where the head was aged 75 or over had an average net income of £378 a week after housing costs per week, compared with £432 for those aged under 75, and £449 per week for recently retired pensioner couples (those where the head is within five years of state pension age).
- 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 £216 per week in 2007-08 compared with £185 for single female pensioners.
- Pensioners in the South East of England and London have on average higher income than pensioners in other parts of the UK. Average benefit income varies much less between regions than other types of income.

Sources of income

Chapter 3

- In 2007-08 state benefits accounted for 42% of pensioners' income; occupational pensions made up 24%, earnings 18%, investment income 11%, and personal pensions 4%.
- 95% of all pensioner units reported income from the State Pension in 2007-08, at an average of £108 a week for singles and £157 a week for couples.
- 31% of pensioner units received at least one income related benefit in 2007-08, 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 £72 a week from disability benefits in 2007-08 compared to £54 for single pensioners.
- In 2007-08, 72% of pensioner units had some investment income, for example for savings or stocks and shares, although for most pensioners this was a relatively small amount. For example, half of pensioner couples who had investment income received £13 a week or less from it.
- 59% of pensioner units had income from an occupational pension at an average amount of £160 per week. 14% had personal pension income in 2007-08.
- The proportion of pensioner units reporting income from occupational pensions rose from 40% in 1979 to 58% in 1994-95 (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 1996-97 to 67% in 2007-08 (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 1996-97 and 2007-08 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 28% and 30% in the bottom and top fifths of the single pensioner distribution respectively (before housing costs this was 20% for both) between 1997-00 and 2005-08.
- Growth over the same period in the median net income of the pensioner couple distribution was 33% in the bottom quintile and 26% in the top after housing costs (before housing costs this was 19% and 18% 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 2006-07 and 2007-08 see **Table 2.2**.

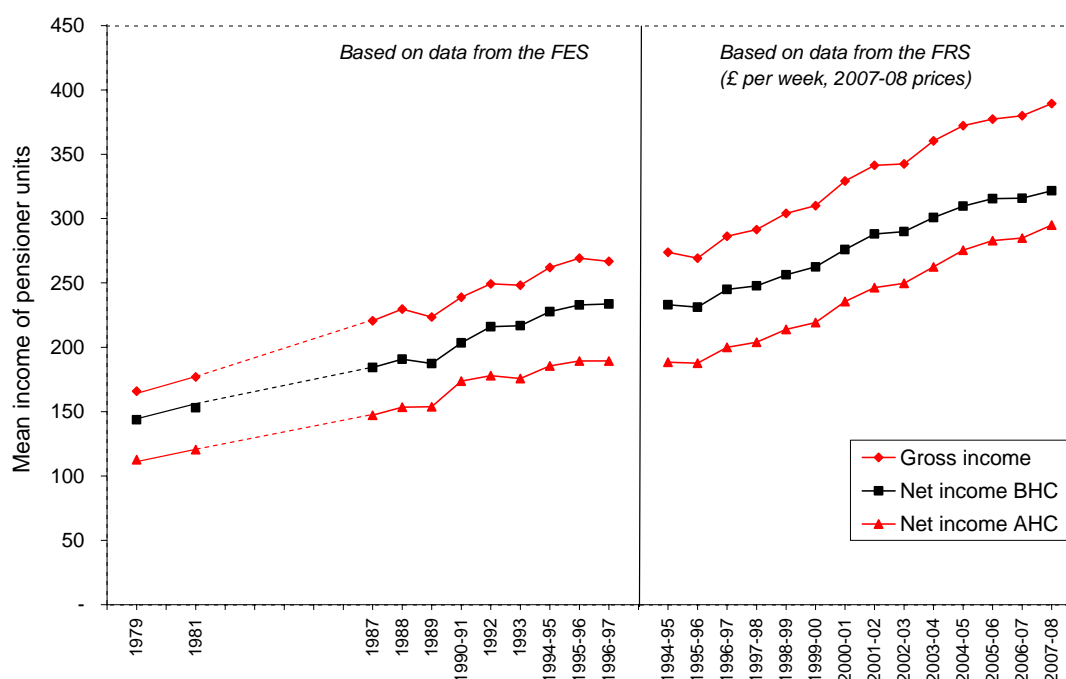
Chapter 2: Pensioners' Incomes

Trends in income for all pensioner units

Pensioner units on average received £389 a week in gross income in 2007-08 (**Table 2.1**). This compared with a gross income of £623 for the working age benefit units. After deduction of direct taxes, pensioner units received an average of £322 a week in net income, compared with £451 for the working age population. After deduction of housing costs, average income stood at £295 a week, compared with £380 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 25% since 1998-99, compared to real average earnings growth of about 11% over the same period. Net income after housing costs has grown more quickly, increasing by 38% in real terms since 1998-99. This is partly due to the fact that pensioners are now more likely to own their home outright than they were in 1998-99, and so have lower housing costs.

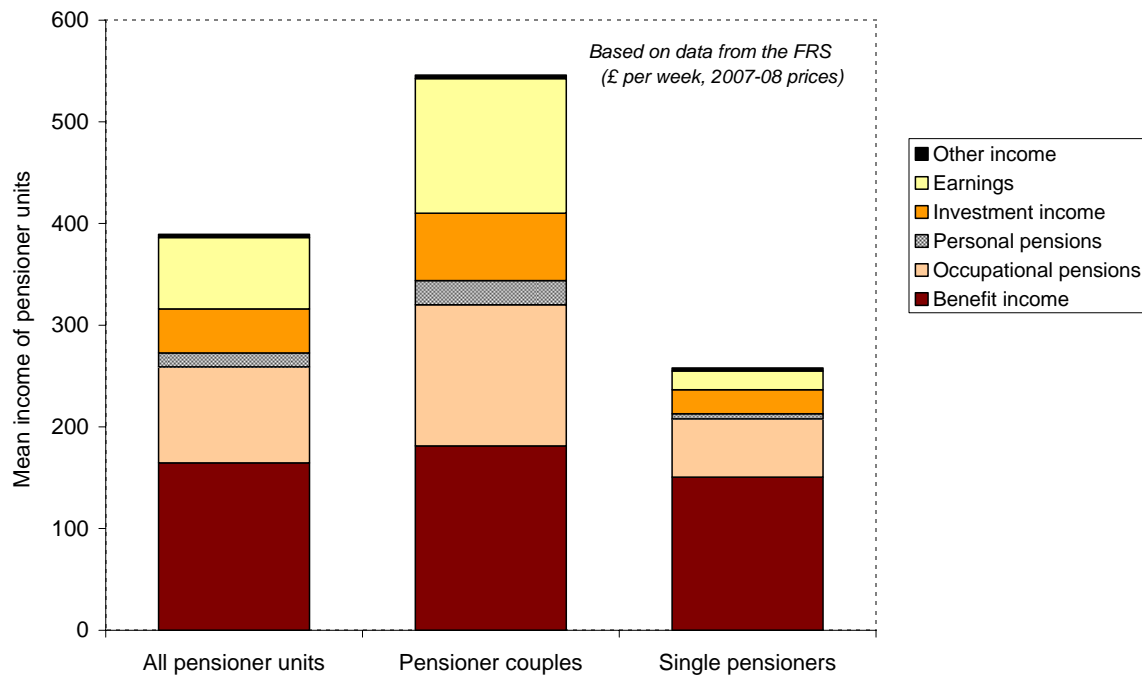
Figure 2.1: Real income of pensioners, 1979-1996-97 and 1994-95-2007-08



Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2007-08:

- 42% of average gross income came from state benefits (including the State Pension)
- Occupational pensions provided 24% of average gross pensioner income
- 11% of gross income came from investment income
- On average 18% of gross income came from earnings, although this is concentrated among a relatively small group of pensioners.

Figure 2.2: Sources of gross income, 2007-08



Some sources of income have contributed more than others to the overall growth in pensioners' incomes over the last 29 years (Figure 2.3). The fastest growing sources of income have been:

- **Occupational pensions**, which increased by 159% in real terms between 1979 and 1996-97. In more recent years average incomes from occupational pensions have continued to grow, increasing by 21% between 1998-99 and 2007-08
- **Personal pensions**, whose average contribution to pensioners' incomes nearly trebled in the last ten years. 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. However, growth through the 1990s has been less clear - average investment income fell between 2000-01 and 2002-03 and rose slowly up to 2005-06. In the last two years growth in investment income has been quite substantial.

Average benefit income has seen 18% growth in real terms over the ten years since 1998-99.

Increases in these average amounts reflect both increases in the number of people receiving different types of income (for example, more people receiving occupational pensions) and increased amounts for those people who are in receipt. More information on these two effects for different sources of income can be found in Chapter 3.

It should be noted that changes in average income do not simply reflect the changes experienced by individual pensioners. They also reflect changes in the composition of the pensioner population, for example as new retirees with higher incomes join the group.

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

Between 2006-07 and 2007-08 there was a small decrease in the average amount of benefit income reported by pensioners in the FRS. Based on the FRS the average amount of reported benefit income decreased by £1 per week (£1 for singles and couples). This is for the following reasons:

- The proportion of pensioner couples and singles reporting receipt of State Pension has fallen slightly between 2006-07 and 2007-08 (see **Table 3.3**). This trait is particularly prevalent amongst the recently retired.
- The proportion of single pensioners reporting receipt of income related benefits has fallen as has the proportion reporting receipt of disability benefits (see **Tables 3.4** and **3.5**).

Benefit expenditure based on administrative data sources suggests that there should not be a decrease as is indicated by the Pensioners' Incomes Series results.

Figure 2.3: Growth in sources of gross income, 1979-1996-97 and 1994-95-2007-08



Pensioner couples and single pensioners

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

On average pensioner couples have around two-and-a-half times the level of occupational pensions and investments as single pensioners, and over 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 1997-98 and 2007-08 net income after housing costs has increased by 33% for pensioner couples, and 38% for singles. As pensioners are increasingly likely to own their own home these increases are smaller before housing costs; 22% for couples and 23% for single pensioners over the same period.

A small part of the general growth in incomes between 1979 and 2007-08 for pensioner units as a whole has been due to an increase in the ratio of couples to singles, caused mainly by declining mortality. Net incomes after housing costs for all pensioner units would have risen by 63%, rather than the published 68%, between 1979 and 1996-97 if the ratio of couples to singles had remained constant (see Historical Tables on the internet site). If the ratio had remained constant between 1997-98 and 2007-08 the growth in net incomes after housing costs would have been 34% rather than 38% - see **Table 2.1 (Supplementary)**.

Chapter 2: Pensioners' Incomes

Table 2.1: The average incomes of pensioner units, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>						
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
All pensioner units							
Gross income	286	304	372	377	380	389	100%
<i>of which</i>							
Benefit income	137	140	166	171	166	165	42%
Occupational pension	73	78	97	93	96	94	24%
Personal pension income	3	5	11	13	13	14	4%
Investment income	33	35	34	34	39	43	11%
Earnings	39	44	60	62	64	70	18%
Other income	1	2	4	4	3	3	1%
Net income BHC							
Mean	245	256	310	316	316	322	83%
Median	189	193	241	246	242	245	
Net income AHC							
Mean	200	214	275	283	285	295	76%
Median	146	154	208	215	213	221	
Pensioner couples							
Gross income	411	436	520	526	529	546	100%
<i>of which</i>							
Benefit income	156	157	185	190	182	181	33%
Occupational pension	114	123	144	138	143	139	25%
Personal pension income	6	9	18	21	22	24	4%
Investment income	51	54	53	53	58	66	12%
Earnings	81	90	115	118	120	132	24%
Other income	2	3	4	4	3	4	1%
Net income BHC							
Mean	346	360	422	429	430	441	81%
Median	271	279	334	342	343	354	
Net income AHC							
Mean	294	314	387	397	401	416	76%
Median	225	241	301	310	315	330	
Single pensioners							
Gross income	192	206	249	255	257	258	100%
<i>of which</i>							
Benefit income	122	127	151	155	152	151	59%
Occupational pension	42	45	56	56	56	57	22%
Personal pension income	1	2	5	5	6	5	2%
Investment income	19	21	18	19	23	24	9%
Earnings	7	9	15	15	17	18	7%
Other income	1	2	3	4	3	3	1%
Net income BHC							
Mean	169	179	216	221	222	221	86%
Median	146	150	188	193	191	193	
Net income AHC							
Mean	128	140	182	189	190	193	75%
Median	97	106	149	155	153	156	

Table 2.1 (Supplementary): The average incomes of pensioner units, 1996-97-2007-08, assuming the ratio of couples to singles stays as in 1996-97

Incomes in £ per week, 2007-08 prices

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	% growth 1996-97-2007-08	% growth 1998-99-2007-08
All pensioner units								
Gross income	286	305	366	371	374	382	34%	25%
<i>of which</i>								
Benefit income	137	140	166	170	165	164	20%	17%
Occupational pension	73	79	94	92	94	92	26%	16%
Personal pension income	3	5	11	12	13	13	333%	160%
Investment income	33	35	33	34	38	42	27%	20%
Earnings	39	44	58	60	61	67	72%	52%
Other income	1	2	4	4	3	3	200%	50%
Net income before housing costs								
Mean	245	257	305	311	311	316	29%	23%
Net income after housing costs								
Mean	200	215	270	278	280	289	45%	34%
Recently retired pensioner units								
Gross income	361	388	451	479	451	479	33%	23%
<i>of which</i>								
Benefit income	147	151	173	174	170	167	14%	11%
Occupational pension	104	105	115	114	109	110	6%	5%
Personal pension income	6	10	20	20	19	19	217%	90%
Investment income	45	54	46	53	51	64	42%	19%
Earnings	57	63	93	112	98	114	100%	81%
Other income	2	5	4	5	4	4	100%	-20%
Net income before housing costs								
Mean	305	321	369	389	370	386	27%	20%
Net income after housing costs								
Mean	255	276	332	353	337	358	40%	30%

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 2007-08).

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 2007-08 and between 1998-99 and 2007-08. We also give a 95% confidence interval for the growth rate between 1996-97 and 2007-08. (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 2007-08 are shown in **Table B1.2** in Annex B.

Table 2.2 shows that some estimates, such as the 21% increase in benefit income for all pensioner units since 1996-97, are subject to little uncertainty. While others, like the 81% 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.

The ratio of couples to singles has changed over time. This will have a small effect on the growth estimates for all pensioner units. For example, the published investment income growth for all pensioners from 1998-99 to 2007-08 is 22%, the growth rate for couples and singles was 11% and 22% respectively. If the ratio of couples to singles had been the same throughout the period this would have been 20%.

Table 2.2: Recent growth in average incomes of pensioner units, 1996-97-2007-08

Incomes in £ per week, 2007-08 prices

	1996-97	1998-99	2007-08	% growth 1996-97-2007-08	% growth 1998-99-2007-08	95% confidence interval 1996-97 -2007-08
All pensioner units						
Gross income	286	304	389	36%	28%	31% to 41%
<i>of which</i>						
Benefit income	137	140	165	21%	18%	19% to 22%
Occupational pension	73	78	94	29%	21%	22% to 36%
Personal pension income	3	5	14	336%	181%	241% to 432%
Investment income	33	35	43	32%	22%	14% to 50%
Earnings	39	44	70	81%	62%	58% to 103%
Other income	1	2	3	115%	43%	45% to 185%
Net income BHC						
Mean	245	256	322	31%	25%	27% to 35%
Median	189	193	245	30%	27%	26% to 33%
Net income AHC						
Mean	200	214	295	48%	38%	43% to 53%
Median	146	154	221	52%	43%	46% to 57%
Pensioner couples						
Gross income	411	436	546	33%	25%	26% to 40%
<i>of which</i>						
Benefit income	156	157	181	16%	15%	14% to 19%
Occupational pension	114	123	139	21%	13%	13% to 29%
Personal pension income	6	9	24	301%	163%	202% to 400%
Investment income	51	54	66	29%	22%	7% to 51%
Earnings	81	90	132	63%	47%	42% to 85%
Other income	2	3	4	94%	26%	-13% to 202%
Net income BHC						
Mean	346	360	441	28%	22%	22% to 33%
Median	271	279	354	31%	27%	28% to 34%
Net income AHC						
Mean	294	314	416	41%	33%	35% to 48%
Median	225	241	330	47%	37%	42% to 51%
Single pensioners						
Gross income	192	206	258	34%	25%	28% to 40%
<i>of which</i>						
Benefit income	122	127	151	24%	18%	22% to 26%
Occupational pension	42	45	57	35%	26%	24% to 46%
Personal pension income	1	2	5	409%	193%	144% to 674%
Investment income	19	21	24	27%	11%	0% to 53%
Earnings	7	9	18	156%	101%	80% to 231%
Other income	1	2	3	137%	62%	66% to 208%
Net income BHC						
Mean	169	179	221	31%	23%	27% to 35%
Median	146	150	193	33%	29%	30% to 35%
Net income AHC						
Mean	128	140	193	50%	38%	44% to 56%
Median	97	106	156	61%	47%	55% to 66%

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 three groups: recently retired pensioner units (single pensioner or head of pensioner couple less than 5 years over state pension age), pensioner units aged under 75 (including recently retired) and pensioner units aged 75 and over. For couples, the age used is that of the head.

