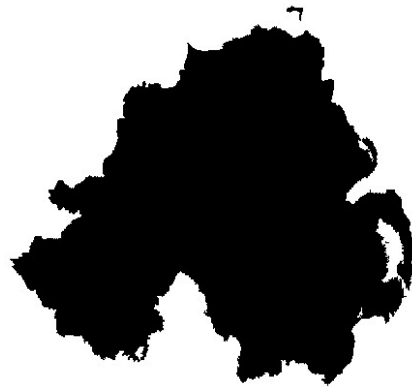


# Pensioners' Income Series Bulletin

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Northern Ireland  
2011-12

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# Section 1: Introduction and Summary of Main Results

## The publication

This is the fourth edition of the annual Pensioners' Income Series Bulletin. The bulletin contains estimates of the levels and trends of pensioners' incomes. The Pensioners' Income Series Bulletin is available to download at the following web page: [http://www.dsdni.gov.uk/index/stats\\_and\\_research/statistics\\_and\\_research-pensioners\\_income\\_series.htm](http://www.dsdni.gov.uk/index/stats_and_research/statistics_and_research-pensioners_income_series.htm)

From 2003/04 to 2006/07 the Pensioners' Income Series was published as a report, however after consultation in 2009, the Pensioners' Income Series report was replaced by the shorter bulletin. This results in data being available from 2003/04 for time series analysis.

The main source of data used in this bulletin is the Family Resources Survey Northern Ireland (FRS NI). The Family Resources Survey (FRS) collects information on the incomes and circumstances of private households in Northern Ireland. The FRS has been running in Great Britain since October 1992, but in 2002/03 the FRS was introduced to Northern Ireland for the first time. A total of 1,943 households were interviewed for the FRS 2011/12. From this 638 pensioner benefit units were available.

Although the NI Pensioners' Income Series Bulletin is specifically of interest to the Department for Social Development (DSD), other government departments and external researchers and analysts, from a wide range of disciplines, also benefit from the availability of such a data source.

This section of the bulletin provides an introduction and summary of the main findings. The remainder of the Bulletin is divided into sections:

- **Section 2 looks at income for different groups of pensioners** by age, for singles and couples, and by region
- **Section 3 looks in more detail at the various sources of income**, including the proportion of pensioners who receive income from these different sources
- **Section 4 looks at the distribution of incomes** within the NI pensioner population

**The appendices include** further details on the methodology behind the publication as well as more detail on the uncertainty surrounding selected estimates.

## Online access

Background information on the FRS and Pensioners' Income Series (PI Series), as well as additional copies of all FRS related publications can be found on the DSD website: [http://www.dsdni.gov.uk/index/stats\\_and\\_research/family\\_resources\\_survey.htm](http://www.dsdni.gov.uk/index/stats_and_research/family_resources_survey.htm)

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### Summary of main results

#### Income trends

- Pensioner units (all pensioner couples and single pensioners) in Northern Ireland received on average £385 per week in gross income in 2011/12, which was a decrease of 8 per cent from 2010/11. Approximately half of this total (£199) was sourced from state benefits.
- In 2011/12 mean net weekly income Before Housing Costs and After Housing Costs for all pensioner units in Northern Ireland was £332 and £316 respectively. This represents a 2-3 per cent increase from the 2003/04 levels (both Before and After Housing Costs) and an 8 percent decrease (both Before and After Housing Costs) from 2010/11 levels, in real terms.
- In 2011/12 median net weekly income for all pensioner units in Northern Ireland was £270 Before Housing Costs and £249 After Housing Costs. Median net income Before Housing Costs increased by 5 per cent between 2003/04 and 2011/12, and median net income After Housing Costs has increased by 3 per cent over the same period, in real terms.
- Median net income After Housing Costs rose by 10 per cent between 2003/04 and 2010/11 before falling by 6 per cent between 2010/11 and 2011/12.
- A three year average of weekly gross income for pensioner couples shows that in 2009/12 Northern Ireland was the lowest ranking region for gross income (£534) in the United Kingdom; this compared to Wales (£636), Scotland (£662), England (£648) and the United Kingdom average (£646). Single pensioners also had the lowest gross weekly income (£267) of all regions in the United Kingdom; this compares to Wales (£277), Scotland (£292), England (£313) and the United Kingdom average (£308).
- In 2009/12, pensioner couples in Northern Ireland had the highest weekly benefit income (£234) of all regions in the United Kingdom, £13 per week higher than the United Kingdom average (£221). Single pensioners' in Northern Ireland had similar weekly benefit income (£184) to the UK average (£182), England (£182) and Scotland (£183). Single pensioners in Wales had the highest benefit income (£191).

#### Income sources

- 97 per cent of all pensioner units for the three year period 2009/12 were in receipt of state pension, 2 percentage points higher than in 2003/06.
- In 2009/12, 31 per cent of pensioner units were in receipt of disability benefits and 14 per cent were in receipt of earnings from employment.
- Almost a third (30 per cent) of all pensioner units during the period 2009/12 derived more than half of their gross income from private sources. This is 4 percentage points higher than in 2003/06.

#### Distribution of pensioners' incomes

- Median net incomes (After Housing Costs) of both pensioner couples and single pensioners increased in real terms between 2003/06 and 2009/12. The lowest increase was observed for those pensioners (singles and couples) with incomes falling within the bottom fifth of the income distribution.
- Older pensioner couples were more likely to have lower incomes than younger pensioner couples. Almost a half of pensioner couples (48 per cent), where the head

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## Section 1: Introduction and summary of main results

was aged 75 or over, had incomes (After Housing Costs) which fell into the bottom two fifths of the pensioners' income distribution, this compared with 37 per cent of pensioner couples where the head was aged under 75.

- For single pensioners, those that had recently retired were more likely to be in the bottom two fifths of the pensioners' income distribution (45 per cent), than pensioners aged 75 or over (40 per cent) and pensioners aged under 75 (40 per cent) After Housing Costs.
- Forty eight per cent of pensioner couples in Northern Ireland were in the top half of the overall United Kingdom income distribution in 2011/12 (After Housing Costs) compared to 45 per cent in 2003/04. This however represents a five percentage point reduction from 2010/11 (53 per cent). Forty one per cent of single pensioners were in the top half of the overall United Kingdom income distribution, the same level as in 2003/04.

### Definitions and conventions used in the Pensioners' Income Series Bulletin

The Pensioners' Income Series Bulletin 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), see HBAI Appendix 2 for further detail: [http://www.dsdni.gov.uk/index/stats\\_and\\_research/stats-publications/stats-family-resource/households.htm](http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-family-resource/households.htm).

The Pensioners' Income Series analysis is for Pensioner Units, which are defined as either:

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

The SPa is 65 for men born before 6th April 1959. For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018. From December 2018, the SPa for both men and women will start to increase to reach 66 in October 2020. From 2010/11 data, women are defined to be over SPa based on their date of birth and the date of the interview. A pensioner is defined as a person of SPa or above.

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

This publication presents analysis by different groups of pensioners.

**Recently retired** pensioner units are defined on the basis of age rather than employment status. In previous years, this has been defined as those units where the head is less than 5 years over SPa, which included single women between 60 and 64, single men between 65 and 69, and pensioner couples where the head is between 65 and 69 if male, or between 60 and 64 if female. For 2011/12, women aged between 60 and 64 are included in recently retired if they are flagged as having reached SPa as defined by the criteria above. Recently retired pensioner units are included in the 'Under 75' age group.



## Section 1: Introduction and summary of main results

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

**Table 1.1: The number of pensioners in pensioner groups, 2011/12**

	Recently Retired	Under 75	75 or over	All
<b>All pensioner units</b>	50,000	130,000	90,000	210,000
of which:				
<b>Pensioner Couples</b>	30,000	80,000	30,000	100,000
<b>Single Pensioners</b>	20,000	50,000	60,000	110,000
<b>Single male pensioners</b>	10,000	10,000	10,000	30,000
<b>Single female pensioners</b>	10,000	40,000	40,000	80,000

**Notes:**

1. Numbers rounded to the nearest 10,000

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

As the Bulletin is based on data from the FRS, which is a household survey it therefore does not reflect the situation of those pensioners in care homes. The effect of the absence of this group on income analyses is discussed in the Robustness Assessment Report which can be accessed in the archived publications on the DWP website: <https://www.gov.uk/government/organisations/departments-for-work-pensions/series/households-below-average-income-hbai-2>.

**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** is gross income with direct taxes deducted. **Net income After Housing Costs** deducts housing costs which include rent and mortgage interest payments. It should be noted that while analysis of data after housing costs have been deducted, are comparable for both NI and UK, before housing costs analysis is not. This is due to the difference in the way water charges are collected. A detailed description of gross and net income definitions can be found in Appendix A.

**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’ Income 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.

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## Section 1: Introduction and summary of main results

**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 an indication of trends only (see Appendix B). Further evidence can be obtained by looking at the estimates for adjacent years.

Note that sources of income for pensioners and the average amounts they receive vary with age. This is due to the following:

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

DSD is aware that in January 2013 the National Statistician announced, following a review and consultation, that the formula used to produce the RPI did not meet international standards and recommended that a new index be published (RPIJ) using the Jevons<sup>1</sup> formula.

In response to this announcement regarding the limitations of RPI, The Department for Work and Pensions (DWP) engaged with users of the PI data and related publications<sup>2</sup> during Summer 2013, to explore whether the adoption of an alternative index would be appropriate, taking into account user needs, data availability and methodological issues. The use of RPI for another year was recommended because there were no suitable alternatives with appropriate before and after housing cost indices available. Furthermore, it was decided to monitor the progress of the Paul Johnson inflation review, due to be published in summer 2014, to see if more accurate alternative indices would be available or could be developed. It was agreed that once this review has been published we will make a more informed decision on the most appropriate inflation measure to use in future publications.

Throughout the Bulletin figures for incomes are presented in 2011/12 prices and rounded to the nearest pound. Where previous years' figures are presented these have been calculated

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<sup>1</sup> This is a geometric formula, whereas the RPI uses the Carli with an arithmetic formula. These formulae are used at the elementary aggregate level (i.e. the first stage of calculation where no weighting data are available). At higher levels of aggregation weighted averages are used.

<sup>2</sup> Related PI publications are 'Family Resources Survey' and 'Households Below Average Income'. They all use the FRS as their main data source.

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## Section 1: Introduction and summary of main results

using an adjustment factor in order to make them comparable to 2011/12 prices. This adjustment accounts for the effects of inflation. Totals may not equal their components due to rounding.

### Other sources covering similar themes

#### Administrative sources:

The Department for Social Development Benefit publications and benefit publication archives [http://www.dsdni.gov.uk/index/stats\\_and\\_research/benefit\\_publications.htm](http://www.dsdni.gov.uk/index/stats_and_research/benefit_publications.htm) contain administrative data on the claimant numbers and actual monetary values of State Pensions by gender/age/region and Local Government District (LGD).

#### Survey sources:

Households Below Average Income (HBAI) [http://www.dsdni.gov.uk/index/stats\\_and\\_research/stats-publications/stats-family-resource/households.htm](http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-family-resource/households.htm). The HBAI presents the number and percentage of pensioners living in poverty. The PI series includes both total income and a detailed breakdown by different income components, such as benefits and occupational pension income, which are not included in HBAI. The PI series includes the incomes of pensioner units, singles and couples, of which couples can be both over SPa or one over and one under SPa. HBAI presents household incomes and defines pensioners as all adults over SPa. The PI series is based on unequivalised pension income, where the data is not adjusted for the size of the household, whereas in HBAI income is equivalised to take account of different sized households.

Family Resources Survey (FRS) [http://www.dsdni.gov.uk/index/stats\\_and\\_research/stats-publications/stats-family-resource/family\\_resources.htm](http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-family-resource/family_resources.htm). Chapter 6 of the FRS publication includes pension participation for working-age individuals. Table 6.8 (FRS NI 2011/12) shows those who are saving for retirement and the type of pension they are saving in (occupational or personal). Pension saving is broken down by economic status for employees, the self-employed and economically inactive, and by gender.

Annual Survey of Hours and Earnings can be found here: <http://www.detini.gov.uk/deti-stats-index/stats-labour-market/stats-labour-market-earnings.htm>. This can be used to provide information on earnings for individuals close to or over SPa. It also collects significant information on employee pension membership and contributions and because of the large sample (1 per cent of employees who are covered by the PAYE scheme) and the fact it is completed by the employer, rather than the employee, it is generally thought to provide the most robust indicator of employee pension membership.

Occupational Pension Scheme Survey <http://www.ons.gov.uk/ons/rel/fi/occupational-pension-schemes-survey/index.html>. The Occupational Pension Schemes Survey (OPSS) is an annual survey, conducted by the Office for National Statistics. It covers occupational pension schemes from the public and private sector, not other types of pension, and samples at the level of the scheme. The Occupational Pension Schemes Survey provides the UK's longest consistent time series for estimates of pension scheme membership, with data back to 1953, and it provides a number of estimates of the number of schemes, scheme members, and their level of contributions.

## **Reliability of estimates in the Pensioners' Income Series (see Appendix B for details on the reliability of estimates)**

All estimates presented in this publication are based on sample surveys and are therefore subject to a degree of uncertainty.

Uncertainty is larger for small groups. It is also larger for components of income which vary widely between different people. Estimates with relatively low levels of variability, such as benefit income that is pre-determined by benefit entitlement rules, will have lower levels of uncertainty (see **Table B1**; for standard errors and confidence intervals for estimates of pensioners' average incomes in 2011/12).

## **National Statistics**

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- Meet identified user needs;
- Are well explained and readily accessible;
- Are produced according to sound methods; and
- Are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

## Section 2: Pensioners' Incomes

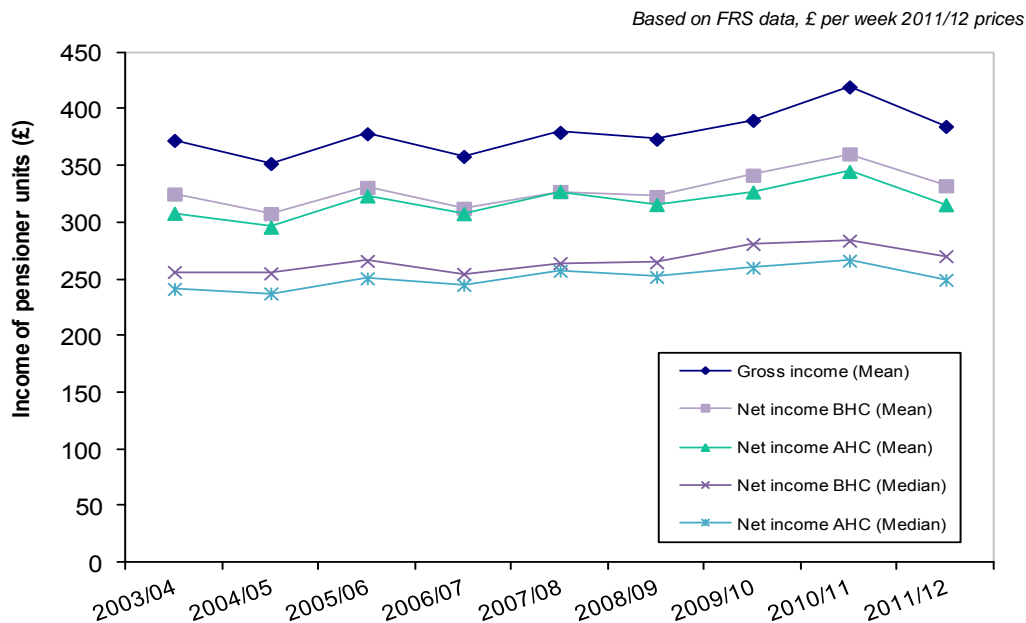
### Introduction

This section looks at the income for different groups of pensioners by age; and for singles and couples. Tables provide data which allows comparison of income between years from 2003/04 to 2011/12.