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

- **The 'age' effect:** Due to their age, older pensioners tend to have less income from earnings because they are less likely to be in work.
- **The 'cohort' effect based on historical factors:** Cohort effects are an important factor behind the growth in average incomes of pensioners. The rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to someone born in 1930 than in 1910 for example. Each successive cohort of pensioners has a higher income than the older cohort it effectively replaces and thus pushes up the average income of the pensioner group as a whole.
- **The length of time since retirement:** Before retirement the value of 'second-tier' pensions (such as occupational pensions and SERPS) is broadly linked with earnings growth over time. After retirement, the value of pensions in payment is generally linked to prices, which normally grow at a slower rate than earnings. Therefore, other things being equal, a pensioner who has been retired for longer will have a lower second-tier pension than the equivalent younger pensioner.

Pensioner couples by age

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

Older pensioner couples (as defined by the age of the head) tend to have less income than younger couples. This difference is mainly due to younger couples having significantly greater earnings. Pensioner couples include some couples where one partner is under state pension age (see Chapter 5 for more information regarding mixed status couples). The difference in income between recently retired couples and couples aged under 75 is not statistically significant.

Figure 2.4: Sources of gross income of pensioner couples by age of head, 2007-08

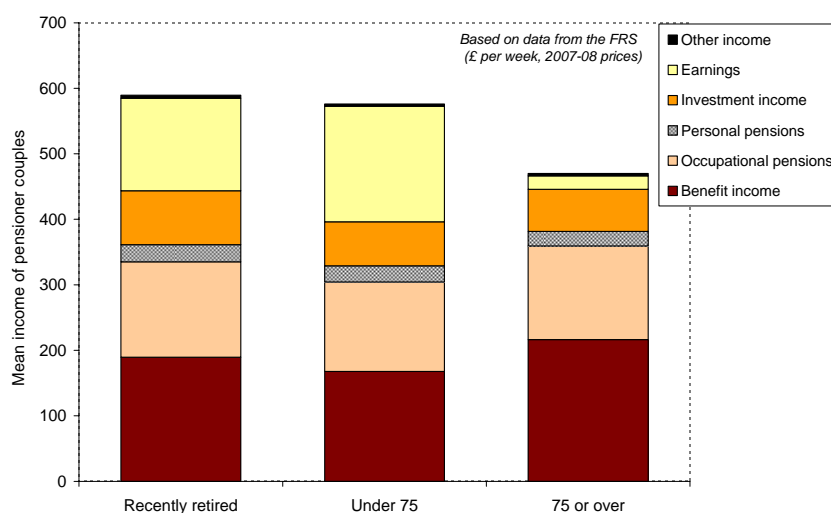


Table 2.3 shows the change in average incomes of pensioner couples by age. Note that interpreting year-on-year changes in estimates should be done with great care. For example, the decrease in average income of recently retired between 2005-06 and 2006-07 was not statistically significant.

Table 2.3: The average incomes of pensioner couples by age, 1996-97-2007-08

Incomes in £ per week, 2007-08 prices

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
Recently retired pensioner couples							
Gross income	455	479	563	602	551	590	100%
<i>of which</i>							
Benefit income	167	171	198	194	189	189	32%
Occupational pension	136	137	150	149	145	146	25%
Personal pension income	10	14	28	27	27	26	4%
Investment income	62	71	65	76	64	83	14%
Earnings	79	80	117	150	123	141	24%
Other income	2	6	5	6	3	5	1%
Net income BHC							
Mean	384	396	456	485	449	473	80%
Median	295	307	348	364	362	365	
Net income AHC							
Mean	331	348	421	450	420	449	76%
Median	253	267	319	331	335	342	
Pensioner couples where the head is under 75							
Gross income	441	468	561	572	569	576	100%
<i>of which</i>							
Benefit income	148	149	173	178	170	168	29%
Occupational pension	124	129	149	144	147	137	24%
Personal pension income	7	10	20	24	25	24	4%
Investment income	54	58	58	60	62	67	12%
Earnings	106	118	156	162	162	177	31%
Other income	2	3	4	5	3	3	1%
Net income BHC							
Mean	366	382	448	459	455	458	80%
Median	285	296	352	357	364	365	
Net income AHC							
Mean	313	334	411	425	425	432	75%
Median	239	259	319	328	338	341	
Pensioner couples where the head is 75 or over							
Gross income	326	350	420	411	430	470	100%
<i>of which</i>							
Benefit income	179	178	212	221	211	216	46%
Occupational pension	88	106	134	124	134	143	30%
Personal pension income	3	6	14	16	14	22	5%
Investment income	44	44	41	36	47	64	14%
Earnings	11	15	15	11	19	20	4%
Other income	1	1	5	4	4	4	1%
Net income BHC							
Mean	288	302	359	356	367	398	85%
Median	241	239	296	306	299	325	
Net income AHC							
Mean	242	259	328	328	341	378	80%
Median	193	198	266	276	273	304	

Single pensioners by age

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

Younger single pensioners are likely to have higher income than older single pensioners. This is mainly due to:

- a higher level of earnings; and
- to a lesser extent more income from private pensions.

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

Figure 2.5: Sources of gross income of single pensioners by age, 2007-08

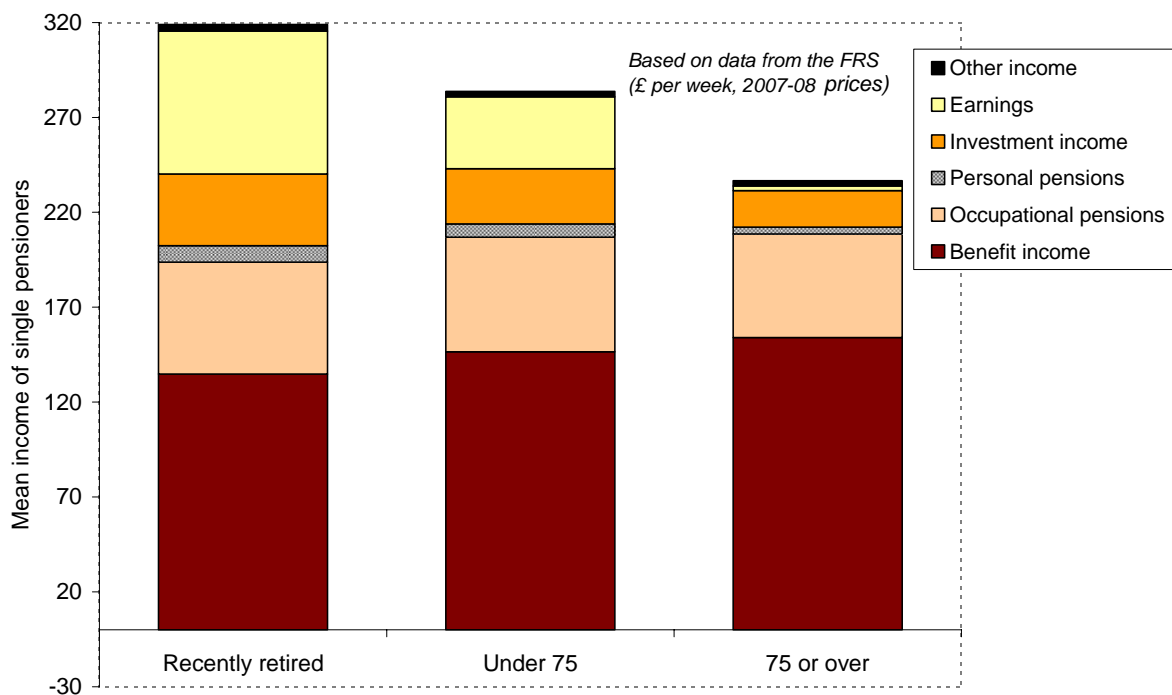


Table 2.4: The average incomes of single pensioners by age, 1996-97-2007-08

Incomes in £ per week, 2007-08 prices

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
Recently retired single pensioners							
Gross income	225	255	288	299	307	319	100%
<i>of which</i>							
Benefit income	119	122	137	144	142	135	42%
Occupational pension	57	58	63	64	57	59	18%
Personal pension income	2	3	9	9	8	9	3%
Investment income	20	28	20	21	33	38	12%
Earnings	24	39	57	57	62	75	24%
Other income	2	5	2	4	5	3	1%
Net income BHC							
Mean	192	214	241	250	256	259	81%
Median	162	165	198	203	204	203	
Net income AHC							
Mean	146	171	202	212	218	225	71%
Median	118	123	156	167	158	159	
Single pensioners under 75							
Gross income	208	225	261	276	278	284	100%
<i>of which</i>							
Benefit income	119	123	144	150	147	146	51%
Occupational pension	52	53	62	63	62	60	21%
Personal pension income	2	3	6	7	6	7	2%
Investment income	20	25	18	22	27	29	10%
Earnings	13	18	28	31	33	38	13%
Other income	2	3	3	4	3	3	1%
Net income BHC							
Mean	180	191	223	235	235	237	83%
Median	150	154	189	198	196	196	
Net income AHC							
Mean	138	151	188	201	201	206	73%
Median	103	109	151	159	156	154	
Single pensioners 75 or over							
Gross income	177	190	239	238	240	237	100%
<i>of which</i>							
Benefit income	124	131	157	160	157	154	65%
Occupational pension	33	39	52	51	52	55	23%
Personal pension income	*	1	4	4	6	4	2%
Investment income	17	18	19	16	19	19	8%
Earnings	2	1	4	3	4	2	1%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	159	169	210	210	211	208	88%
Median	142	147	187	189	186	190	
Net income AHC							
Mean	119	130	177	178	180	183	77%
Median	93	103	148	152	151	158	

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, 2007-08

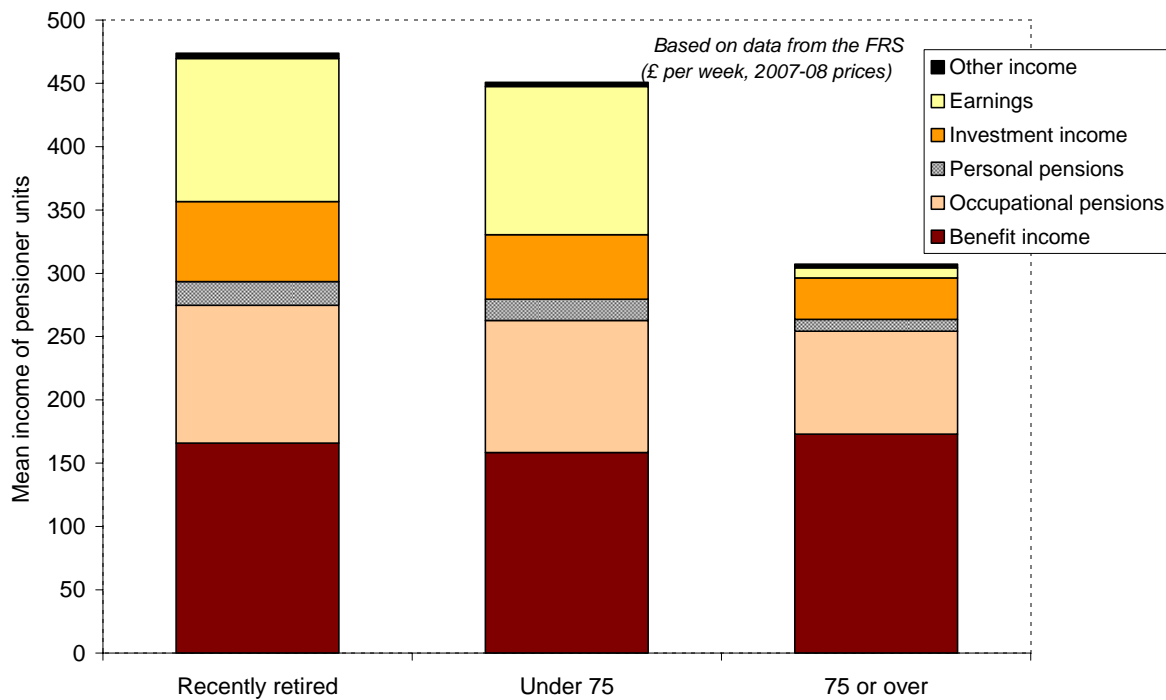


Table 2.5: The average incomes of pensioner units by age, 1996-97-2007-08

Incomes in £ per week, 2007-08 prices

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
Recently retired pensioner units							
Gross income	361	389	449	478	448	474	100%
<i>of which</i>							
Benefit income	147	151	173	174	169	166	35%
Occupational pension	104	105	114	114	108	109	23%
Personal pension income	6	10	20	20	19	19	4%
Investment income	45	54	46	53	51	63	13%
Earnings	57	63	92	112	97	113	24%
Other income	2	5	4	5	4	4	1%
Net income BHC							
Mean	305	322	367	389	367	382	81%
Median	236	245	284	294	283	289	
Net income AHC							
Mean	255	277	330	353	334	353	74%
Median	192	206	252	262	254	266	
Pensioner units where the head is under 75							
Gross income	333	354	433	443	442	451	100%
<i>of which</i>							
Benefit income	135	137	161	166	160	159	35%
Occupational pension	90	93	111	109	110	104	23%
Personal pension income	4	7	14	16	17	17	4%
Investment income	38	43	41	44	47	51	11%
Earnings	63	71	102	105	105	117	26%
Other income	2	3	4	4	3	3	1%
Net income BHC							
Mean	280	293	352	362	359	363	80%
Median	212	220	269	279	274	279	
Net income AHC							
Mean	232	249	316	328	327	335	74%
Median	171	180	239	248	243	252	
Pensioner units where the head is 75 or over							
Gross income	218	234	294	290	298	307	100%
<i>of which</i>							
Benefit income	140	144	174	178	173	173	56%
Occupational pension	48	57	77	73	77	81	26%
Personal pension income	1	2	7	8	8	9	3%
Investment income	24	25	25	22	28	33	11%
Earnings	4	5	7	5	9	8	3%
Other income	1	1	4	3	3	3	1%
Net income BHC							
Mean	194	206	255	254	258	266	87%
Median	160	166	214	217	214	218	
Net income AHC							
Mean	167	177	229	228	232	242	79%
Median	133	140	187	189	186	193	

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 £216) than for single women (£185) in 2007-08. **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 2007-08, single men received £76 a week on average from this source, compared with £51 for single women. Single men also received more investment and personal pension income, but average incomes from other sources were similar for single men and women.

Table 2.6 also shows gross and net income results for single men and women aged under 75 and 75 and over. Results show that single male pensioners have higher income than female single pensioners within each age group.

Figure 2.7: Net income (AHC) of single pensioners by gender 1979-1996-97 and 1994-95-2007-08

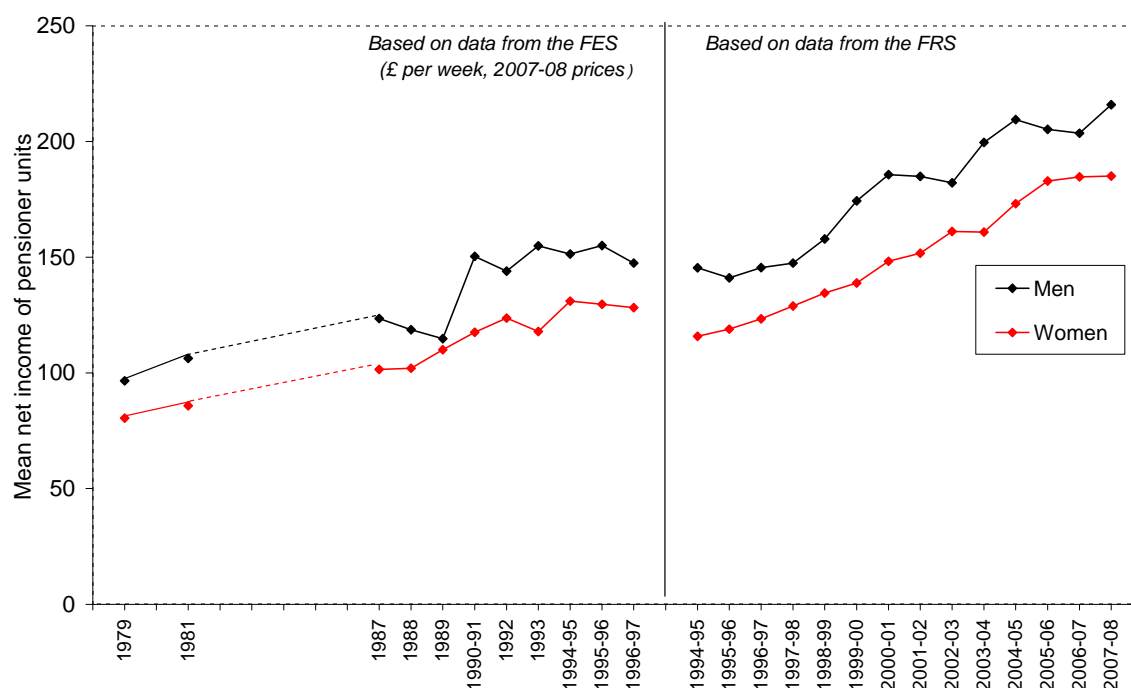


Table 2.6: The average incomes of single pensioners by gender, 1996-97-2007-08

Incomes in £ per week, 2007-08 prices

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
Single male pensioners							
Gross income	219	231	287	277	278	288	100%
<i>of which</i>							
Benefit income	122	125	149	153	153	151	52%
Occupational pension	63	65	81	74	72	76	26%
Personal pension income	2	4	11	10	9	11	4%
Investment income	26	26	27	23	26	31	11%
Earnings	6	9	18	14	15	16	6%
Other income	*	2	2	3	2	3	1%
Net income BHC							
Mean	189	199	244	239	238	245	85%
Median	156	159	197	199	202	206	
Net income AHC							
Mean	146	158	209	205	204	216	75%
Median	113	115	158	163	160	171	
Single female pensioners							
Gross income	184	199	236	247	250	247	100%
<i>of which</i>							
Benefit income	122	128	152	156	152	150	61%
Occupational pension	36	39	48	50	51	51	21%
Personal pension income	1	1	3	4	5	3	1%
Investment income	17	20	16	17	21	21	9%
Earnings	8	9	13	16	18	19	8%
Other income	1	2	3	4	4	3	1%
Net income BHC							
Mean	163	173	206	215	216	213	86%
Median	143	147	186	191	187	187	
Net income AHC							
Mean	123	134	173	183	185	185	75%
Median	94	103	146	152	150	152	
Single male pensioners under 75							
Gross income	239	253	300	287	288	311	100%
Benefit income	124	126	146	153	154	151	49%
Net Income BHC	203	214	253	246	245	258	83%
Net Income AHC	156	171	216	210	208	226	73%
Single male pensioners 75 or over							
Gross income	199	211	276	269	268	270	100%
Benefit income	119	124	151	152	153	151	56%
Net Income BHC	175	185	236	233	232	234	87%
Net Income AHC	134	146	204	201	200	208	77%
Single female pensioners under 75							
Gross income	199	216	247	272	274	274	100%
Benefit income	118	122	143	148	145	145	53%
Net Income BHC	173	184	212	231	232	230	84%
Net Income AHC	133	145	178	198	199	199	73%
Single female pensioners 75 or over							
Gross income	171	184	228	227	231	225	100%
Benefit income	126	133	159	162	158	155	69%
Net Income BHC	154	164	202	203	204	199	88%
Net Income AHC	115	125	169	171	173	174	77%

Differences by region

Pensioner incomes vary by region within the UK. Single pensioners and pensioner couples in London and the South 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, 2005-08

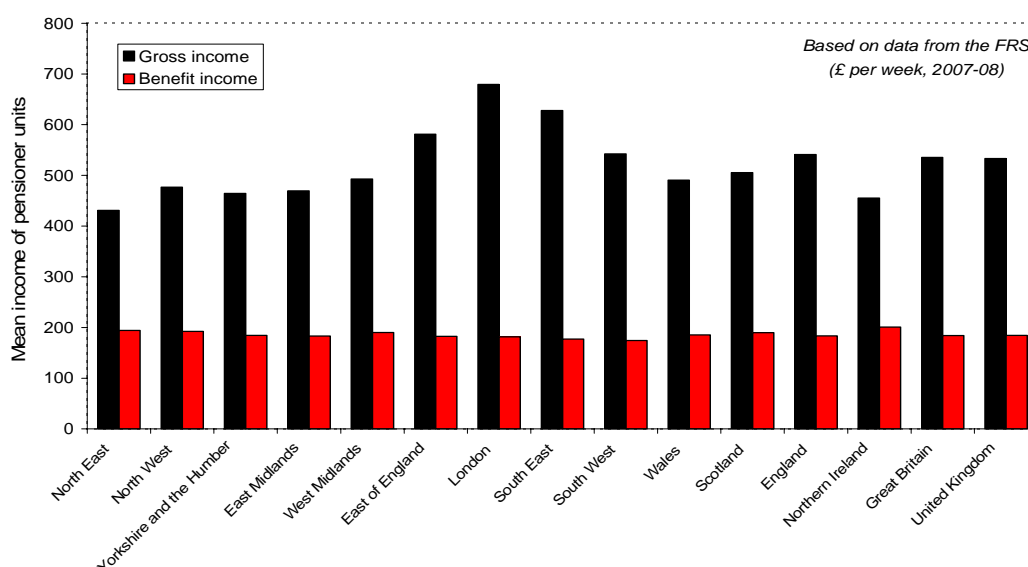


Table 2.7: The average income of pensioner units by region / country, 2005-08

	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	541	184	438	408	259	153	223	191
North East	431	194	362	336	250	166	220	187
North West	477	193	396	370	246	161	216	184
Yorkshire and the Humber	464	184	386	361	241	153	211	180
East Midlands	470	183	389	364	243	154	211	183
West Midlands	493	190	404	376	251	157	217	188
East of England	581	183	467	437	271	151	231	201
London	679	182	526	486	284	151	240	195
South East	628	177	498	464	284	143	239	207
South West	542	174	438	410	256	145	219	190
Wales	490	186	410	386	243	148	212	188
Scotland	505	190	418	390	243	157	216	186
Northern Ireland	455	201	387	370	214	152	194	175
Great Britain	535	184	435	406	258	153	222	191
United Kingdom	533	185	433	405	257	153	222	190

Notes:

(1) Data based on the average of three years of results from 2005-06, 2006-07, 2007-08 FRS data and updated to 2007-08 prices

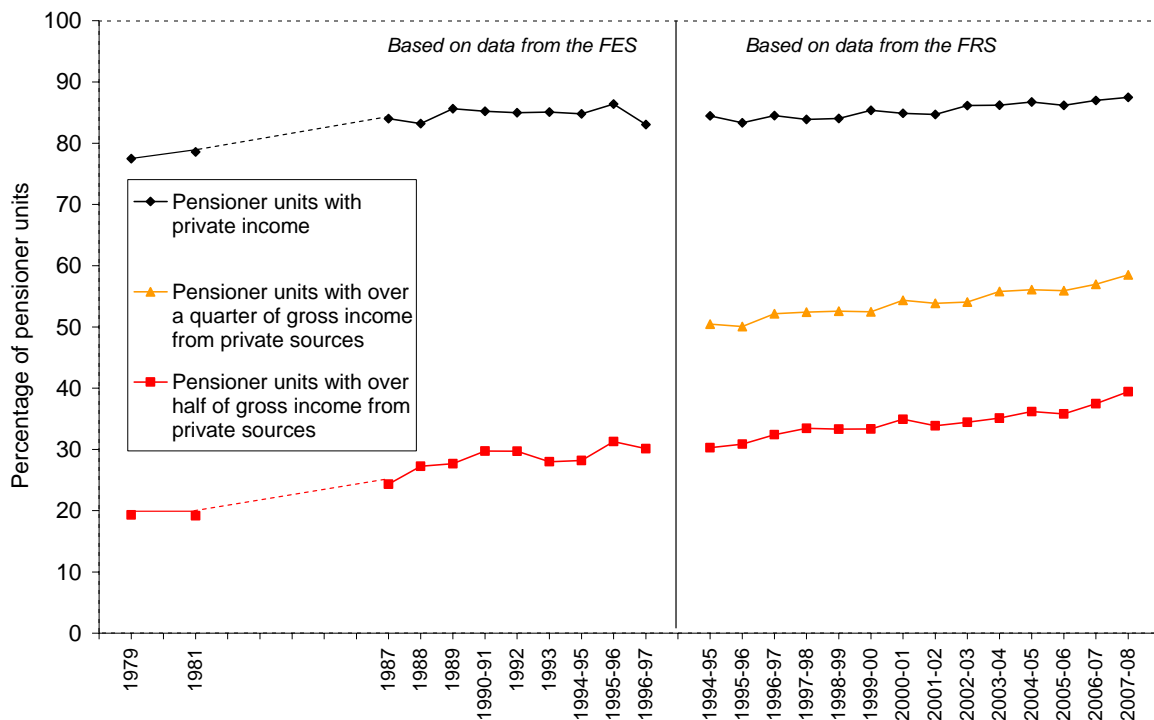
Chapter 3: Sources of Pensioners' Incomes

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 2007-08, the vast majority of pensioner units had some private income on top of state benefits (93% of pensioner couples and 83% of single pensioners – **Table 3.1**). The overall proportion increased from 77% in 1979 and has remained stable at around 85% since the mid-1990s.

For over a third (39%) of pensioner units, more than half of their gross income came from private sources in 2007-08 (**Table 3.2**). This proportion was higher for couples (55%) than singles (27%), and considerably higher among the recently retired, at 51%. Choosing half of gross income as a threshold is somewhat arbitrary but does allow some analysis of trends over time. **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. It also shows the proportion of pensioners with over one quarter of gross income from private sources rising slowly since 1994-95, reaching 58% in 2007-08.

Figure 3.1: Benefit and non-benefit income, 1979-1996-97 and 1994-95-2007-08



Chapter 3: Sources of Pensioners' Incomes

Table 3.1: The proportion of pensioner units with income on top of state benefits, 1996-97-2007-08

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
All pensioner units						
Total	85%	84%	87%	86%	87%	87%
Pensioner couples	93%	92%	94%	93%	94%	93%
Single pensioners	78%	78%	81%	81%	81%	83%
Recently retired pensioner units						
Total	87%	86%	88%	87%	87%	86%
Pensioner couples	93%	92%	94%	93%	95%	92%
Single pensioners	79%	76%	79%	78%	77%	78%

Table 3.2: The proportion of pensioner units with more than 50% of income from private sources, 1996-97-2007-08

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
All pensioner units						
Total	32%	33%	36%	36%	37%	39%
Pensioner couples	46%	49%	50%	50%	52%	55%
Single pensioners	22%	22%	25%	24%	25%	27%
Recently retired pensioner units						
Total	43%	45%	48%	48%	49%	51%
Pensioner couples	50%	52%	53%	54%	57%	57%
Single pensioners	34%	35%	41%	39%	38%	42%

The proportions of pensioner units in receipt of different types of state benefit, and the average amounts for those in receipt of these benefits, are examined in more detail in **Tables 3.3 – 3.5**. As these tables look at the amounts for those in receipt, which can be relatively small samples, they can be subject to relatively large sampling errors, so users should be careful about drawing conclusions about movements in data between single years. For example, year-on-year changes in average reported benefit income based on the FRS do not necessarily match changes in average benefit income seen in administrative data sources. Results based on survey respondents' identification of different elements of income may be subject to misreporting.

Pensioner units in receipt of different sources of income

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

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

The tables include the three broad types of benefit income: State Pension (basic and additional State Pension and widow's benefits), income related benefits and disability related benefits. These three benefit types are not exhaustive – there are benefits, such as Winter Fuel Payments and Carer's Allowance, which do not fit into any of these categories but are still included in total benefit income.

Table 3.11 shows average income from annual lump sum payments converted into a weekly amount. Such payments include the Winter Fuel Payment, Age-related payments and the free TV licence. Note that the Winter Fuel Payment and Age-related payments are also counted in total benefit income. Free TV Licences are included in other income.

The type of income received is self-reported by survey respondents and consequently can be misreported. For example, some survey respondents may not be able to distinguish between the State Pension and Pension Credit because these benefits can be paid jointly. A full description of components of gross income is given in Appendix A.

The most common source of income amongst pensioners is the State Pension. Nearly all pensioner units (95%) received income from this source (**Figure 3.2**). 72% of pensioner units received some investment income, whilst 59% received income from an occupational pension. All other sources were received by less than half of all pensioner units, including earnings which were received by 17%.

Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2007-08

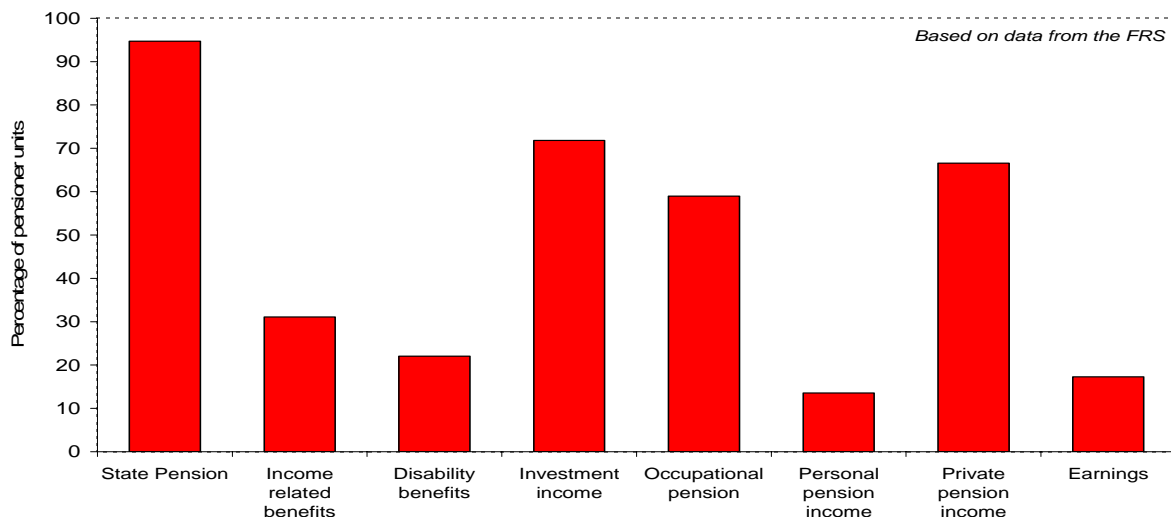
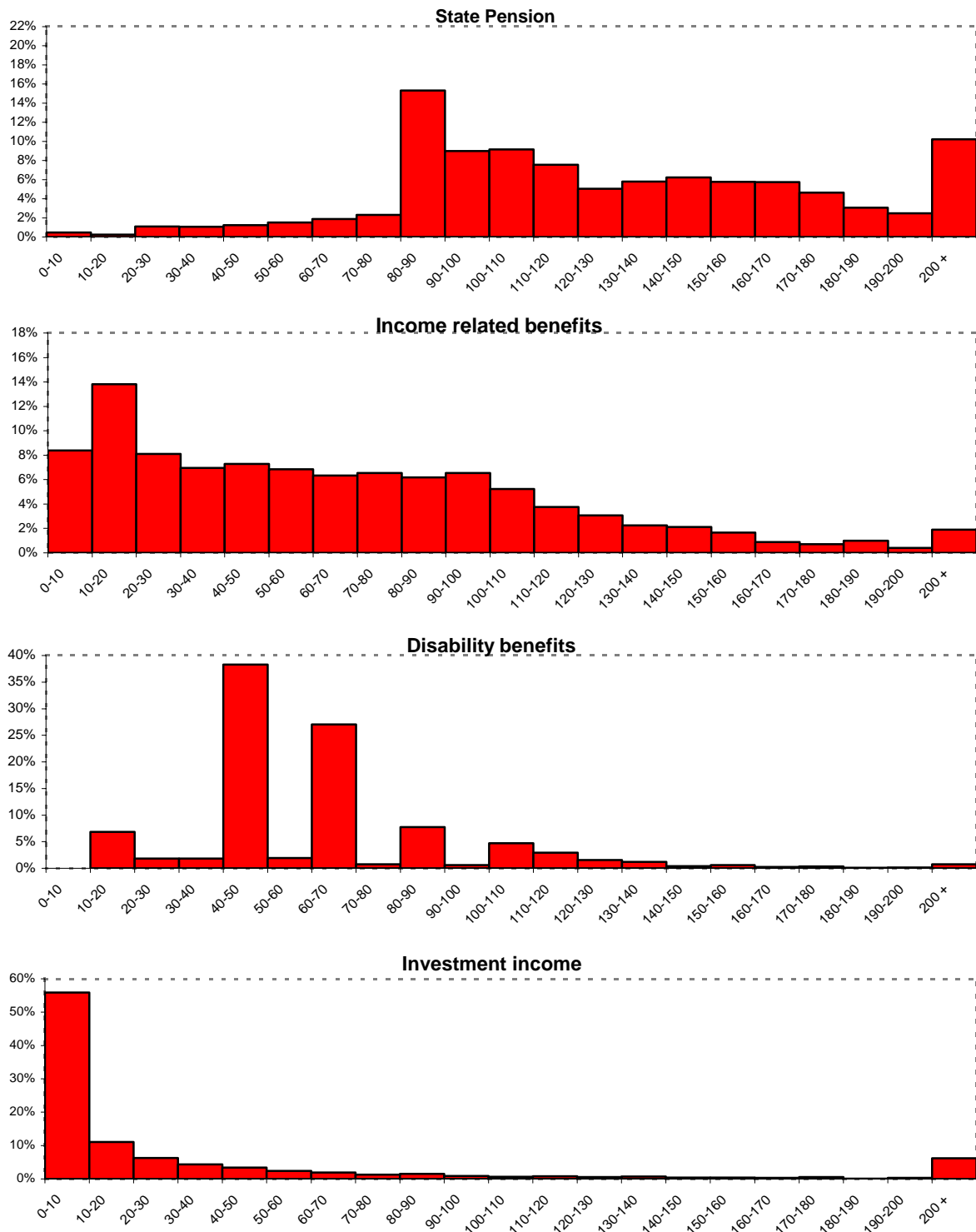


Figure 3.3 shows the distribution of income that pensioners receive from various sources. These figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income band will be subject to a degree of sampling error.