### Analysis

**Table 2.1** gives the average estimate for each income component for 2003/04 and between 2009/10 and 2011/12. Pensioner units (all pensioner couples and single pensioners) in Northern Ireland received on average £385 per week in gross income in 2011/12. Between 2010/11 and 2011/12 gross income fell in real terms by £35 (£420 to £385), which equalled an 8 per cent decrease. Similarly, net income Before Housing Costs fell by 8 per cent for the mean and 5 per cent for the median. Mean net income After Housing Costs decreased by 8 per cent (£345 to £316) and Median net income After Housing Costs decreases by 6 per cent (£266 to £249) between 2010/11 and 2011/12. There were decreases in all components of income with the exception of investment income (£4 increase) and other income (£1 increase), and personal pensions (no change), although these components started with a low base so still contribute very little to the overall gross income.

**Figure 2.1:** Real income of pensioners, 2003/04 – 2011/12



**Figure 2.1** shows that pensioners' mean gross income generally increased between 2003/04 and 2010/11 (£372 to £420) followed by a decline between 2010/11 and 2011/12 to £385 in real terms. A similar pattern was observed for mean net income both Before and After Housing Costs. Mean net income Before Housing Costs increased from £325 in 2003/04 to £360 in 2010/11 before falling to £332 in 2011/12. Mean net income After Housing Costs increased from £308 in 2003/04 to £345 in 2010/11 before falling to £316 in 2011/12.

2011/12. A similar but less pronounced pattern was observed for median incomes both Before and After Housing Costs. Net income Before Housing Costs increased from £256 to £284 from 2003/04 to 2010/11 then decreased to £270 in 2011/12, while net income After Housing Costs increased from £241 in 2003/04 to £266 in 2010/11, before decreasing to £249 in 2011/12.

**Table 2.1** also shows that mean net income (After Housing Costs) fell for pensioner couples between 2003/04 and 2011/12 from £441 to £403 (9 percent) while mean net income for single pensioners (After Housing Costs) increased from £203 to £232 (14 percent) over the same period. Decreases were observed in earnings, occupational pensions, personal pension income, investment income and other income for pensioner couples between 2003/04 and 2011/12. In contrast, increases in all sources of income were observed for single pensioners with the exception of benefits and other income over the same time period.

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

- Median employee earnings in the UK have fallen by 2 per cent from 2010/11 to 2011/12 while those in NI have fallen by 1 per cent<sup>3</sup>. This is in line with the decrease in pensioners' earnings.
- The inflation rate in 2011/12 as measured by the Retail Price Index (RPI) was 4.8 percent. For 2010/11 the RPI was 5.0 per cent and for 2009/10 RPI was 0.5 per cent, therefore pay freezes and low level pay rises will have a greater effect on income from earnings.
- Base interest rates were 0.5 per cent in 2011/12 and have remained unchanged since April 2009. This will have affected income from investments subsequent to 2009/10.

In 2011/12, benefit income accounted for the largest proportion of gross income for pensioner units; 52 per cent (£199) for all pensioner units, 47 per cent (£225) for pensioner couples and 60 per cent (£174) for single pensioners (**Table 2.1 & Figure 2.2**). Benefit income for all groups of pensioners fell in real terms between 2010/11 and 2011/12. Various benefit reforms were introduced in 2011/12 which had different effects on different benefit recipients. Overall, however, they resulted in a real terms fall in benefit income.

Those reforms relevant to the incomes of many pensioners included:

- From April 2011, Basic State Pension uprating was governed by a 'triple guarantee' where the increase is the highest of earnings, prices or 2.5%.
- The standard minimum income guarantee in Pension Credit was increased in April 2011 by a cash rise in a full Basic State Pension.
- Measures to reduce housing benefit expenditure.

The introduction of the triple guarantee in 2011/12 meant the key pensioner benefit, the Basic State Pension, was uprated by 4.6 per cent in April 2011 (the higher of earnings, prices as measured in the 3<sup>rd</sup> quarter of 2010/11, or 2.5%). In addition the Pension Credit

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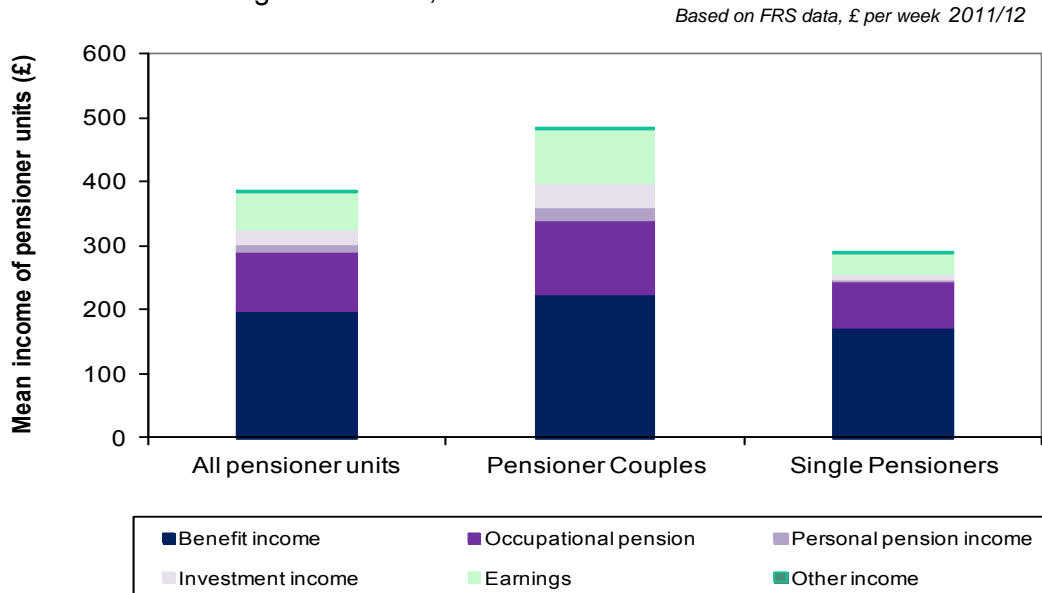
<sup>1</sup> See ONS publication : <http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/art-changes-in-real-earnings-in-the-uk-and-london--2002-to-2012.html>

## Section 2: Pensioners' Incomes

(guaranteed credit) was increased by 3.6 per cent, to ensure the lowest income pensioners received the full value of their Basic State Pension.

Any uprating to benefits therefore did not fully keep pace with the high inflation rate (4.8 per cent) for 2011/12, contributing to the overall reduction in real incomes in that year.

**Figure 2.2:** Sources of gross income, 2011/12



**Table 2.2** gives the gross weekly income and breakdown by source of income for different age groups of pensioners. There is a considerable difference in gross incomes for pensioner units where the head is 75 and over (£341) and for those where the head is under 75 (£414). The contribution of benefits to gross income for pensioners aged 75 and over was 59 per cent in 2011/12 and for under 75's the contribution was 47 per cent. In addition, recently retired pensioners on average have larger weekly earnings (£123) than older (75 and over) pensioners (£5).

The differences in incomes between age groups may be partly due to:

- **The 'age' effect:** older pensioners tend to have less income from earnings because they are less likely to be in work. Any pension(s) they are in receipt of are usually a proportion of what they would have earned. Also there are more single pensioners in the older age group and who as a group have lower incomes than pensioner couples.
- **Length of time since retirement:** before retirement the value of defined benefit pensions are linked to salary for those accruing pensions and price inflation for those with deferred pensions. The value of defined contribution pensions change in line with investments. The general long-term position is that Earnings-related Additional State Pension is linked to earnings growth during working life. After retirement, the value of defined benefit pensions in payment is generally linked to price inflation. The Basic State Pension is linked to the highest of earnings, prices or 2.5 per cent and Additional State Pension is linked to prices (note that changes to State Pension uprating have been put in place since 2011). The majority (around 85 per cent) of annuities purchased with occupational or personal pensions are level annuities, which do not increase over time, although a minority of individuals do purchase annuities which increase annually in line with inflation (RPI). Therefore, other things

being equal, pensioners who have been retired for longer will have lower pensions than the equivalent younger pensioner.

- **Cohort effects:** these are an important factor behind the growth of average incomes of pensioners. For example, the rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to someone born in 1940 than in 1910. Currently, each successive cohort of pensioners has a higher income than the older cohort it replaces and thus pushes up the average income for the pensioner group as a whole. There is a possibility that the cohort effect may have been dampened since the change in pension age for women has been introduced, which has had the effect of reducing the number of women claiming State Pension and relatively fewer younger pensioners.