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Figure 3.3 Part 1: Distribution of income from selected income sources for those in receipt, 2007-08

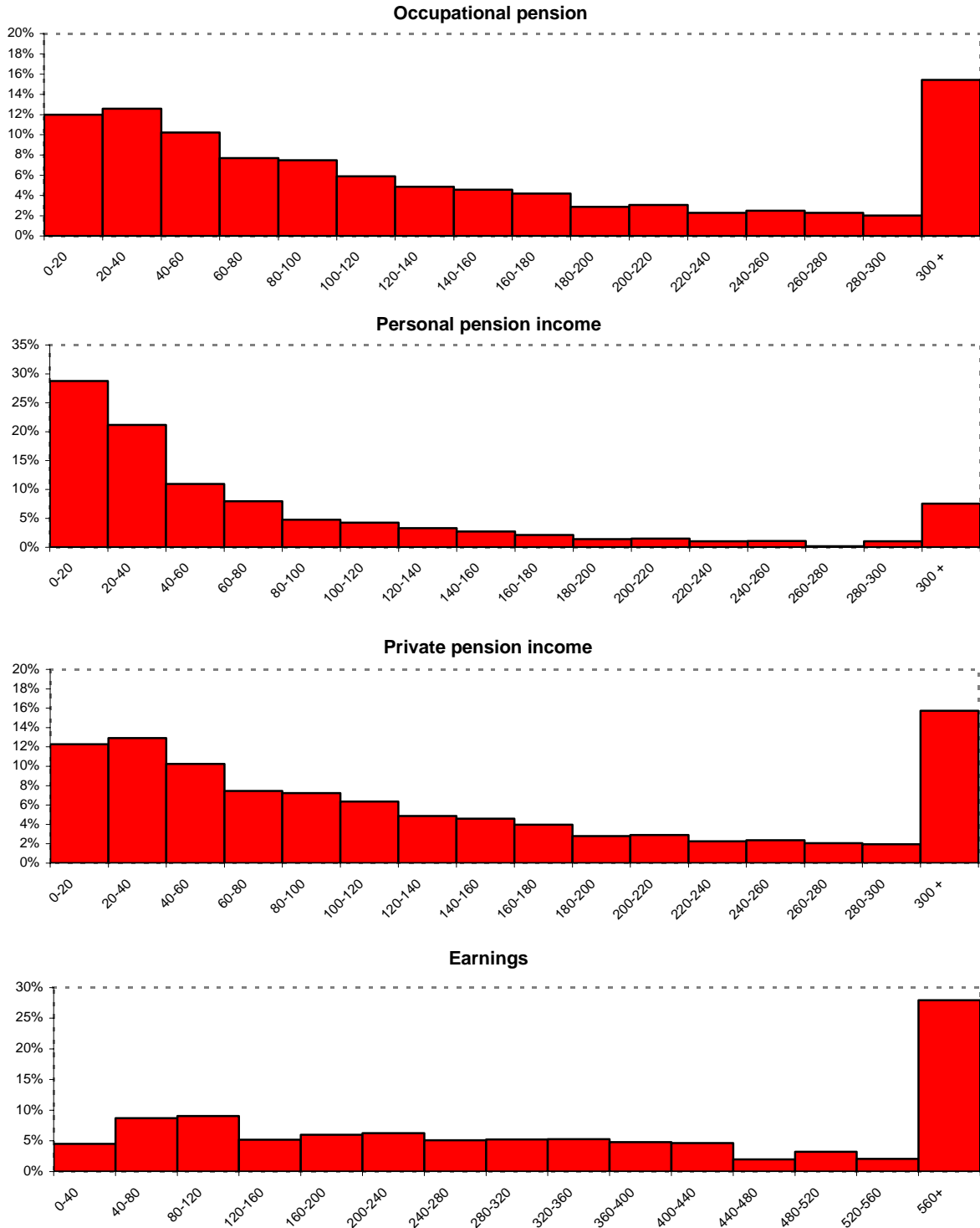
Income received from each source (£ per week, 2007-08 prices)



Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 2: Distribution of income from selected income sources for those in receipt, 2007-08

Income received from each source (£ per week, 2007-08 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 to previous years.

Pensioners in receipt of State Pension

The State Pension includes the basic State Pension, as well as any additional elements of the State Pension. From 1978 to 2002, the additional State Pension was called the State Earnings-Related Pension Scheme (SERPS). SERPS was replaced in April 2002 with the State Second Pension (S2P). Widow's Pension and Widowed Parent's Allowance are also included.

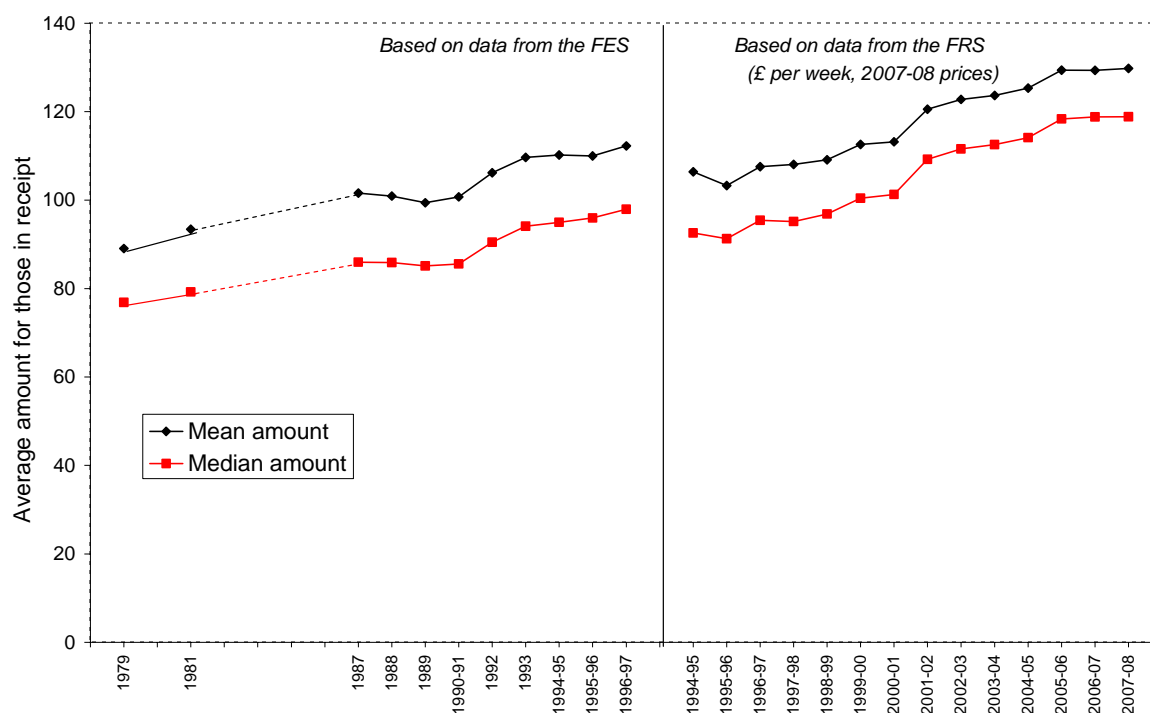
Estimates are based on survey responses and rely on the respondent being able to accurately identify the amount of benefit. Quoted amounts may include other benefits such as Pension Credit and Attendance Allowance, both of which are under-reported in the FRS.

Nearly all pensioner units (95%) received the State Pension in 2007-08 (**Table 3.3**). This proportion was lower for recently retired pensioners. This reflects the fact that individuals can defer receiving their pension for up to five years after they reach state pension age.

The average amount of reported State Pension for all pensioner units in receipt was £130 per week in 2007-08 (£108 for singles and £157 for couples). Between 1998-99 and 2007-08 there was 23% real terms growth in the median State Pension received (**Figure 3.4**). This growth has mainly been due to the maturing of the earnings-related component (SERPS) of the State Pension. Since being introduced in 1978, each new wave of retirees has had the opportunity to make contributions over a longer period, leading to a growth in average income from this component over time. It is likely that SERPS and the State Second Pension will continue to have a positive effect on average real incomes.

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

Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996-97 and 1994-95-2007-08



Chapter 3: Sources of Pensioners' Incomes

Table 3.3: The proportion of pensioner units with income from State Pension and the average amount for those in receipt, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of State Pension (%)						
All pensioner units						
Total	94%	95%	97%	96%	95%	95%
Pensioner couples	91%	93%	96%	95%	94%	93%
Single pensioners	97%	97%	98%	97%	97%	96%
Recently retired pensioner units						
Total	91%	95%	97%	94%	93%	91%
Pensioner couples	92%	97%	98%	95%	95%	92%
Single pensioners	88%	92%	94%	93%	92%	90%
Average amount of State Pension for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	108	109	125	129	129	130
Pensioner couples	131	135	152	156	155	157
Single pensioners	91	91	104	108	108	108
Recently retired pensioner units						
Total	122	129	144	140	140	140
Pensioner couples	140	149	170	161	164	165
Single pensioners	94	96	105	108	107	105
Median amounts						
All pensioner units						
Total	95	97	114	118	119	119
Pensioner couples	142	143	159	161	160	160
Single pensioners	87	87	100	103	103	102
Recently retired pensioner units						
Total	127	132	145	138	139	137
Pensioner couples	144	147	162	159	162	164
Single pensioners	93	92	99	101	102	99

Chapter 3: Sources of Pensioners' Incomes

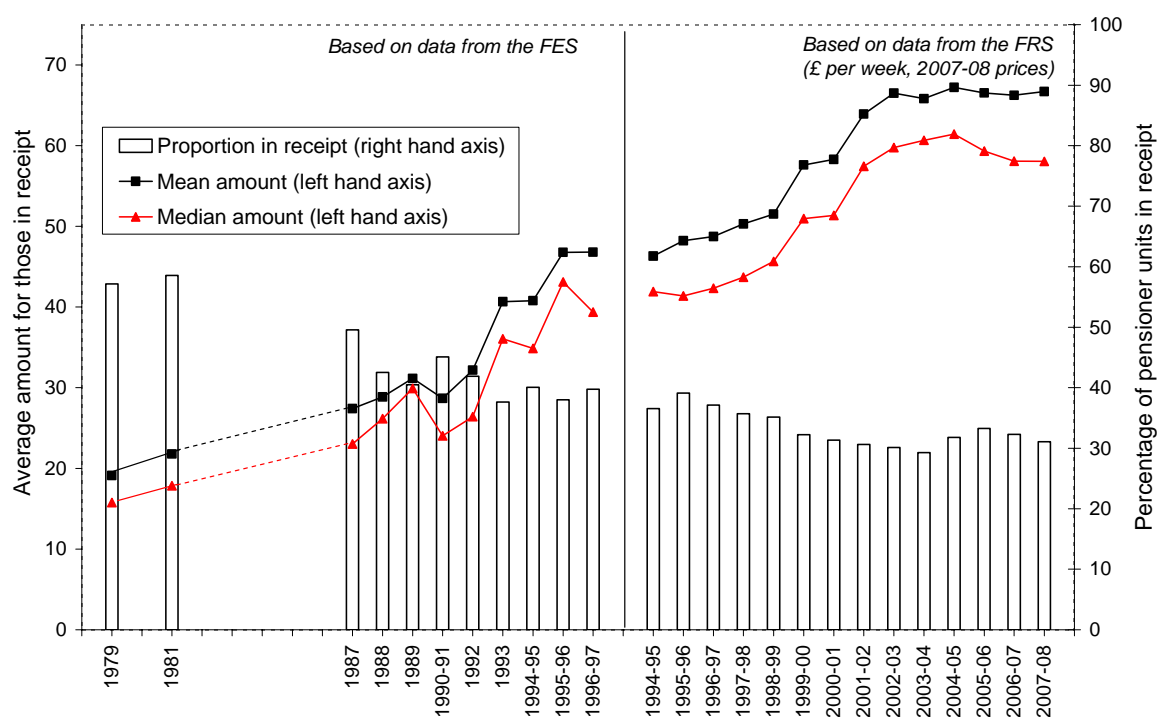
Pensioners in receipt of income related benefits

Income related benefits in 2007-08 included Pension Credit, Housing Benefit, Council Tax Benefit, and Social Fund Grants. In previous years this has included Minimum Income Guarantee (MIG) and Income Support, the predecessors to Pension Credit.

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

These benefits were less common than the State Pension, but were nevertheless received by just under a third of all pensioner units in 2007-08 (**Table 3.4**). This contrasts with 57% of pensioner units reporting receipt in 1979. Receipt was considerably more common among single pensioners (42%) than pensioner couples (18%).

Figure 3.5: Pensioner units in receipt of income related benefits, 1979-1996-97 and 1996-97-2007-08



Chapter 3: Sources of Pensioners' Incomes

Table 3.4: The proportion of pensioner units with income from income related benefits and the average amount for those in receipt, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of income related benefits (%)						
All pensioner units						
Total	37%	35%	32%	33%	32%	31%
Pensioner couples	22%	19%	18%	20%	18%	18%
Single pensioners	48%	47%	43%	44%	44%	42%
Recently retired pensioner units						
Total	29%	25%	25%	26%	26%	26%
Pensioner couples	21%	15%	16%	18%	16%	17%
Single pensioners	41%	41%	37%	39%	40%	39%
Average amount of income related benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	49	52	67	67	66	67
Pensioner couples	47	48	66	68	64	64
Single pensioners	49	52	68	66	67	68
Recently retired pensioner units						
Total	47	49	68	74	66	70
Pensioner couples	41	42	66	78	58	68
Single pensioners	51	53	69	71	70	71
Median amounts						
All pensioner units						
Total	42	46	61	59	58	58
Pensioner couples	31	30	57	53	49	48
Single pensioners	45	50	63	61	61	62
Recently retired pensioner units						
Total	34	43	64	65	59	61
Pensioner couples	26	26	62	58	46	52
Single pensioners	43	49	67	69	68	70

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 2007-08 were Attendance Allowance and Disability Living Allowance.

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

More than one fifth (22%) of all pensioner units received some form of disability benefit in 2007-08. **Figure 3.6** shows the large increase in this proportion between 1979 and 1996-97, there has been little change in the late 1990s and early 2000s. Receipt of disability benefits was slightly less common among recently retired pensioners.

The average amount for pensioner units in receipt was £62 a week in 2007-08. 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 (£43.15) or a higher rate (£64.50) in 2007-08; 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 first three peaks in the distribution represent receipt at the three levels for singles, and the other two lower peaks represent the incomes from disability benefits of pensioner couples where both partners are eligible.

Figure 3.6: Pensioner units in receipt of disability benefits, 1979-1996-97 and 1994-95-2007-08

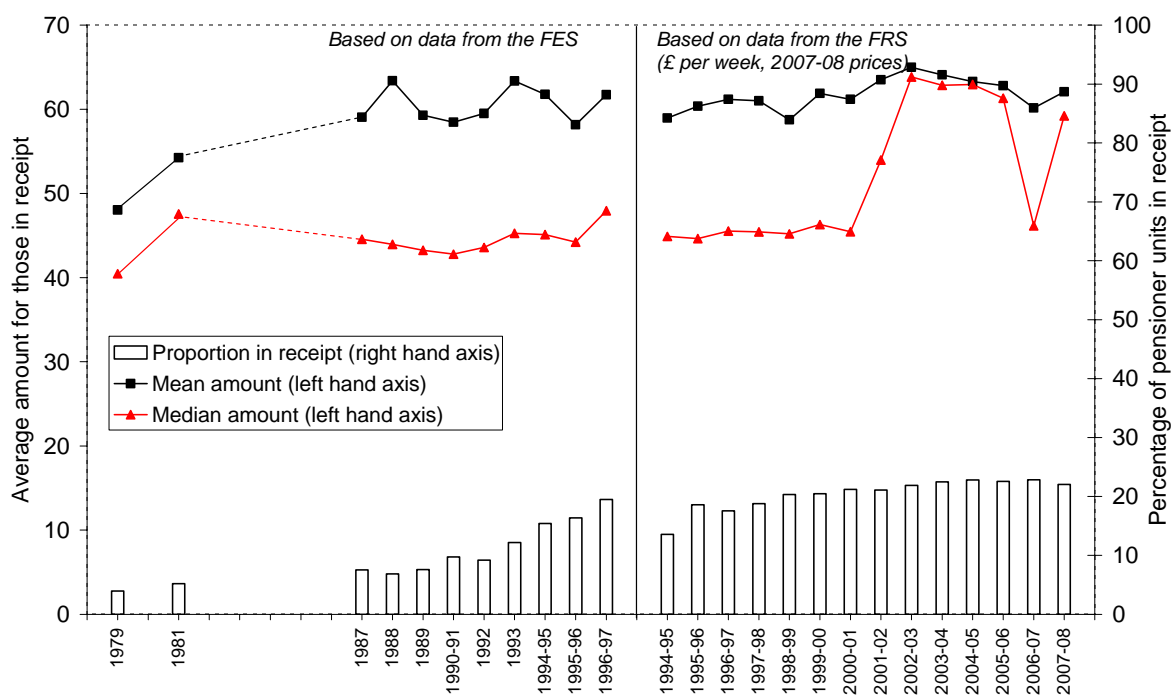


Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of disability benefits (%)						
All pensioner units						
Total	18%	20%	23%	23%	23%	22%
Pensioner couples	22%	21%	23%	23%	22%	22%
Single pensioners	14%	20%	23%	22%	23%	22%
Recently retired pensioner units						
Total	17%	15%	17%	18%	19%	18%
Pensioner couples	21%	18%	20%	19%	21%	21%
Single pensioners	12%	12%	14%	16%	17%	15%
Average amount of disability benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	61	59	63	63	60	62
Pensioner couples	67	64	71	71	68	72
Single pensioners	55	54	57	56	54	54
Recently retired pensioner units						
Total	64	59	65	68	63	67
Pensioner couples	65	61	71	72	68	75
Single pensioners	60	53	52	62	55	51
Median amounts						
All pensioner units						
Total	46	45	63	61	46	59
Pensioner couples	63	62	64	65	63	64
Single pensioners	44	44	46	46	45	45
Recently retired pensioner units						
Total	62	45	62	63	60	61
Pensioner couples	63	55	64	63	62	64
Single pensioners	61	45	46	62	46	45

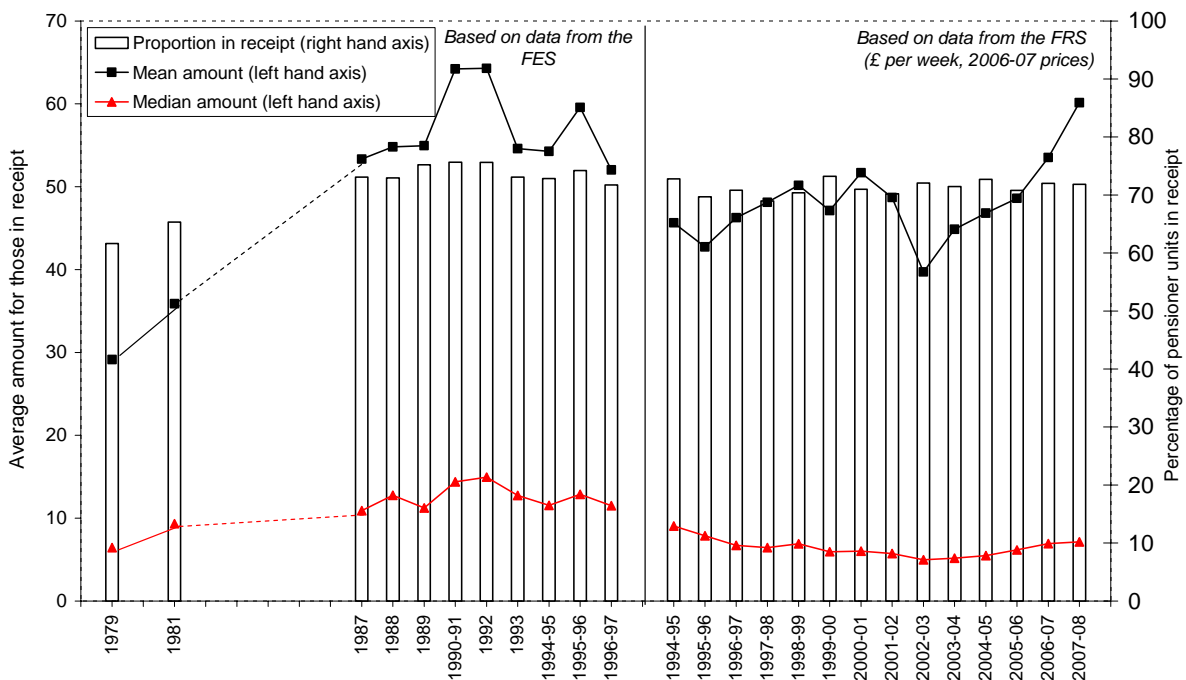
Pensioners in receipt of investment income

Investment income was the second most common source of income, received by 72% of all pensioner units in 2007-08 (Table 3.6). As Figure 3.3 shows, large numbers of people receive small amounts of investment income with half of all pensioner units receiving investment income getting £7 a week or less. There are a small number of pensioners who receive very large amounts of investment income; the mean amount for those in receipt is £60.

After the falls seen between 2000-01 and 2002-03 in the average amounts of investment income received by pensioners, 2007-08 shows investment income continuing to rise. The falls seen were likely to be due to the falls in the stock market over this time, and also the relatively low level of interest rates in 2002-03. 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. 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 1994-95-2007-08



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Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of investment income (%)						
All pensioner units						
Total	71%	70%	73%	71%	72%	72%
Pensioner couples	79%	79%	79%	77%	79%	78%
Single pensioners	65%	64%	67%	65%	66%	66%
Recently retired pensioner units						
Total	72%	71%	73%	69%	72%	72%
Pensioner couples	78%	79%	79%	76%	79%	77%
Single pensioners	63%	59%	65%	59%	63%	66%
Average amount of investment income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	46	50	47	49	54	60
Pensioner couples	65	69	67	69	73	85
Single pensioners	29	33	27	29	34	36
Recently retired pensioner units						
Total	62	76	63	77	70	88
Pensioner couples	79	90	82	100	80	107
Single pensioners	32	48	31	35	53	57
Median amounts						
All pensioner units						
Total	7	7	5	6	7	7
Pensioner couples	13	13	9	10	12	13
Single pensioners	4	4	3	3	4	4
Recently retired pensioner units						
Total	10	11	7	9	10	9
Pensioner couples	14	16	9	13	13	12
Single pensioners	5	5	4	4	4	5

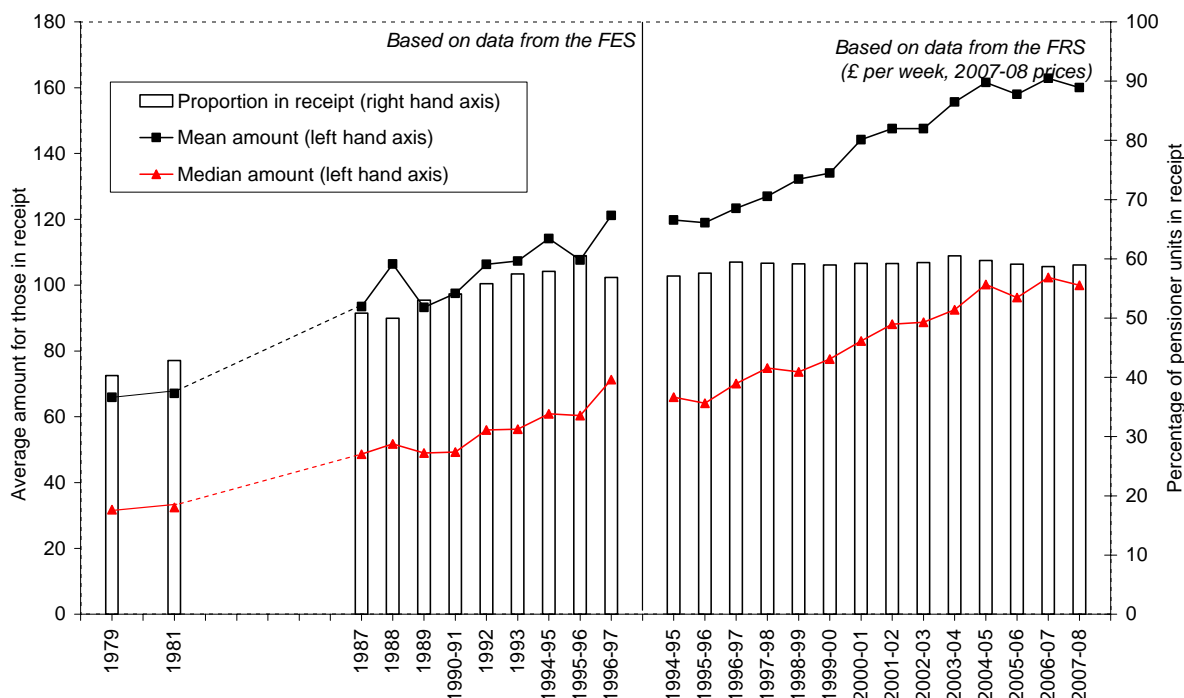
Pensioners in receipt of occupational pension income

Income from occupational pensions has become increasingly common since 1979, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s. Occupational pensions provided income for 59% of pensioner units in 2007-08, compared to 40% in 1979 (Figure 3.8).

The average amount of occupational pension income for those in receipt has increased because of a number of factors. The coverage of occupational pension schemes increased rapidly in the 1950s and 1960s, so increasingly pensioners are likely to have been a member of a scheme (this change is most noticeable between 1979 and 1996-97). These pensioners will have been able to make contributions over a longer period than pensioners retiring in earlier decades, and were therefore entitled to higher pensions. In addition, real growth in earnings has meant that final salaries (on which occupational pension income may be partly based) have generally been higher for those retiring more recently. A further factor has been the introduction in 1988 of index-linking of occupational pension income (for 'contracted out' schemes, which cover the majority of people with occupational pensions). Older pensioners now are more likely to have maintained the real value of their occupational pension income than older pensioners in 1979.

The latest estimates based on FRS data show that in 2007-08, 59% of pensioner units received occupational pension income, at an average of £160 a week (Table 3.7). Average occupational pension income has continued to broadly increase over recent years, although the trend in the proportion in receipt is less clear.

Figure 3.8: Pensioner units in receipt of occupational pension income, 1979-1996-97 and 1994-95-2007-08



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, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of occupational pension income (%)						
All pensioner units						
Total	59%	59%	60%	59%	59%	59%
Pensioner couples	71%	70%	68%	66%	67%	65%
Single pensioners	51%	51%	53%	53%	52%	54%
Recently retired pensioner units						
Total	66%	65%	60%	56%	59%	60%
Pensioner couples	76%	74%	69%	65%	65%	62%
Single pensioners	53%	52%	48%	43%	44%	43%
Average amount of occupational pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	123	132	162	158	163	160
Pensioner couples	162	174	212	208	214	212
Single pensioners	83	89	107	106	108	107
Recently retired pensioner units						
Total	157	161	190	204	192	201
Pensioner couples	180	184	219	230	223	234
Single pensioners	109	112	131	147	130	138
Median amounts						
All pensioner units						
Total	70	74	100	96	102	100
Pensioner couples	102	114	146	138	150	153
Single pensioners	49	52	67	67	70	68
Recently retired pensioner units						
Total	98	104	139	135	132	132
Pensioner couples	117	126	155	154	163	159
Single pensioners	74	71	101	100	85	82

Pensioners in receipt of personal pension income

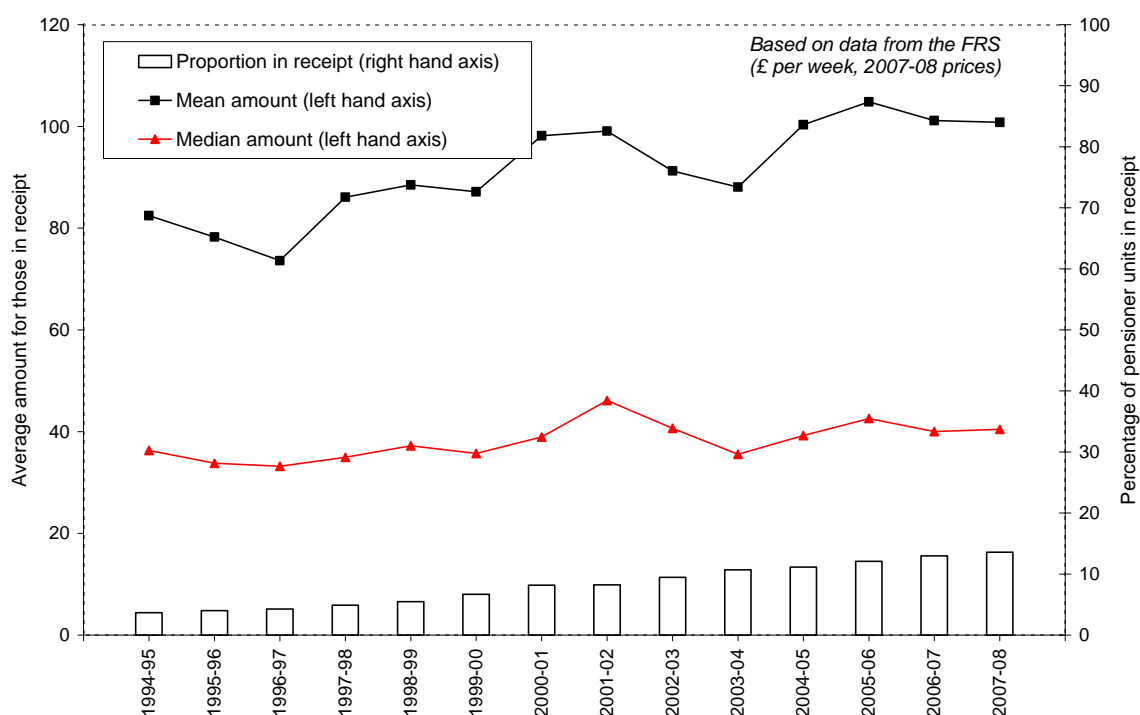
Income from personal pensions includes personal pensions, annuities bought with lump sums from personal pensions, trades union and friendly society pensions.

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 2007-08, 14% 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 2007-08, although half of all recipients had £40 per week or less.

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

Figure 3.9: Pensioner units in receipt of personal pension income, 1996-97-2007-08



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, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of personal pension income (%)						
All pensioner units						
Total	4%	5%	11%	12%	13%	14%
Pensioner couples	7%	9%	17%	19%	20%	21%
Single pensioners	2%	3%	6%	7%	7%	7%
Recently retired pensioner units						
Total	7%	10%	18%	20%	21%	19%
Pensioner couples	10%	13%	24%	26%	27%	26%
Single pensioners	3%	6%	9%	12%	11%	11%
Average amount of personal pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	74	88	100	105	101	101
Pensioner couples	80	97	107	114	108	112
Single pensioners	54	66	84	82	86	73
Recently retired pensioner units						
Total	89	96	113	98	91	96
Pensioner couples	95	107	119	107	99	101
Single pensioners	63	58	93	71	67	80
Median amounts						
All pensioner units						
Total	33	37	39	43	40	40
Pensioner couples	37	43	43	47	44	45
Single pensioners	27	25	33	35	34	31
Recently retired pensioner units						
Total	41	38	46	42	39	37
Pensioner couples	44	46	48	46	43	41
Single pensioners	33	23	43	32	26	28

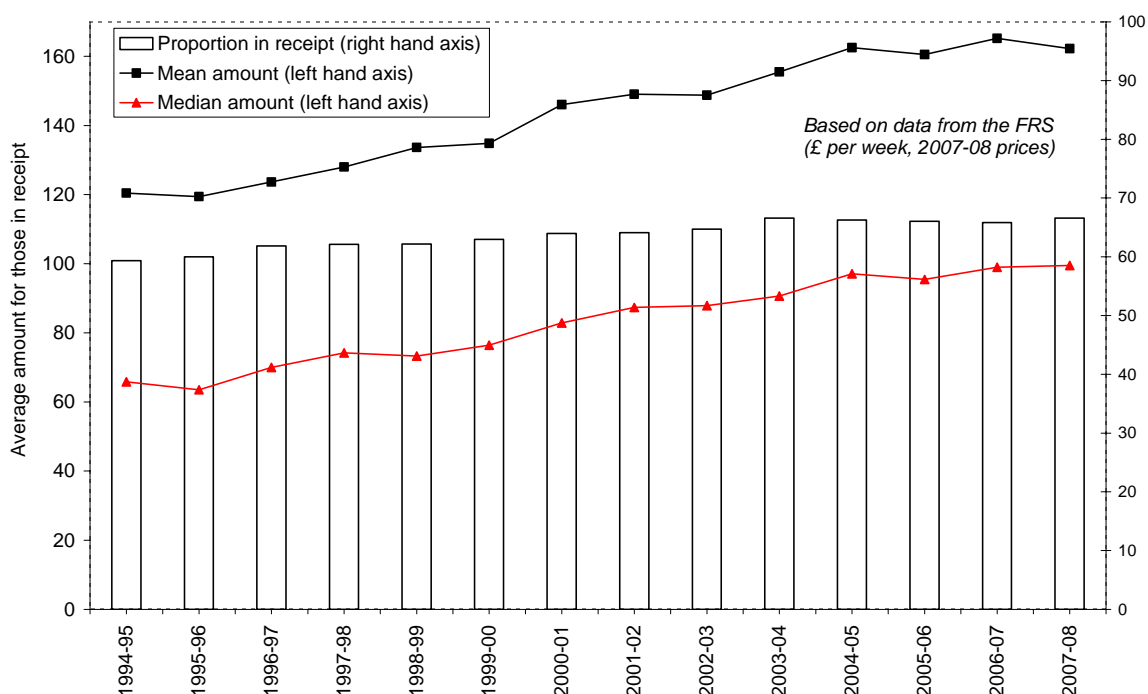
Pensioners in receipt of private pension income

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 2007-08, 67% 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 £162 per week in 2007-08, although half of all recipients had less than £99 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, 1996-97-2007-08



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, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of private pension income (%)						
All pensioner units						
Total	62%	62%	66%	66%	66%	67%
Pensioner couples	74%	75%	78%	77%	77%	76%
Single pensioners	52%	53%	57%	57%	56%	58%
Recently retired pensioner units						
Total	70%	71%	70%	67%	67%	65%
Pensioner couples	80%	81%	81%	77%	79%	76%
Single pensioners	55%	56%	54%	51%	51%	49%
Average amount of private pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	124	134	163	161	165	162
Pensioner couples	162	175	210	208	214	213
Single pensioners	83	90	108	108	110	107
Recently retired pensioner units						
Total	158	163	192	201	189	197
Pensioner couples	182	187	221	228	219	226
Single pensioners	108	110	132	142	127	137
Median amounts						
All pensioner units						
Total	70	73	97	95	99	99
Pensioner couples	101	113	140	135	145	145
Single pensioners	49	52	66	67	69	66
Recently retired pensioner units						
Total	99	104	134	125	125	123
Pensioner couples	118	128	151	149	156	147
Single pensioners	73	69	100	95	77	83