When average pensioners' income was compared by region (**Table 2.3**) it was found that pensioner couples and single pensioners in Northern Ireland had the lowest gross income, both Before and After Housing Costs of all regions in the UK. A three year average of gross income shows that in 2009/12 NI pensioner couples had a mean gross income of (£534); £102 lower than Wales (the region with the second lowest gross income) and £128 lower than Scotland (the region with the highest gross income). Of this £534 (NI gross income), £234 was sourced from benefits. Regionally this was the highest level of benefit income in the UK, £13 higher than the UK average. The three year average of gross income for single pensioners shows that in 2009/12, NI had a mean gross income of £267; £10 lower than Wales (the region with the second lowest gross income) and £46 lower than England (the region with the highest gross income). Of this £267 (NI gross income), £184 was sourced from benefits; this was similar to the UK average (£182).

### Notes for analysis

Changes in average income amounts reflect changes in both the number of pensioners receiving that particular income (such as new retirees with higher/lower incomes joining the group) and also the amounts for those pensioners who are in receipt.

Uncertainties are larger for smaller groups. They are also larger for components of income which vary widely between different people (for example, investment income and earnings). 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. Users are therefore advised to draw only broad conclusions about such trends when looking at the full time series of estimates in the tables and charts.

Mean and median values for incomes are presented in tables 2.1 and 2.2. When a distribution of data values (incomes) is skewed (asymmetric) due to small numbers of very large results at the top/bottom end of distribution, the median is considered a more representative measure of the average value compared to the mean which is more representative if the distribution is symmetrical. Further information on the distribution of pensioners' income is presented in Section 4.

Estimates have been rounded to the nearest pound and percentage point. Monetary estimates are presented in 2011/12 prices and growth is presented in real terms.



## Detailed tables

### Contents and points to note when interpreting tables

**Table 2.1** and **Table 2.2** show the gross and net average incomes of pensioner units for 2003/04 and from 2009/10 to 2011/12. Table 2.1 provides a breakdown for all pensioner units, pensioner couples and single pensioners. Table 2.2 provides a breakdown for recently retired pensioner units, pensioner units where the head is under 75, and pensioner units where the head is 75 or over. Net income is shown both Before and After Housing Costs.

**Table 2.3** shows the average gross and benefit income as well as net income Before and After Housing Costs by region. The table is based on three years of data from 2009/10, 2010/11 and 2011/12 and the income values have been up-rated to 2011/12 prices. Please note that the figures for net income AHC for both pensioner couples and single pensioners differ from those provided in the UK publication this was due to the deflation factors used.

**Table 2.1: The average incomes of pensioner units, 2003/04 - 2011/12**

Results based upon data from the FRS

Incomes in £ per week, 2011/12 prices

	FRS				As a % of gross income in 2011/12
	2003/04	2009/10	2010/11	2011/12	
<b>All pensioner units</b>					
<b>Gross Income</b>	372	390	420	385	100
of which:					
Benefit income	199	212	214	199	52
Occupational pension	78	86	106	92	24
Personal pension income	10	13	12	12	3
Investment income	25	14	19	23	6
Earnings	57	62	68	57	15
Other income	3	3	1	2	0
<b>Net Income BHC</b>					
Mean	325	342	360	332	86
Median	256	281	284	270	
<b>Net Income AHC</b>					
Mean	308	327	345	316	82
Median	241	260	266	249	
<b>Pensioner Couples</b>					
<b>Gross Income</b>	537	534	584	483	100
of which:					
Benefit income	224	240	238	225	47
Occupational pension	119	128	161	115	24
Personal pension income	21	23	24	20	4
Investment income	49	24	33	38	8
Earnings	120	115	127	85	18
Other income	3	4	1	1	0
<b>Net Income BHC</b>					
Mean	453	458	488	416	86
Median	357	372	389	362	
<b>Net Income AHC</b>					
Mean	441	449	475	403	83
Median	343	365	380	353	
<b>Single Pensioners</b>					
<b>Gross Income</b>	242	251	258	290	100
of which:					
Benefit income	179	186	191	174	60
Occupational pension	45	45	51	71	24
Personal pension income	2	4	1	4	1
Investment income	6	4	4	9	3
Earnings	7	11	10	31	11
Other income	3	1	1	2	1
<b>Net Income BHC</b>					
Mean	224	229	236	252	87
Median	211	210	220	208	
<b>Net Income AHC</b>					
Mean	203	209	217	232	80
Median	190	186	205	186	

**Notes:**

1. BHC stands for 'Before Housing Costs' and AHC for 'After Housing Costs'.

## Section 2: Pensioners' Incomes

**Table 2.2: The average incomes of pensioner units by age, 2003/04 - 2011/12**

Results based upon data from the FRS

Incomes in £ per week, 2011/12 prices

	FRS				As a % of gross income in 2011/12
	2003/04	2009/10	2010/11	2011/12	
<b>Recently retired pensioner units</b>					
<b>Gross Income</b>	441	508	521	447	100
of which:					
Benefit income	192	211	208	209	47
Occupational pension	101	122	143	89	20
Personal pension income	25	16	9	18	4
Investment income	31	25	7	7	2
Earnings	88	131	154	123	27
Other income	3	4	0	1	0
<b>Net Income BHC</b>					
Mean	379	434	434	380	85
Median	266	338	300	304	
<b>Net Income AHC</b>					
Mean	365	420	419	363	81
Median	260	322	298	293	
<b>Pensioner units where head is under 75</b>					
<b>Gross Income</b>	414	451	484	414	100
of which:					
Benefit income	193	212	214	196	47
Occupational pension	92	101	130	83	20
Personal pension income	13	15	16	13	3
Investment income	28	19	13	28	7
Earnings	87	102	109	92	22
Other income	2	3	0	1	0
<b>Net Income BHC</b>					
Mean	354	387	407	353	85
Median	267	308	324	286	
<b>Net Income AHC</b>					
Mean	337	372	391	336	81
Median	251	293	307	267	
<b>Pensioner units where head is 75 or over</b>					
<b>Gross Income</b>	307	296	318	341	100
of which:					
Benefit income	210	213	214	203	59
Occupational pension	56	63	66	106	31
Personal pension income	6	11	6	9	3
Investment income	20	6	27	15	5
Earnings	10	1	2	5	1
Other income	5	3	3	3	1
<b>Net Income BHC</b>					
Mean	280	272	286	301	88
Median	247	227	244	248	
<b>Net Income AHC</b>					
Mean	263	258	272	286	84
Median	221	211	230	229	

**Notes:**

1. BHC stands for 'Before Housing Costs' and AHC for 'After Housing Costs'.

## Section 2: Pensioners' Incomes

**Table 2.3: Average income by region, 2009/12**

*Results based upon data from the FRS*

*Incomes in £ per week, 2011/12 prices*

	Pensioner Couples				Single Pensioners			
	Gross Income	Benefit Income	Net Income BHC	Net Income AHC	Gross Income	Benefit Income	Net Income BHC	Net Income AHC
England	648	220	524	498	313	182	270	234
Wales	636	226	518	496	277	191	249	217
Scotland	662	225	536	512	292	183	259	230
Great Britain	648	220	525	499	309	182	267	233
Northern Ireland	534	234	454	442	267	184	239	220
United Kingdom	646	221	523	498	308	182	267	233

**Notes:**

1. Data based on the mean of three years of results for 2009/10, 2010/11 and 2011/12 FRS uprated to 2011/12 prices

## Supplementary Tables

Data for Figure 2.1:

**Table S2.1: Real income of pensioners, 2003/04 - 2011/12***Based on FRS data**Incomes in £ per week, 2011/12 prices*

	Year								
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>All pensioner units</b>									
Gross income (Mean)	372	352	378	358	379	373	390	420	385
Net income BHC (Mean)	325	308	331	312	327	323	342	360	332
Net income AHC (Mean)	308	296	323	308	327	316	327	345	316
Net income BHC (Median)	256	255	266	255	264	265	281	284	270
Net income AHC (Median)	241	237	251	245	257	252	260	266	249



## Section 3: Sources of Pensioners' Income

### Introduction

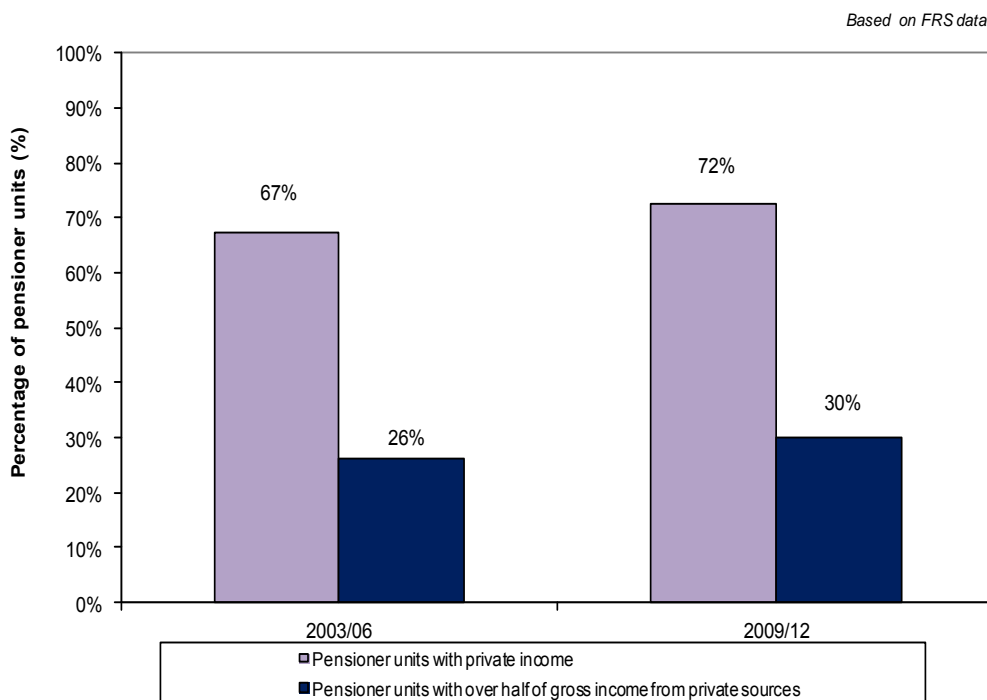
This section looks at various sources of income, including the proportion of pensioners who receive income from these different sources. Benefit income (including State Pension) serves as the main source of income for pensioners as a whole. However, the importance of benefit income varies between different pensioner units.

### Analysis

**Table 3.1** shows that during the period 2009/12, almost three quarters (72 per cent) of all pensioner units received income on top of state benefits (83 per cent of pensioner couples and 62 per cent of single pensioners), this compares to 67 per cent of all pensioners during the period 2003/06 (79 per cent for pensioner couples and 58 per cent for single pensioners).

**Figure 3.1** and **Table S3.1** show that almost a third (30 per cent) of all pensioner units during the period 2009/12 derived more than half of their gross income from private sources. This is 4 percentage points higher than in 2003/06.

**Figure 3.1:** Pensioner units with income on top of state benefits, 2003/06 & 2009/12

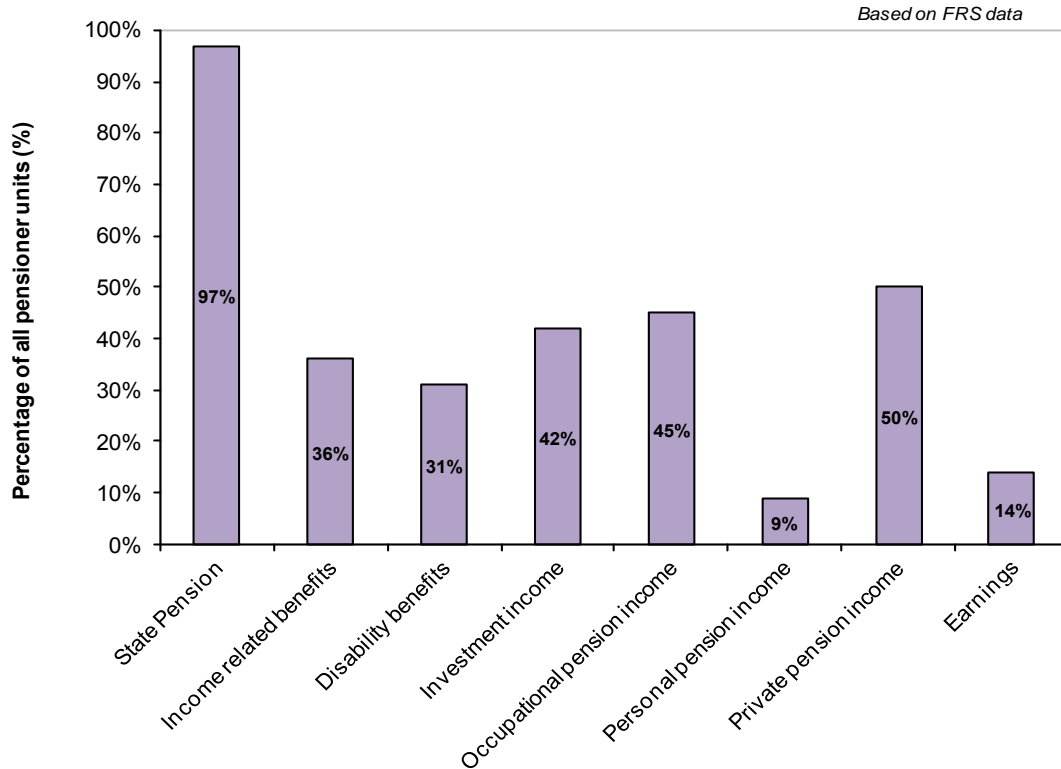


**Figure 3.2** and **Table S3.2** show the proportion of pensioner units receiving income from various sources in 2009/12. As expected the most common source of income for pensioner units is state pension; with 97 per cent of pensioner units claiming this. Fourteen per cent of pensioner units receive income from earnings. Fifty per cent of

### Section 3: Sources of Pensioners' Incomes

pensioner units receive income from private pensions, 45 per cent receive income from occupational pension income while only 9 per cent of pensioner units have income from a personal pension.

**Figure 3.2:** Proportion of pensioner units in receipt of selected sources of income, 2009/12



**Table 3.2** shows the proportion of pensioners in receipt of State Pension and the average amount they receive. The State Pension includes the Basic State Pension and Additional State Pension. Nearly all pensioner units (97 per cent) claim State Pension, the figure is slightly lower for recently retired pensioner units (96 per cent) as some choose to defer their payments.

The mean amount of reported state pension for all pensioners per week during the period 2009/12 was £150 (£122 for singles and £181 for couples). This was an increase of 7 per cent from the period 2003/06 in real terms. There was an 8 per cent increase in median amount received by all pensioners over the same period (£127 to £137). The main factor behind the growth of the State Pension is the maturing of earnings-related component. Each cohort of retirees since 1978 has had the opportunity to make contributions over a longer period.

Receipt of occupational pensions has become increasingly common, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s. Occupational pensions provided income for 45 per cent of pensioner units in 2009/12 this is a 5 percentage point rise from 2003/06 (see **Table 3.3**). The mean amount of occupational pensions received

by pensioner units in 2009/12 (£211) has increased since 2003/06 (£182) in real terms. The largest increase was observed in the recently retired pensioner couples whose mean



## Section 3: Sources of Pensioners' Incomes

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income from occupational pensions increased by 23 per cent between 2003/06 and 2009/12 in real terms.

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

### Notes for analysis

Income received is self reported by survey respondents and can consequently be misreported. For example, some survey respondents may not be able to distinguish between state pension and pension credits as these may be paid jointly. Some quoted amounts may include other benefits such as pension credit and attendance allowance, both of which are under reported in the Family Resources Survey (see the Methodology Section in FRS).

Some groups have relatively small sample sizes, so users should be careful about drawing conclusions about movement in data between single years.

Figures in this section for 2003/06 may differ from those in earlier publications as in 2005/06 the definition of pensioner couples and recently retired pensioners changed. The new definitions were applied to the historic years (2003/04 to 2005/06) for analysis purposes from 2010/11 publications onwards.

Income figures have been rounded to the nearest pound and are presented in 2011/12 prices.