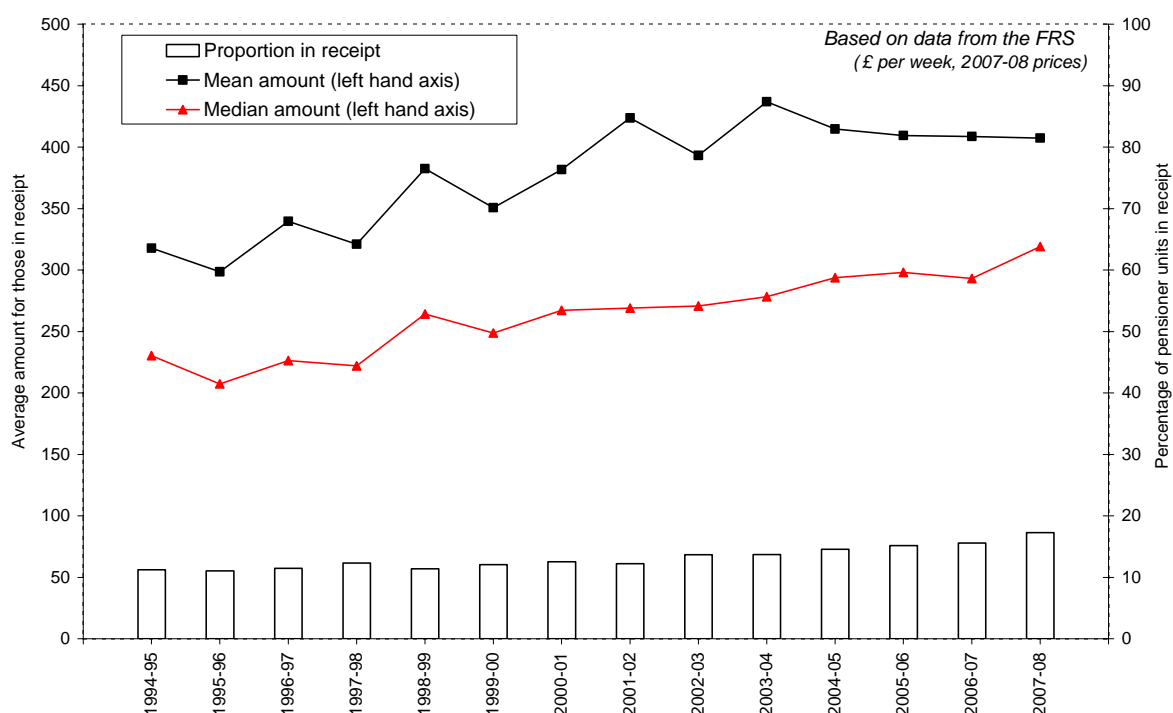
Pensioners in receipt of income from earnings

Income from earnings refers to gross earnings from employment and self employment. In 2007-08, 17% of pensioner units were in receipt of income from earnings, with couples more likely to be in receipt than single pensioners (**Table 3.10**). Recently retired pensioner units are much more likely to have income from earnings compared to all pensioner units, with 33% reporting to have earnings as a source of income.

The average amount of income from earnings in 2007-08 for those in receipt was £407 per week, with half of all pensioner units receiving earnings having more than £319 per week.

Pensioner couples in PI include couples where one member is below state pension age but the other is over. As such, some of the results include earnings from people under state pension age. The number of couples where one member is under state pension age increased substantially in 2007-08. 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, 1996-97-2007-08



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, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of income from earnings (%)						
All pensioner units						
Total	11%	11%	15%	15%	16%	17%
Pensioner couples	22%	22%	25%	26%	27%	29%
Single pensioners	4%	4%	6%	6%	6%	7%
Recently retired pensioner units						
Total	20%	20%	26%	30%	29%	33%
Pensioner couples	26%	23%	30%	35%	35%	37%
Single pensioners	12%	16%	21%	22%	21%	27%
Average amount of income from earnings for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	340	383	415	409	409	407
Pensioner couples	377	413	456	453	449	449
Single pensioners	185	249	260	254	268	261
Recently retired pensioner units						
Total	283	311	354	379	333	346
Pensioner couples	309	341	394	433	352	384
Single pensioners	202	243	273	257	292	277
Median amounts						
All pensioner units						
Total	226	264	294	298	293	319
Pensioner couples	272	290	325	330	322	361
Single pensioners	100	166	203	179	206	203
Recently retired pensioner units						
Total	192	219	260	266	252	271
Pensioner couples	204	231	293	295	254	310
Single pensioners	173	196	234	214	245	224

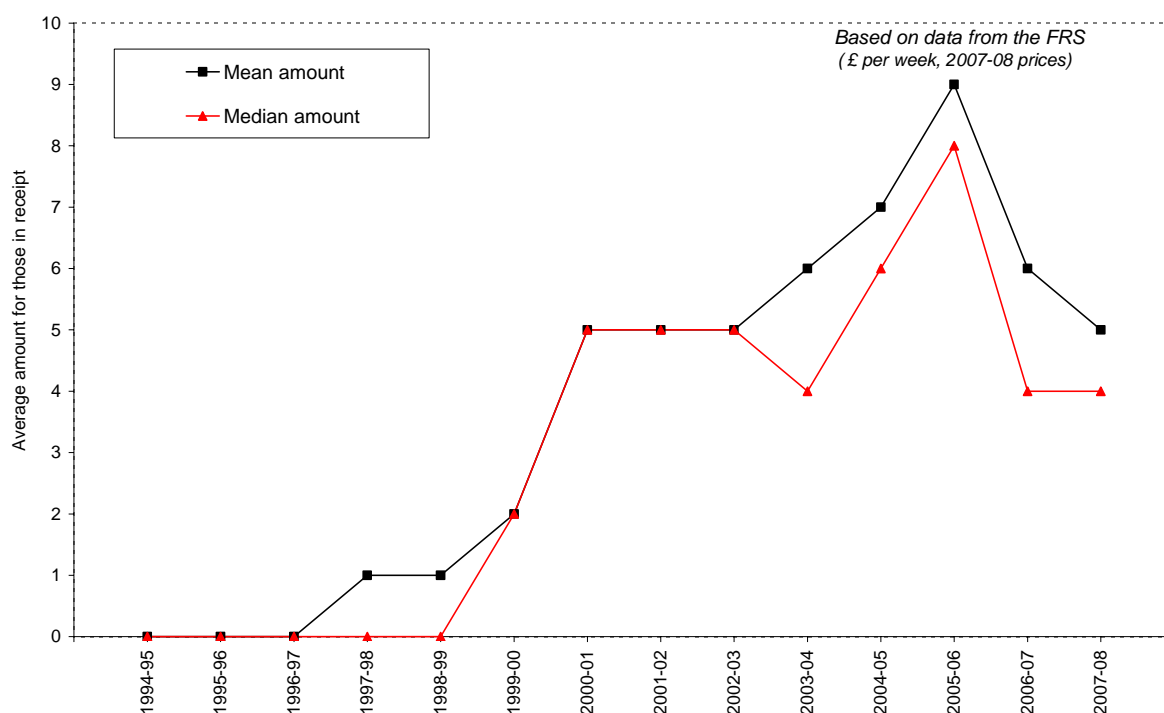
Pensioners in receipt of income from annual lump sum payments

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.

In 2007-08 practically all pensioner units receive some income from a lump sum payment, with the average amount received being £5 per week.

Figure 3.12: Pensioner units in receipt of income from annual lump sums, 1996-97-2007-08



Chapter 3: Sources of Pensioners' Incomes

Table 3.11: The proportion of pensioner units with income from annual lump sums and the average amount for those in receipt, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>					
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Proportion in receipt of income from annual payments (%)						
All pensioner units						
Total	0%	98%	99%	100%	100%	100%
Pensioner couples	0%	95%	99%	100%	100%	100%
Single pensioners	0%	100%	100%	100%	100%	100%
Recently retired pensioner units						
Total	0%	99%	99%	100%	100%	100%
Pensioner couples	0%	100%	99%	100%	100%	100%
Single pensioners	0%	98%	99%	100%	100%	100%
Average amount of income from annual payments for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	*	1	7	9	6	5
Pensioner couples	*	1	7	8	5	5
Single pensioners	*	1	8	9	6	6
Recently retired pensioner units						
Total	*	1	4	7	4	4
Pensioner couples	*	1	4	7	4	4
Single pensioners	*	1	4	5	4	4
Median amounts						
All pensioner units						
Total	*	*	6	8	4	4
Pensioner couples	*	*	6	8	4	4
Single pensioners	*	*	8	8	5	5
Recently retired pensioner units						
Total	*	*	4	8	4	4
Pensioner couples	*	*	4	8	4	4
Single pensioners	*	*	4	4	4	4

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).

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 2007-08, the median net income (before and after housing costs) of the top fifth was around four times that of the bottom fifth. For single pensioners median net income of the top fifth was around three times that of the bottom fifth.

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, 1997-00, 2001-04 and 2005-08 (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 1997-00 and 2005-08 was fairly evenly spread across the income distribution but pensioner couples in the bottom quintile saw larger growth than those in the top quintile (26% growth in the top quintile, 33% in the bottom on an AHC basis – **Table 4.1**).

Chapter 4: Distribution of Pensioners' Incomes

Table 4.1: The median net income of pensioner units by quintile of the net income distribution, 1997-00 and 2005-08

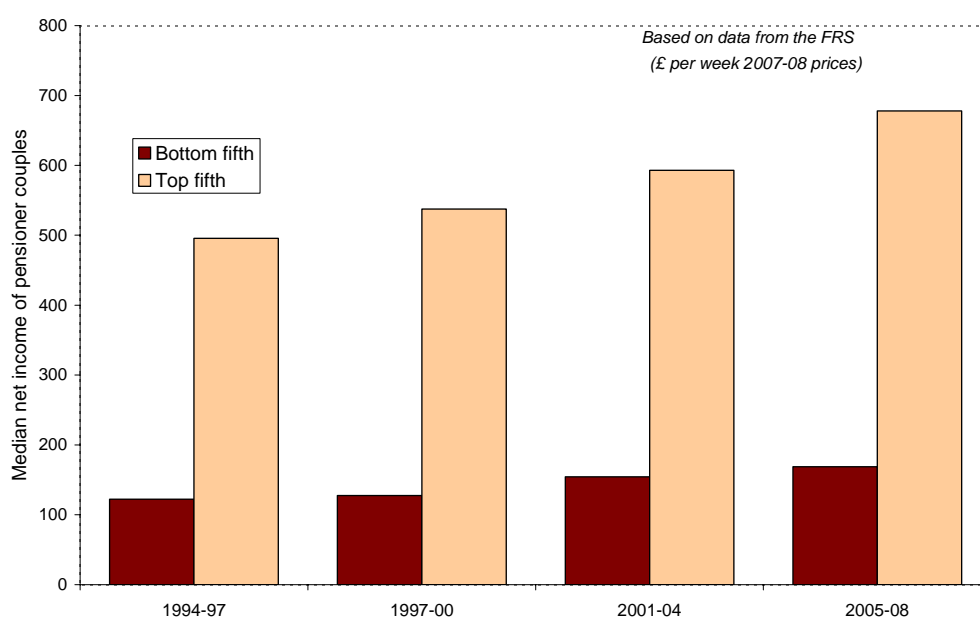
Incomes in £ per week, 2007-08 prices

	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						
1997-00	162	220	280	371	601	358
2005-08	192	270	346	450	711	433
% growth 1997-00-2005-08	19%	23%	24%	21%	18%	21%
Net income after housing costs						
1997-00	127	179	239	328	537	310
2005-08	169	242	318	425	678	405
% growth 1997-00-2005-08	33%	35%	33%	30%	26%	31%
Medians						
Single pensioners						
Net income before housing costs						
1997-00	91	126	152	191	283	180
2005-08	109	155	192	237	341	222
% growth 1997-00-2005-08	20%	23%	26%	24%	20%	23%
Net income after housing costs						
1997-00	67	85	107	153	240	138
2005-08	86	123	155	208	312	190
% growth 1997-00-2005-08	28%	45%	45%	36%	30%	38%

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, 1997-00, 2001-04 and 2005-08



Age and gender in the income distribution

Table 4.2 shows the spread of different groups of pensioners across the pensioner income distribution in 2007-08. Two thirds of pensioners own their own home outright, and so tend to have relatively low housing costs. Net income after deducting housing costs better reflects their living standards 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 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 18% of single pensioners under 75. After housing costs 20% of both single pensioners 75 and over and single pensioners under 75 are in the bottom fifth.
- **Single females are more likely to be in the bottom fifth** of the single pensioners' income distribution (both before and after housing costs) than single males. After housing costs 22% of single females are in the bottom fifth compared to 14% of men. There is a similar pattern in the net BHC income distribution. This is partly because a larger proportion of older pensioners are female than male. However, **Table 2.6** showed that within the 75 and over age group female single pensioners do have lower incomes than single males.

This analysis takes no account of income sharing when a pensioner unit shares a household with others, for example sharing with their children who may be earning, or where two single pensioners share a house. A pensioner with low personal income living with a high earning child would be shown in a low income quintile, but may enjoy a high standard of living. This is not the case in HBAI analysis where the income distribution is based on the household income.

Figure 4.2: Pensioner couples by age and position in the net income (AHC) distribution, 2007-08

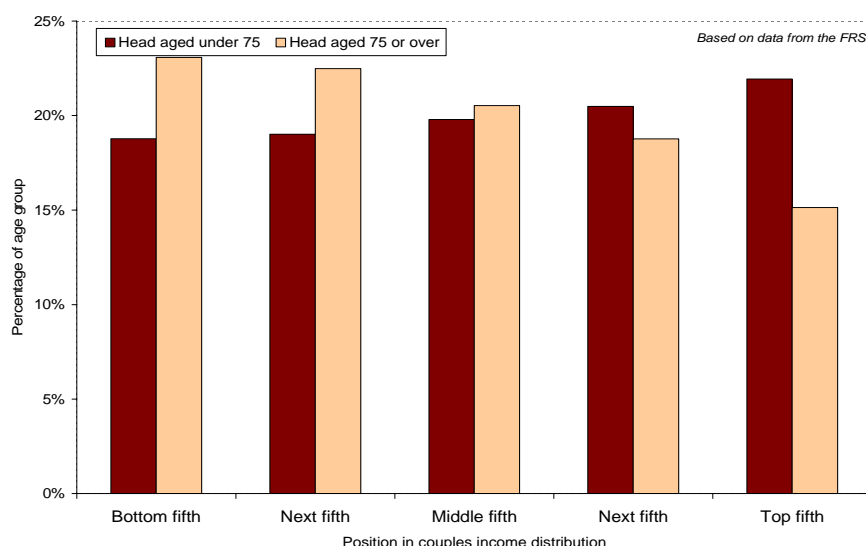


Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2007-08

	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	17%	21%	20%	20%	22%	100%
Head aged under 75	18%	19%	20%	21%	22%	100%
Head aged 75 and over	24%	22%	20%	18%	15%	100%
Pensioner couples' net income						
After housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	17%	20%	21%	20%	22%	100%
Head aged under 75	19%	19%	20%	20%	22%	100%
Head aged 75 and over	23%	22%	21%	19%	15%	100%
Single pensioners' net income						
Before housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	14%	18%	21%	23%	24%	100%
Single females	22%	21%	20%	19%	18%	100%
Recently retired	17%	18%	19%	18%	28%	100%
Aged under 75	18%	19%	21%	18%	24%	100%
Aged 75 and over	21%	21%	19%	21%	17%	100%
Single pensioners' net income						
After housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	14%	17%	21%	22%	25%	100%
Single females	22%	21%	19%	19%	18%	100%
Recently retired	20%	21%	16%	15%	28%	100%
Aged under 75	20%	22%	17%	18%	23%	100%
Aged 75 and over	20%	18%	22%	22%	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, 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 2005-08 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 74% of gross income for pensioner couples. Occupational pension income increases rapidly as we move up the distribution, reaching an average of £327 for the top fifth of pensioner couples and £157 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, 2005-08

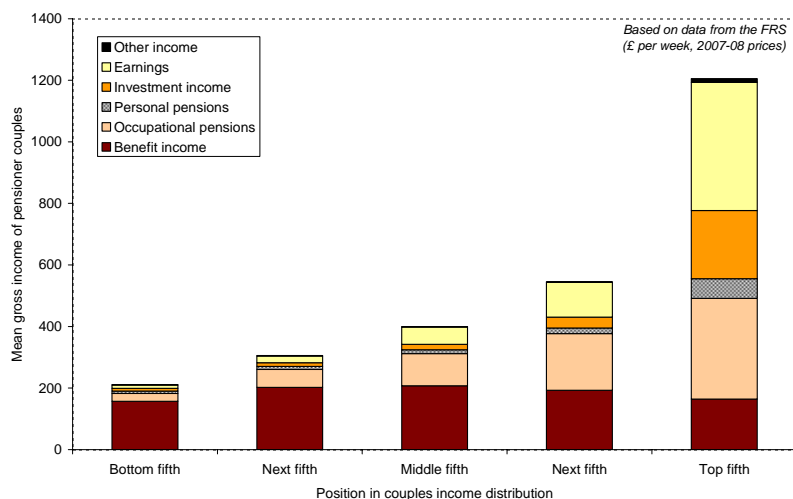
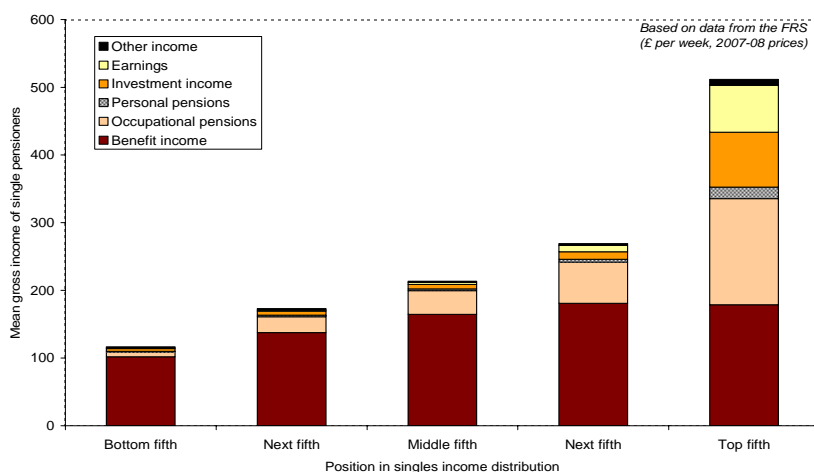


Figure 4.4: Sources of gross income of single pensioners by position in the net income (BHC) distribution, 2005-08



Chapter 4: Distribution of Pensioners' Incomes

Table 4.3: Components of mean gross income of pensioner units by quintile of the net income distribution, 1997-00 and 2005-08

Incomes in £ per week, 2007-08 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1997-00 Means						
Pensioner couples						
Gross income	178	244	316	440	979	432
<i>of which</i>						
Benefit income	140	174	181	163	138	159
Occupational pension	19	43	79	155	305	120
Personal pension income	2	3	5	8	29	9
Investment income	9	10	18	36	197	54
Earnings	7	13	33	77	300	86
Other income	*	*	1	1	11	3
Single pensioners						
Gross income	100	138	167	215	409	206
<i>of which</i>						
Benefit income	90	114	135	145	155	128
Occupational pension	5	17	23	50	134	46
Personal pension income	*	1	1	1	6	2
Investment income	4	6	6	14	70	20
Earnings	*	1	2	4	39	9
Other income	*	1	*	1	6	2
2005-08 Means						
Pensioner couples						
Gross income	211	305	400	545	1206	533
<i>of which</i>						
Benefit income	157	202	207	193	164	185
Occupational pension	26	58	105	184	327	140
Personal pension income	7	10	12	18	64	22
Investment income	9	12	18	35	222	59
Earnings	11	22	56	112	416	124
Other income	1	1	1	2	12	4
Single pensioners						
Gross income	117	173	214	269	512	257
<i>of which</i>						
Benefit income	102	138	164	181	179	153
Occupational pension	7	23	35	61	157	57
Personal pension income	1	2	3	4	17	5
Investment income	4	6	6	11	81	22
Earnings	1	2	3	9	70	17
Other income	2	2	2	3	8	3

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

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

Income from state benefits in 2007-08 is fairly even across the distribution of pensioner couples (**Figure 4.5**) but increases slightly 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 76% of gross income for pensioner couples. Occupational pension income increases rapidly as we move up the distribution, reaching an average of £328 for the top fifth of pensioner couples and £165 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, 2005-08

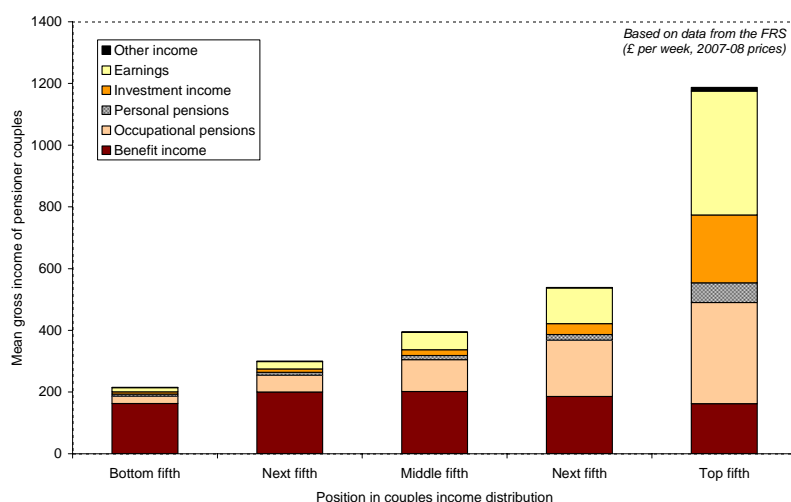
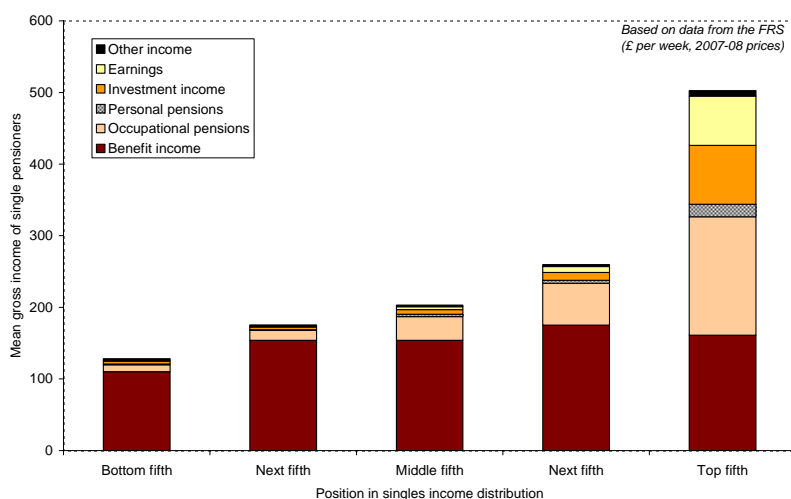


Figure 4.6: Sources of gross income of single pensioners by position in the net income (AHC) distribution, 2005-08



Chapter 4: Distribution of Pensioners' Incomes

Table 4.4: Components of mean gross income of pensioner units by quintile of the net income distribution, 1997-00 and 2005-08

Incomes in £ per week, 2007-08 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1997-00 Means						
Pensioner couples						
Gross income	173	225	291	410	909	402
<i>of which</i>						
Benefit income	140	161	164	147	128	148
Occupational pension	16	39	73	144	288	112
Personal pension income	2	3	5	7	27	9
Investment income	7	10	17	34	184	50
Earnings	7	12	32	77	272	80
Other income	1	*	1	1	10	3
Single pensioners						
Gross income	109	132	143	195	377	191
<i>of which</i>						
Benefit income	97	121	78	136	128	112
Occupational pension	7	8	16	40	135	41
Personal pension income	*	*	3	1	6	2
Investment income	4	2	7	12	67	18
Earnings	*	*	1	4	36	8
Other income	*	*	*	1	5	1
2005-08 Means						
Pensioner couples						
Gross income	215	300	395	539	1187	527
<i>of which</i>						
Benefit income	163	200	202	186	162	182
Occupational pension	24	54	103	183	328	138
Personal pension income	6	10	13	18	64	22
Investment income	8	11	19	35	220	58
Earnings	13	24	57	115	402	122
Other income	1	2	1	2	12	4
Single pensioners						
Gross income	128	175	203	260	503	254
<i>of which</i>						
Benefit income	110	154	154	175	161	151
Occupational pension	10	14	33	58	165	56
Personal pension income	1	1	3	4	17	5
Investment income	4	4	6	11	82	21
Earnings	2	1	4	8	69	17
Other income	2	2	2	3	8	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 77% in the top fifth. The trend is similar after housing costs with 38% of the bottom fifth receiving occupational pension income and 77% 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 pensioners couples. This holds true for a BHC and AHC basis. For example, on a BHC basis, 27% of single pensioners in the top quintile are in receipt of income related benefits, compared with 3% 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 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, 2007-08

	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	89%	94%	95%	95%	91%	93%
Income related benefits	31%	29%	19%	9%	3%	18%
Disability benefits	12%	27%	35%	23%	13%	22%
Investment income	62%	75%	76%	83%	94%	78%
Occupational pension	42%	63%	69%	75%	77%	65%
Personal Pension income	18%	21%	21%	19%	27%	21%
Earnings	10%	13%	25%	39%	60%	29%
Pensioner couples' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	89%	94%	96%	94%	91%	93%
Income related benefits	36%	28%	16%	6%	3%	18%
Disability benefits	14%	29%	33%	22%	13%	22%
Investment income	59%	74%	79%	85%	94%	78%
Occupational pension	38%	64%	72%	76%	77%	65%
Personal Pension income	17%	20%	22%	20%	27%	21%
Earnings	11%	15%	24%	38%	58%	29%
Single pensioners' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	92%	98%	97%	98%	96%	96%
Income related benefits	33%	47%	57%	46%	27%	42%
Disability benefits	6%	14%	20%	39%	31%	22%
Investment income	58%	65%	60%	69%	81%	66%
Occupational pension	32%	53%	50%	62%	71%	54%
Personal Pension income	5%	8%	6%	8%	10%	7%
Earnings	1%	3%	4%	7%	20%	7%
Single pensioners' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	92%	97%	98%	98%	96%	96%
Income related benefits	36%	70%	49%	38%	18%	42%
Disability benefits	6%	9%	26%	41%	28%	22%
Investment income	56%	54%	65%	72%	85%	66%
Occupational pension	34%	35%	60%	62%	78%	54%
Personal Pension income	3%	5%	8%	8%	10%	7%
Earnings	2%	2%	5%	7%	20%	7%

Pensioners in the overall net income distribution

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

The proportion of pensioners in each fifth of the income distribution in 1979 and 2007-08 is shown in Figure 4.7. In 1979, 44% of all pensioners were in the bottom fifth before housing costs and by 2007-08 this proportion had almost halved to 24%. 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 15% in 2007-08. 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 2007-08

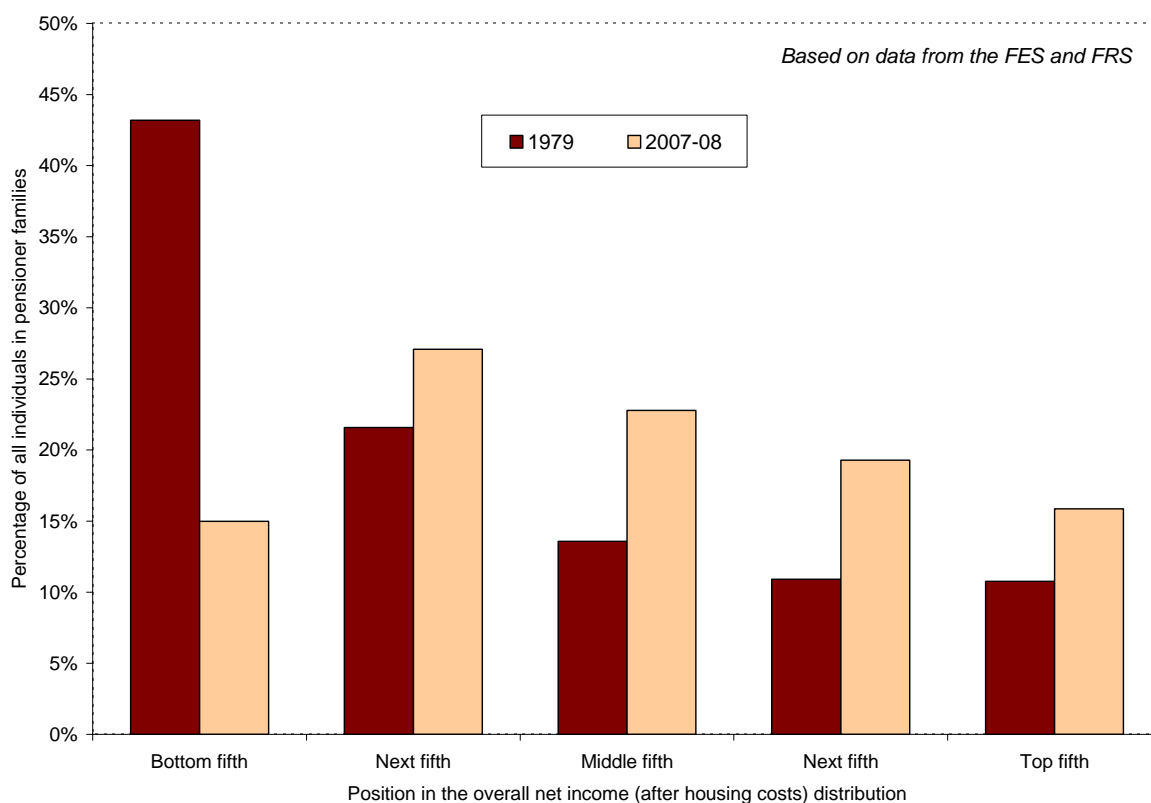


Table 4.6: The proportion of individuals in pensioner families in each quintile of the overall population net income distribution, 1979, 1998-99, and 2007-08

Quintiles based on equivalised household income

Results based upon data from the FES (for 1979) and the FRS (for 1998-99 and 2007-08)

	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%
2007-08						
All pensioners						
Before housing costs	24%	26%	22%	16%	12%	100%
After housing costs	15%	27%	23%	19%	16%	100%
Pensioner couples						
Before housing costs	22%	23%	22%	18%	15%	100%
After housing costs	14%	24%	24%	20%	19%	100%
Single pensioners						
Before housing costs	29%	31%	21%	12%	6%	100%
After housing costs	17%	33%	21%	18%	11%	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, 47% of all pensioners were in the top half in 2007-08; 51% of individuals in pensioner couples and 39% 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 1996-97-2007-08

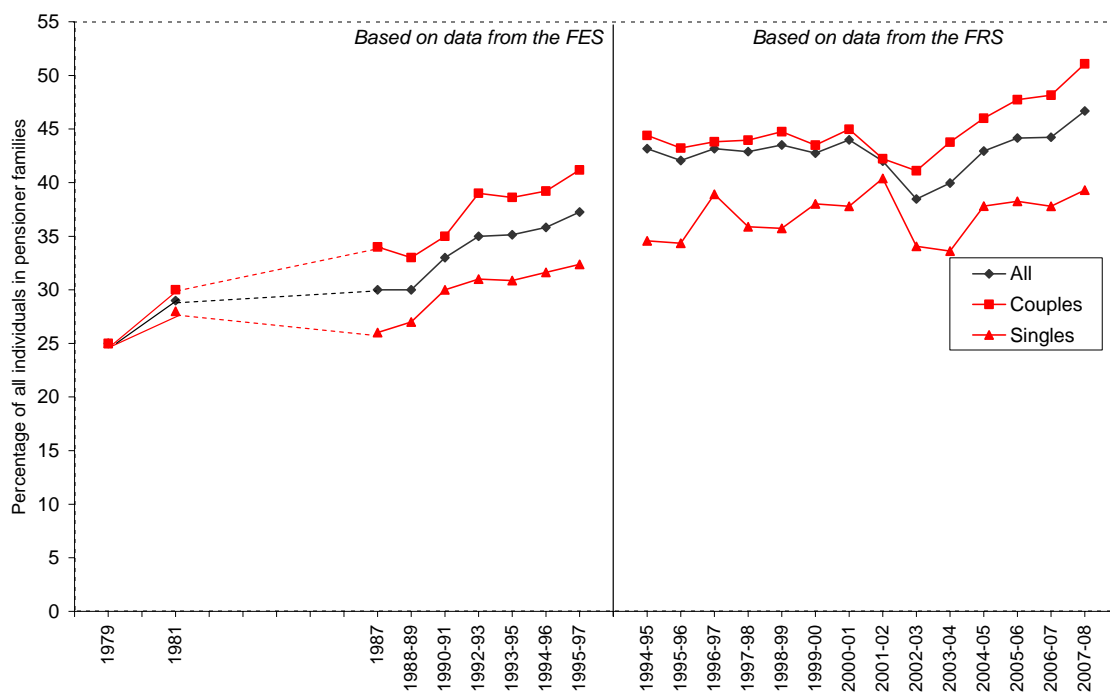


Table 4.7: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1996-97-2007-08

Quintiles based on equivalised household income

	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08
Net income before housing costs						
All pensioner units	38%	37%	35%	36%	36%	37%
Pensioner couples	39%	39%	40%	41%	41%	43%
Single pensioners	31%	27%	28%	29%	28%	27%
Net income after housing costs						
All pensioner units	43%	44%	43%	44%	44%	47%
Pensioner couples	44%	45%	46%	48%	48%	51%
Single pensioners	39%	36%	38%	38%	38%	39%

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 2007-08 there was a large increase in the number of pensioner couples where one member is under state pension age. The income profile of the average pensioner unit is likely to have been affected by this increase.

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

Between 2010 and 2020 the state pension age for women will increase from 60 to 65. In preparation for this, **Table 5.5** shows average incomes of pensioners aged 65 and over only.

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

Mixed status couples

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

This section looks at summary results for mixed status couples, that is those couples where strictly one partner is above state pension age and one below. Although same sex couples are included in the main tables as part of the definition of pensioner couples for 2007-08, the numbers are too small to provide a separate analysis of them in this section, and so they are excluded.