### Detailed tables

#### Contents and points to note when interpreting tables

**Table 3.1** shows the proportion of pensioner units (all and recently retired) with incomes on top of state benefits for the years 2003/04 to 2005/06 combined, and the years 2009/10 to 2011/12 combined.

**Table 3.2** shows the proportion of pensioner units with income from State Pension and the average amount of those in receipt for the years 2003/04 to 2005/06 combined, and the years 2009/10 to 2011/12 combined.

**Table 3.3** shows the proportion of pensioners who received income from occupational pensions and the average amount received by those in receipt of occupational pensions for the years 2003/04 to 2005/06 combined and the years 2009/10 to 2011/12 combined.

## Section 3: Sources of Pensioners' Incomes

**Table 3.1: The proportion of pensioner units with income on top of state benefits, 2003/06 & 2009/12**

*Results based upon data from the FRS*

	2003/06	2009/12
<b>All pensioner units</b>		
Total	67%	72%
Pensioner couples	79%	83%
Single pensioners	58%	62%
<b>Recently retired pensioner units</b>		
Total	71%	75%
Pensioner couples	81%	83%
Single pensioners	59%	60%

## Section 3: Sources of Pensioners' Incomes

**Table 3.2: The proportion of pensioner units with income from State Pension and the average amount of those in receipt, 2003/06 & 2009/12**

<i>Results based upon data from the FRS</i>	<i>Incomes in £ per week, 2011/12 prices</i>	
	<b>FRS</b>	
	<b>2003/06</b>	<b>2009/12</b>
<b>Proportion in receipt of state pension (%)</b>		
<b>All pensioner units</b>		
Total	95%	97%
Pensioner couples	93%	96%
Single pensioners	97%	99%
<b>Recently retired pensioner units</b>		
Total	91%	96%
Pensioner couples	93%	96%
Single pensioners	90%	95%
<b>Average amount of state pension for those in receipt (£pw)</b>		
<b>Mean amounts</b>		
<b>All pensioner units</b>		
Total	140	150
Pensioner couples	171	181
Single pensioners	117	122
<b>Recently retired pensioner units</b>		
Total	148	161
Pensioner couples	176	187
Single pensioners	109	117
<b>Median amounts</b>		
<b>All pensioner units</b>		
Total	127	137
Pensioner couples	176	188
Single pensioners	112	117
<b>Recently retired pensioner units</b>		
Total	135	151
Pensioner couples	177	197
Single pensioners	110	115

## Section 3: Sources of Pensioners' Incomes

**Table 3.3: The proportion of pensioner units with occupational pension income and the average amount of those in receipt, 2003/06 & 2009/12**

*Results based upon data from the FRS*

*Incomes in £ per week, 2011/12 prices*

	FRS	
	2003/06	2009/12
<b>Proportion in receipt of occupational pension income (%)</b>		
<b>All pensioner units</b>		
Total	40%	45%
Pensioner couples	49%	52%
Single pensioners	32%	38%
<b>Recently retired pensioner units</b>		
Total	43%	47%
Pensioner couples	53%	57%
Single pensioners	30%	32%
<b>Average amount of occupational pension income for those in receipt (£pw)</b>		
<b>Mean amounts</b>		
<b>All pensioner units</b>		
Total	182	211
Pensioner couples	224	259
Single pensioners	129	147
<b>Recently retired pensioner units</b>		
Total	214	250
Pensioner couples	227	279
Single pensioners	174	164
<b>Median amounts</b>		
<b>All pensioner units</b>		
Total	115	126
Pensioner couples	153	161
Single pensioners	83	98
<b>Recently retired pensioner units</b>		
Total	139	169
Pensioner couples	151	207
Single pensioners	128	109

## Supplementary tables

Data for Figure 3.1:

**Table S3.1: Pensioner units with income on top of state benefits, 2003/06 & 2009/12**

*Percentage of pensioner units, based on data from the FRS*

	2003/06	2009/12
Pensioner units with private income	67%	72%
Pensioner units with over half of gross income from private sources	26%	30%

Data for Figure 3.2:

**Table S3.2: Proportion of pensioner units in receipt of selected sources of income, 2009/12**

*Results based on FRS data*

Income source	2009/12
State Pension	97%
Income related benefits	36%
Disability benefits	31%
Investment income	42%
Occupational pension income	45%
Personal pension income	9%
Private pension income <sup>1</sup>	50%
Earnings	14%

*1. Private pension income includes personal and occupational pension income, percentages may not add as each pension category is not mutually exclusive*



## Section 4: Distribution of Pensioners' Incomes

### Introduction

This section looks at the distribution of pensioners' income within both the Northern Ireland pensioner income distribution and the overall income distribution for the United Kingdom. Pensioners have been ranked by income and divided into quintiles (five equal sized groups) for the purpose of analysis.

### Analysis

**Table 4.1** shows that for pensioner couples in 2009/12, the median net income of the top fifth of the pensioners' income distribution was around three and a half times the income of the bottom quintile Before Housing Costs (£725 and £201 respectively), and almost four times After Housing Costs (£727 to £188 respectively). For single pensioners median net income of the top quintile was around three times that of the bottom quintile both Before Housing Costs (£360 to £122 respectively) and After Housing Costs (£339 to £111 respectively). This is similar to the pattern observed in 2003/06.

In general median net incomes increased in real terms for both pensioner couples and single pensioners between 2003/06 and 2009/12 across all quintiles with the exception of the single pensioners falling into the bottom fifth of the income distribution (BHC) who experienced an £11 (8 per cent) reduction in median net income.

Net incomes increased by between 3 and 9 per cent for both pensioner couples and single pensioners over the period 2003/06 to 2009/12 for pensioners in the top four quintiles with single pensioners (AHC) seeing the largest proportional increase.

**Table 4.2** shows the proportions of different groups of pensioners within each quintile of the pensioners' income distribution in 2009/12. Over two thirds of pensioners own their own home and so tend to have relatively low housing costs. Net income After Housing Costs, rather than Before Housing Costs, better reflects homeowners living standards compared to non-homeowners. Therefore only After Housing Cost income is discussed below.

Older pensioner couples are more likely to have net incomes within the bottom two quintiles of the pensioners' income distribution. 48 per cent of pensioner couples where the head is aged 75 or over are in the bottom two quintiles, compared to 37 per cent of pensioners where the head is aged under 75. Only 14 per cent of pensioner couples where the head is aged 75 or over have incomes falling within the top quintile, while 27 per cent of recently retired pensioner couples, and 22 per cent of those where the head is aged under 75 have incomes in this quintile.

Recently retired single pensioners are more likely to be in the bottom two quintiles of the pensioners' income distribution (45 per cent), than pensioner aged 75 or over (40 per cent) and pensioner aged under 75 (40 per cent). Single males are more likely to be in the top quintile of the pensioners' income distribution than single females (23 per cent and 19 per cent respectively).

## Section 4: Distribution of Pensioners' Incomes

Pensioners aged under 75 are more likely to be in the top quintile of pensioners' income distribution than pensioners aged 75 or over (22 per cent and 14 percent for pensioner couples, and 23 per cent and 17 per cent for single pensioners).

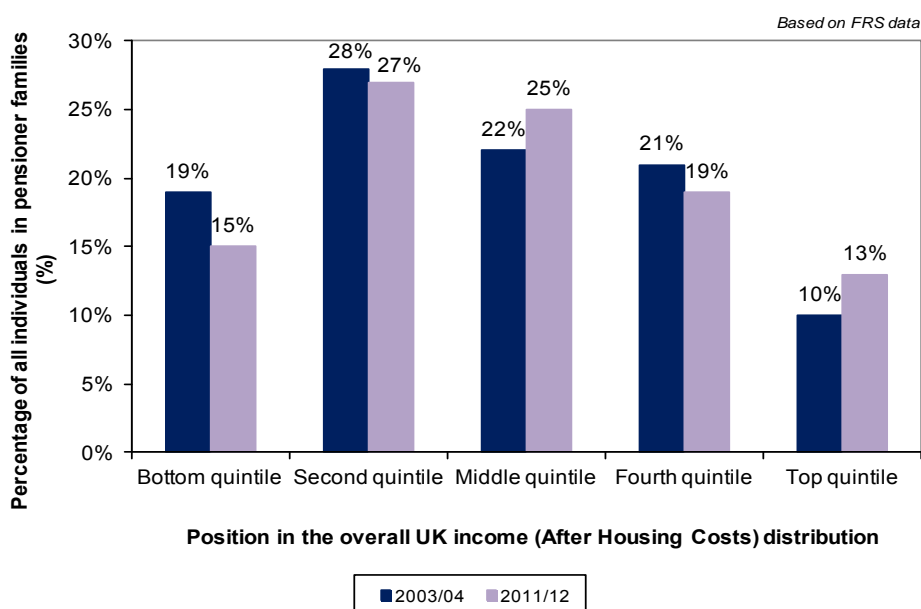
**Table 4.3** shows how different sources of income contribute to the gross incomes of pensioners in the different quintiles of the net income (AHC) distribution. The majority of pensioners' income in the bottom quintile came from benefits, 83 per cent of income for pensioner couples and 93 per cent of income for single pensioners.

In 2009/12 occupational income, personal pension income, investment income and earnings income generally increased across all quintiles for pensioner couples while benefit income increased (£170 to £277) across all quintiles except for the top two quintiles where it fell (to £252 in the fourth quintile and then again to £196 in the top quintile).

For single pensioners benefits increased across the first 4 quintiles (£119 to £218) then decreased for the top quintile (£193), while occupational income and earnings generally increased across the quintiles.

**Table 4.4, Table 4.5 and Figure 4.1** show the position of pensioners within the overall UK income distribution. This approach is used in the Households Below Average Incomes publication which analyses the overall income distribution. Before dividing households into quintiles, household income is equivalised, which means it is adjusted to take into account the size and composition of the household. The tables and figures show pensioners ranked by their equivalised income. More details of the equivalisation process are given in Appendix A.

**Figure 4.1:** Pensioners' position in the overall net UK income (AHC) distribution, 2003/04 & 2011/12



**Figure 4.1** (and **Table 4.4**) shows that there is a larger proportion of pensioners in the top three quintiles in 2011/12 than there were in 2003/04. The proportion of individuals living in pensioner families in the bottom quintile of the overall UK population income distribution



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## Section 4: Distribution of Pensioners' Incomes

(AHC) in 2011/12 was 15 per cent, which has decreased from the 2003/04 level of 19 per cent. The proportion in the middle quintile in 2011/12 was 25 per cent, which is an increase from the 2003/04 level of 22 per cent. The proportion in the top quintile in 2011/12 was 13 per cent an increase from the 2003/04 level of 10 per cent.

**Table 4.5** shows that a higher percentage of pensioners in 2011/12 are in the top half of the overall UK population income distribution than in 2003/04. Forty five percent of all pensioners are in the top half of the overall UK income distribution in 2011/12 compared to 43 per cent in 2003/04; however this is a reduction from the 2010/11 level of 49 per cent. Forty eight per cent of pensioner couples were in the top half of the overall income distribution in 2011/12, which is 5 per cent lower than 2010/11 levels, and 3 percentage points higher than 2003/04 levels. The fact that pensioners are more likely to own their own home (Family Resources Survey, 2011/12) may be partly responsible for high levels of pensioners in the top quintiles.

There has been little change in the proportion of single pensioners in the top half of the overall population distribution between 2003/04 and 2011/12 with levels in 2003/04 and 2011/12 being equal (41 per cent).

### Notes for analysis

When considering changes in incomes over time it is more appropriate to use the After Housing Costs measure as over two thirds of pensioner households own their own home (Family Resources Survey, Northern Ireland 2011/12) and so tend to have relatively low housing costs.

Mean gross incomes are higher, particularly in the top fifth of the income distribution, than median gross incomes because a number of pensioners with very high incomes skew the results.

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

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 of travelling to work.

Figures are rounded to the nearest pound and are presented in 2011/12 prices.

### Detailed tables

#### Contents and points to note when interpreting tables

**Tables 4.1 to 4.3** examine the distribution of incomes for single pensioner and pensioner couple groups within the NI pensioners' income distribution. Incomes are not adjusted for household size so results for singles and couples are shown separately. Quintiles for pensioners are relatively small groups therefore the values in these tables are presented as three year averages to reduce volatility. These results are not comparable with single years' averages.

**Tables 4.4 and 4.5** look at the distribution of pensioners' income within the UK population as a whole. In order to rank households, income has been 'equivalised', in other words adjusted to take into account variations in the size and composition of the household. More details of the equivalisation process are given in Appendix A. Figures in these tables are not comparable to figures in Tables 4.1 to 4.3.

## Section 4: Distribution of Pensioners' Incomes

**Table 4.1: Net income of pensioner units by quintile of the pensioners' net income distribution, 2003/06 & 2009/12**

*Results based upon data from the FRS*

*Incomes in £ per week, 2011/12 prices*

	Quintiles of the Income Distribution					Overall Mean
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
<b>2003/06</b>						
<b>Medians</b>						
<b>Net income Before Housing Costs</b>						
Pensioner couples	195	281	353	473	700	435
Single pensioners	133	158	203	257	348	228
<b>Net income After Housing Costs</b>						
Pensioner couples	187	264	343	467	690	428
Single pensioners	105	143	186	238	318	212
<b>2009/12</b>						
<b>Medians</b>						
<b>Net income Before Housing Costs</b>						
Pensioner couples	201	287	374	492	725	454
Single pensioners	122	173	213	268	360	239
<b>Net income After Housing Costs</b>						
Pensioner couples	188	276	366	482	727	442
Single pensioners	111	153	192	245	339	220

**Notes:**

1. Quintiles based on NI pensioner net income distribution
2. Quintiles are calculated separately for NI pensioner couples and NI single pensioners
3. Quintiles are calculated separately under the Before and After Housing Costs measures

## Section 4: Distribution of Pensioners' Incomes

**Table 4.2: Age and gender of pensioners by quintile of the pensioners' net income distribution, 2009/12**

*Results based upon data from the FRS*

	Quintiles of the Income Distribution					All
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
<b>Pensioner couples' net income Before Housing Costs distribution</b>						
<b>All pensioner couples</b>	20%	20%	20%	20%	20%	100%
Recently retired	15%	22%	18%	18%	27%	100%
Head aged under 75	19%	18%	20%	21%	22%	100%
Head aged 75 or over	23%	25%	20%	17%	15%	100%
<b>Pensioner couples' net income After Housing Costs distribution</b>						
<b>All pensioner couples</b>	20%	20%	20%	20%	20%	100%
Recently retired	17%	19%	20%	17%	27%	100%
Head aged under 75	19%	18%	20%	21%	22%	100%
Head aged 75 or over	22%	26%	20%	18%	14%	100%
<b>Single pensioners' net income Before Housing Costs distribution</b>						
<b>All single pensioners</b>	20%	20%	20%	20%	20%	100%
Single males	17%	19%	24%	17%	23%	100%
Single females	21%	20%	19%	21%	19%	100%
Recently retired	24%	17%	17%	16%	26%	100%
Aged under 75	20%	19%	18%	20%	23%	100%
Aged 75 or over	20%	21%	22%	20%	17%	100%
<b>Single pensioners' net income After Housing Costs distribution</b>						
<b>All single pensioners</b>	20%	20%	20%	20%	20%	100%
Single males	20%	19%	21%	17%	23%	100%
Single females	20%	20%	19%	21%	19%	100%
Recently retired	26%	19%	16%	15%	25%	100%
Aged under 75	20%	20%	18%	19%	23%	100%
Aged 75 or over	20%	20%	22%	21%	17%	100%

**Notes:**

1. Quintiles based on NI pensioner net income distribution
2. Quintiles are calculated separately for NI pensioner couples and NI single pensioners
3. Quintiles are calculated separately under the Before and After Housing Costs measures

## Section 4: Distribution of Pensioners' Incomes

**Table 4.3: Components of mean gross income of pensioners by quintile of the pensioners' net income distribution (AHC), 2003/06 & 2009/12**