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

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

Figure 5.1: Sources of gross income for different types of pensioner couples, 2007-08

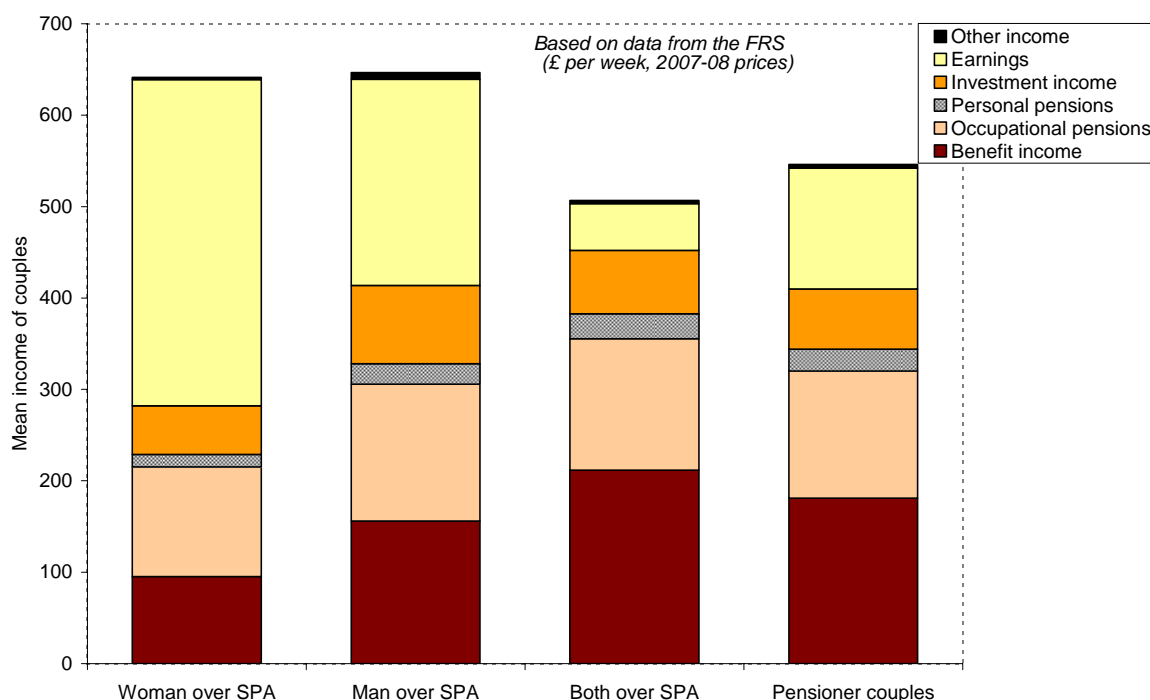


Figure 5.1 shows that pensioner couples with one member over state pension age and one below have, on average, significantly higher earnings, and as a result a higher overall income.

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 significantly 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, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>						
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
Couples where one partner is over state pension age but the other is not							
Gross income	509	545	667	677	663	642	100%
<i>of which</i>							
Benefit income	101	105	116	121	113	107	17%
Occupational pension	119	132	144	137	130	126	20%
Personal pension income	6	7	16	17	21	15	2%
Investment income	53	51	62	62	63	60	9%
Earnings	226	247	324	334	333	331	52%
Other income	4	4	5	7	3	3	0%
Net income BHC							
Mean	401	427	503	519	503	488	76%
Median	311	340	379	390	392	389	
Net income AHC							
Mean	341	371	458	477	466	455	71%
Median	259	289	343	355	361	360	

Mixed status couples are a relatively small group but there are far more of them in 2007-08 than in 2006-07. For some sub-groups, and analysis of some components of income, for instance earnings, inclusion or exclusion of these mixed status couple will make a difference.

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

Table 5.2: The proportion of different groups of pensioner couples with income from earnings and the average amounts for those in receipt, 2007-08

		<i>Incomes in £ per week, 2007-08 prices</i>	
	Proportion in receipt of income from earnings (%)	Average amount of income from earnings for those in receipt (£pw)	
		Mean	Median
Published results (Table 3.10)	29%	449	322
Results using previous definition of pensioner couples	19%	336	260
Man over SPA, Woman under SPA	58%	387	317
Woman over SPA, Man under SPA	63%	564	428
Strictly one member over SPA, one under SPA	62%	531	414
Both members over SPA	16%	321	244

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 300,000 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.
- 500,000 singles over SPA have not retired and 600,000 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, 2007-08

	Under SPA		Over SPA		All
	Males	Females	Males	Females	
Singles					
Not retired	6,500,000	5,800,000	100,000	400,000	12,800,000
Retired	100,000	50,000	1,050,000	2,950,000	4,200,000
All	6,600,000	5,850,000	1,200,000	3,350,000	17,000,000
	Both under SPA	Female over SPA	Male over SPA	Both over SPA	All
Couples					
Neither retired	10,850,000	400,000	50,000	150,000	11,500,000
One retired	250,000	300,000	150,000	400,000	1,100,000
Both retired	50,000	150,000	50,000	2,150,000	2,400,000
All	11,200,000	900,000	200,000	2,700,000	15,000,000

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, 2007-08

Incomes in £ per week, in 2007-08 prices

Retired under SPA	Amount of income	Proportion in receipt
Gross income	252	
<i>of which</i>		
Benefit Income	53	68%
State Pension	4	5%
Income related benefits	27	25%
Disability benefits	9	14%
Occupational pension	143	64%
Personal pension income	10	53%
Investment income	45	10%
Earnings	*	*
Other income	2	7%
 Net income BHC		
Mean	199	
Median	181	
 Net income AHC		
Mean	167	
Median	145	

The single benefit units retired below SPA show:

- High occupational pension
- Benefit income from income related benefits
- 64% are in receipt of occupational pensions income
- 68% are in receipt of some form of benefit income

The gross income level would place these retired singles in the top two quintiles of the singles pensioner income distribution. The levels of investment income and occupational pension income on average are similar to those received by single pensioners in the top quintile. 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. So the results in **Table 2.1** will include a slightly different group of pensioners every year between 2010 and 2020.

Table 5.5 gives the headline figures for pensioner units defined as either:

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

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

Table 5.5: The average incomes of pensioner units 65 or over, 1996-97-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>						
	1996-97	1998-99	2004-05	2005-06	2006-07	2007-08	As a % of gross income in 2007-08
All pensioner units							
Gross income	274	285	350	353	354	366	100%
<i>of which</i>							
Benefit income	142	146	175	180	175	175	48%
Occupational pension	71	75	95	92	95	94	26%
Personal pension income	3	5	11	13	13	15	4%
Investment income	33	34	33	34	36	43	12%
Earnings	24	23	33	32	33	36	10%
Other income	1	2	4	4	3	3	1%
Net income BHC							
Mean	238	243	297	301	300	308	84%
Median	185	189	236	240	236	239	
Net income AHC							
Mean	193	202	264	269	270	282	77%
Median	142	150	203	209	208	216	
Pensioner couples							
Gross income	397	407	486	490	489	518	100%
<i>of which</i>							
Benefit income	170	173	203	209	201	204	39%
Occupational pension	113	119	145	139	146	142	27%
Personal pension income	6	10	19	22	22	27	5%
Investment income	54	54	51	52	55	70	14%
Earnings	52	49	64	63	63	72	14%
Other income	1	3	4	4	3	4	1%
Net income BHC							
Mean	339	343	404	409	407	427	82%
Median	267	271	323	330	329	345	
Net income AHC							
Mean	289	299	371	378	380	404	78%
Median	221	232	293	301	301	321	
Single pensioners							
Gross income	190	202	246	250	251	288	100%
<i>of which</i>							
Benefit income	123	128	153	157	155	151	52%
Occupational pension	42	45	57	56	57	76	26%
Personal pension income	1	2	5	5	6	11	4%
Investment income	19	20	19	19	21	31	11%
Earnings	5	5	8	9	10	16	6%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	167	176	214	219	218	245	85%
Median	145	149	188	191	190	206	
Net income AHC							
Mean	127	137	181	186	186	216	75%
Median	96	105	149	154	153	171	

Ethnic minority groups

Ethnic minorities account for 4.2% 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 £218 compared to £163 and £157 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, 2005-08

Incomes in £ per week, in 2007-08 prices

Ethnic Minority groups	All	White	Asian / Asian British	Black / Black British	Chinese / Other
Gross income	382	384	337	293	344
<i>of which</i>					
Benefit income	167	168	152	170	150
State Pension	124	125	93	108	101
Income related benefits	21	21	36	41	30
Disability benefits	14	14	12	12	10
Occupational pension	94	96	67	38	77
Personal pension income	13	14	3	2	6
Investment income	39	39	43	6	30
Earnings	65	65	69	72	77
Other income	3	3	3	5	4
Net income BHC					
Mean	318	400	278	252	287
Median	245	246	185	225	235
Net income AHC					
Mean	288	15	250	203	252
Median	217	218	157	163	200
Proportion of pensioners in receipt of:					
Benefit income	100%	100%	100%	100%	99%
State Pension	95%	96%	81%	89%	83%
Income related benefits	32%	32%	46%	52%	34%
Disability benefits	22%	23%	22%	23%	16%
Occupational pension	59%	60%	31%	41%	46%
Personal pension income	13%	13%	5%	5%	8%
Investment income	72%	72%	46%	44%	61%
Earnings	16%	16%	13%	20%	20%
Total population figures (rounded to 10,000)	8,230,000	7,900,000	150,000	90,000	60,000

Notes:

(1) Data based on the average of three years of FRS results from 2005-06, 2006-07 and 2007-08 uprated to 2007-08 prices

Appendices

A Data Sources and Methods

B Reliability of Estimates

Appendix A: Data Sources and Methods

The PI series in 2007-08 is based on the Households Below Average Income (HBAI) dataset, which is itself based on the Family Resources Survey (FRS). The HBAI publication makes an adjustment for households with very high incomes as the FRS under-records information about these households. This adjustment is based on data from the Survey of Personal Incomes (SPI) from HM Revenue and Customs (HMRC). FRS based estimates are not available prior to 1994-95. Estimates for years between 1979 and 1996-97 are based on Family Expenditure Survey (FES) data (see Historical Tables on the PI website). FES data is based on calendar years between 1979 and 1993, and financial years from 1996-97 onwards.

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

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

More information on data sources and methodology

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

Information on design and response rates of the FRS can be found at www.dwp.gov.uk/asd/frs.

Information on the FES (which has now been superseded by the Expenditure 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 www.dwp.gov.uk/asd/hbai.asp.

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

National Statistics Quality Review of Income Statistics

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

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, 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
- maintenance and child support payments

and parental contributions to children living away from home.

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

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

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

Differences between the FRS and FES

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

	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 www.dwp.gov.uk/asd/pensioners_income.asp.

Households Below Average Income and the main Pensioners' Incomes Series

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

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

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

Household or pensioner unit: The PI series is generally concerned with cash incomes directly received by pensioners. It measures the income of pensioner benefit units only, ignoring income received by any other members of the household. HBAI attempts to measure material living standards, so it takes account of all the income coming into the household where the pensioner lives.

Equivalisation: To allow comparison of living standards of different households, the HBAI 'equivalises' household income – that is adjusts it to take account of household size and composition. One of the main functions of the PI series is to provide information on the cash income of pensioner units, split by sources of income. This can only be done using unequivalised income. Indeed equivalisation is not necessary for most PI results, which are presented separately for pensioner couples and single pensioners. However, PI results for all pensioner units are affected by changes in the balance between couples and singles, as shown in **Tables 2.1 (Supplementary)**. To avoid unnecessary complexity, the main PI results are presented in monetary terms, at constant 2007-08 prices, rather than equivalised income.

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

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

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

Sources of uncertainty

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

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

Random Sampling errors occur in a survey because survey estimates are based on a subset of the population and this subset will not be identical to the remaining population who have not been interviewed.

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

Estimating sampling error

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

The standard error can be converted into a 'confidence interval' which gives an indication of the degree of uncertainty surrounding the estimate, by giving a range that the true mean is likely to be within. For example, if mean income is £201 a week, with a 95% confidence interval of +/- £4, then it this means that in 95% of all possible survey samples that we could have taken, we would expect the estimated mean to fall within the range £197 to £205. In other words we can be 95% confident that the true mean lies within that range.

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

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

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 2007-08. 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 2007-08 and between 2006-07 and 2007-08. Notice that the size of the confidence interval around the estimate of growth between 2006-07 and 2007-08 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 FRS data is only available from 1994-95, estimates of recent growth can currently be based on a period of twelve 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 fifth 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 2007-08 estimates. However, for some 2007-08 estimates and all 1994-95 estimates it has not proved possible to do this. For these estimates, standard errors and confidence intervals have been calculated using simple random sampling assumptions. In most cases this means that the uncertainty surrounding the estimates of recent growth, as published in **Table 2.2**, will be slightly understated.

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

Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2007-08

	Estimate £pw	Standard error	95% confidence interval		
			Interval width +/-	Relative width	Interval range
All pensioner units					
Gross income	389	6	11	3%	[378, 400]
<i>of which:</i>					
Benefit income	165	1	2	1%	[163, 166]
Occupational pension	94	2	4	4%	[91, 98]
Personal pension income	14	1	2	13%	[12, 15]
Investment income	43	2	4	9%	[39, 47]
Earnings	70	3	6	9%	[64, 77]
Mean net income					
Before housing costs	322	4	8	2%	[314, 329]
After housing costs	245	4	7	3%	[238, 253]
Subgroups of pensioners					
Mean net income BHC					
Pensioner couples	441	7	14	3%	[427, 455]
Single pensioners	222	3	6	3%	[216, 228]
Recently retired head	367	11	22	6%	[345, 389]
Head under 75 years	359	6	11	3%	[348, 371]
Head over 75 years	258	4	8	3%	[251, 266]
Single male pensioners	238	6	11	5%	[227, 250]
Single female pensioners	216	3	7	3%	[210, 223]
Recent growth estimates (% increase 1994/5-2006/7)					
Mean net income BHC					
All pensioner units	31%	2	4	13%	[27%, 35%]
Pensioner couples	28%	3	5	19%	[23%, 33%]
Single pensioners	31%	2	4	14%	[27%, 35%]

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

Table B1.2: Recent growth in average incomes of pensioner units, 1998-99-2007-08

	<i>Incomes in £ per week, 2007-08 prices</i>						
	1996-97	2006-07	2007-08	% growth 1996-97- 2007-08	% growth 2005-06- 2007-08	95% confidence interval 1996-97-2007-08	95% confidence interval 2006-07-2007-08
All pensioner units							
Gross income	286	380	389	28%	2%	23% to 33%	-2% to 7%
<i>of which</i>							
Benefit income	137	166	165	18%	-1%	16% to 19%	-2% to 1%
Occupational pension	73	96	94	21%	-1%	13% to 28%	-7% to 4%
Personal pension income	3	13	14	181%	4%	116% to 246%	-17% to 25%
Investment income	33	39	43	22%	12%	5% to 40%	-5% to 29%
Earnings	39	64	70	62%	11%	40% to 83%	-5% to 26%
Other income	1	3	3	43%	-1%	1% to 85%	-20% to 18%
Net income BHC							
Mean	245	316	322	25%	2%	21% to 30%	-2% to 5%
Median	189	242	245	27%	1%	23% to 30%	-2% to 5%
Net income AHC							
Mean	200	285	295	25%	4%	21% to 30%	0% to 8%
Median	146	213	221	30%	4%	25% to 35%	0% to 7%
Pensioner couples							
Gross income	411	529	546	25%	3%	18% to 32%	-3% to 9%
<i>of which</i>							
Benefit income	156	182	181	15%	0%	13% to 18%	-3% to 2%
Occupational pension	114	143	139	13%	-3%	5% to 21%	-10% to 3%
Personal pension income	6	22	24	163%	8%	96% to 229%	-17% to 33%
Investment income	51	58	66	22%	15%	0% to 45%	-6% to 35%
Earnings	81	120	132	47%	10%	26% to 68%	-7% to 27%
Other income	2	3	4	26%	18%	-32% to 83%	-17% to 52%
Net income BHC							
Mean	346	430	441	22%	3%	17% to 28%	-2% to 7%
Median	271	343	354	27%	3%	21% to 33%	0% to 6%
Net income AHC							
Mean	294	401	416	20%	4%	15% to 26%	-1% to 9%
Median	225	315	330	24%	5%	18% to 30%	1% to 8%
Single pensioners							
Gross income	192	257	258	25%	0%	19% to 31%	-5% to 5%
<i>of which</i>							
Benefit income	122	152	151	18%	-1%	16% to 21%	-3% to 1%
Occupational pension	42	56	57	26%	2%	15% to 37%	-7% to 11%
Personal pension income	1	6	5	193%	-12%	44% to 343%	-44% to 19%
Investment income	19	23	24	11%	5%	-12% to 35%	-20% to 30%
Earnings	7	17	18	101%	8%	47% to 155%	-18% to 34%
Other income	1	3	3	62%	-15%	6% to 118%	-37% to 7%
Net income BHC							
Mean	169	222	221	23%	0%	19% to 28%	-4% to 4%
Median	146	191	193	29%	1%	26% to 31%	-1% to 3%
Net income AHC							
Mean	128	190	193	25%	2%	20% to 30%	-3% to 6%
Median	97	153	156	34%	2%	23% to 44%	-1% to 5%