*Results based upon data from the FRS*

*Incomes in £ per week, 2011/12 prices*

	Quintiles of the Income Distribution					Overall
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
<b>2003/06 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	205	308	392	544	1146	519
Of which:						
Benefit Income	169	244	264	266	214	232
Occupational income	12	26	75	141	309	113
Personal pension income	5	8	17	13	71	23
Investment income	3	4	9	19	157	38
Earnings	14	25	25	104	390	112
Other income	1	1	2	1	5	2
<b>Single pensioners</b>						
<b>Gross income</b>	128	174	220	281	488	258
Of which:						
Benefit Income	118	159	189	227	218	182
Occupational income	5	8	20	38	140	42
Personal pension income	1	1	1	6	8	4
Investment income	3	3	2	5	52	13
Earnings	0	2	4	2	61	14
Other income	2	2	3	2	9	4
<b>2009/12 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	206	306	410	571	1189	536
Of which:						
Benefit Income	170	243	277	252	196	228
Occupational income	14	36	79	147	421	139
Personal pension income	5	9	9	21	56	20
Investment income	4	3	5	13	153	35
Earnings	12	15	40	136	361	113
Other income	1	1	1	1	3	1
<b>Single pensioners</b>						
<b>Gross income</b>	128	177	219	283	494	260
Of which:						
Benefit Income	119	163	190	218	193	177
Occupational income	4	8	22	49	181	53
Personal pension income	1	1	2	3	14	4
Investment income	1	2	2	5	22	6
Earnings	2	2	2	5	83	19
Other income	1	1	2	2	2	2

**Notes:**

1. Quintiles based on NI pensioner net income distribution
2. Quintiles are calculated separately for NI pensioner couples and NI single pensioners

## Section 4: Distribution of Pensioners' Incomes

**Table 4.4: The proportion of individuals in pensioner families in each quintile of the overall UK population net income distribution, 2003/04 & 2011/12**

*Quintiles based on equivalised household income*

*Results based upon data from the FRS*

	Quintiles of the Income Distribution					All
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
<b>2003/04</b>						
<b>All pensioners</b>						
Before Housing Costs	29%	25%	22%	17%	7%	100%
After Housing Costs	19%	28%	22%	21%	10%	100%
<b>Pensioner couples</b>						
Before Housing Costs	27%	24%	20%	19%	10%	100%
After Housing Costs	19%	27%	21%	21%	13%	100%
<b>Single pensioners</b>						
Before Housing Costs	32%	26%	24%	15%	3%	100%
After Housing Costs	19%	30%	24%	21%	6%	100%
<b>2011/12</b>						
<b>All pensioners</b>						
Before Housing Costs	30%	23%	22%	16%	9%	100%
After Housing Costs	15%	27%	25%	19%	13%	100%
<b>Pensioner couples</b>						
Before Housing Costs	28%	22%	22%	17%	11%	100%
After Housing Costs	16%	25%	26%	19%	14%	100%
<b>Single pensioners</b>						
Before Housing Costs	34%	26%	23%	12%	6%	100%
After Housing Costs	13%	31%	24%	21%	11%	100%

**Notes:**

1. Quintiles based on UK pensioner net income distribution
2. Quintiles are calculated separately for pensioner couples and single pensioners
3. Quintiles are calculated separately under the Before and After Housing Costs measures

## Section 4: Distribution of Pensioners' Incomes

**Table 4.5: The proportion of individuals in pensioner families in the top half of the overall UK population net income distribution, 2003/04 - 2011/12**

*Quintiles based on equivalised household income*

*Results based upon data from the FRS*

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	2003/04	2009/10	2010/11	2011/12
<b>Net income Before Housing Costs</b>				
All pensioner units	33%	33%	39%	34%
Pensioner couples	37%	37%	44%	36%
Single pensioners	28%	26%	30%	30%
<b>Net income After Housing Costs</b>				
All pensioner units	43%	44%	49%	45%
Pensioner couples	45%	47%	53%	48%
Single pensioners	41%	38%	42%	41%

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**Notes:**

1. Quintiles based on UK pensioner net income distribution
2. Quintiles are calculated separately for pensioner couples and single pensioners
3. Quintiles are calculated separately under the Before and After Housing Costs measures





## Appendices

### Appendix A: Glossary of Technical Terms

#### Definitions of Gross and Net Income

##### Gross Income

Within the Pensioners' Income Series (PIS) gross income is generally separated into seven components:

- **Income from benefits** – Including tax credits  
In section 3, this is further divided into:
  - **State Pension**;
  - **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

The 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, trade union and friendly society pensions.
- **Income from private pensions** – the sum of occupational and personal pensions
- **Income from investments** – including interest from ISAs and other savings accounts, unit trusts, bonds, stocks and shares.
- **Income from earnings** – including profit and loss from self-employment.
- **Other income** – benefits from Friendly Societies, income from dependent children, maintenance payments and free TV licences for the over 75s.

##### 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.

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## Appendix A: Glossary of Technical Terms

Net income after housing costs (AHC) are also net of: rent; structural insurance (for owner occupiers); mortgage interest payments (net of any tax relief); and ground rent and service charges. Income from Housing Benefit is included within gross income as a social security benefit.

### 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 PIS methodological paper no 2 for more information on negative incomes. This is available on the DWP website at:

<https://www.gov.uk/government/organisations/department-for-work-pensions/series/pensioners-incomes-series-statistics>.

### Households 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. The 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, adjusting it to take account of household size and composition. One of the main functions of the PIS 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 PIS results, which are presented separately for pensioner couples and single pensioners. However, PIS results for all pensioner units are affected by changes in the balance between couples and singles. To avoid unnecessary complexity, the main PIS results are presented in monetary terms, at constant 2011/12 prices, rather than equivalised income.

### Definition of head of pensioner unit

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

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

The analyses in this bulletin 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. Care should be taken when interpreting these estimates and they should only be used as indicators of broad patterns and trends.

### Sources of uncertainty

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

**Under-reporting:** The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. As a result it under-reports receipt for most of the benefits. The discrepancies between FRS and administrative data are particularly pronounced for Attendance Allowance and Pension Credit. More information on under-reporting can be found at [http://www.dsdni.gov.uk/index/stats\\_and\\_research/stats-publications/stats-family-resource/family\\_resources.htm](http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-family-resource/family_resources.htm) in the Methodology section of the current year's NI FRS.

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

**Random Sampling errors** occur in a survey because survey estimates are based on a subset of the population and this subset will not be identical to the remaining population who have not been interviewed. More information on sampling errors can be found at [http://www.dsdni.gov.uk/index/stats\\_and\\_research/stats-publications/stats-family-resource/family\\_resources.htm](http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-family-resource/family_resources.htm) in the Methodology section of the current year's FRS.

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

### Estimating sampling error

The sampling error around an estimate can be measured by the size of its 'standard error'. The standard error of an estimate is typically calculated under the assumption of simple random sampling (i.e. where every member of the population has an equal and independent chance of selection). This is the sampling method used for the NI FRS.

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

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

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

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

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

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

**Table B.1** gives some examples of standard errors and confidence intervals that have been calculated for estimates of pensioners' average incomes. They show that while there is a degree of uncertainty about the estimates it does not affect the broad conclusions drawn, such as the relative importance of different types of income.

Users are advised to look at 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.

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

**Table B1: Uncertainty surrounding selected estimates in the Pensioners' Income Series, 2011/12**

*Incomes in £ per week, 2011/12 prices*

*Results based upon data from the FRS*

	Estimate £pw	Standard Error	95% confidence interval		
			Interval Width +/-	Relative Width	Interval Range
<b>All Pensioner Units</b>					
<b>Gross Income</b>	385	21	41	11%	[344,425]
Of which:					
Benefit income	199	4	7	3%	[192,206]
Occupational pension	92	11	23	24%	[70,115]
Personal pension income	12	2	4	36%	[8,16]
Investment income	23	12	23	102%	[-1,46]
Earnings	57	13	25	45%	[32,83]
<b>Mean net income</b>					
Before housing costs	332	14	27	8%	[305,359]
After housing costs	316	14	27	8%	[289,342]
<b>Subgroups of pensioners</b>					
<b>Mean net income BHC</b>					
Pensioner couples	416	18	35	8%	[382,451]
Single pensioners	252	20	40	16%	[212,292]
Recently retired head	380	33	66	17%	[314,446]
Head under 75 years	353	19	37	10%	[316,390]
Head 75 years or over	301	20	39	13%	[263,340]





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