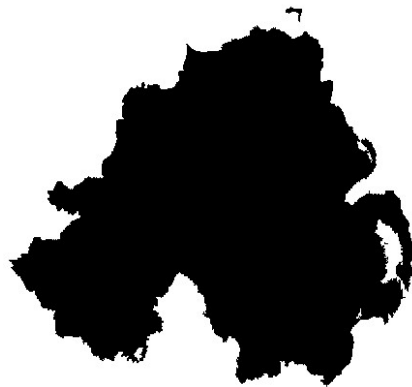


# Pensioners' Income Series Bulletin

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Northern Ireland  
2012/13

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**Editorial Team**

Louise Grieve

Jennifer Doak

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# Section 1: Introduction and Summary of Main Results

## The publication

This is the fifth 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 1,891 households were interviewed for the FRS 2012/13. From this 610 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)

### Contact Point

If you have any comments or questions, or are interested in receiving information about the bulletin, such as consultations and planned changes please contact:

*Louise Grieve*  
Analytical Services Unit  
Department for Social Development  
4<sup>th</sup> Floor, James House  
Gasworks Business Park  
Ormeau Road  
Belfast BT7 2JA  
Email: [asu@dsdni.gov.uk](mailto:asu@dsdni.gov.uk)  
Telephone: 028 90 819910

If you would like further information, or have general queries on the UK Pensioners' Income Series please contact:

*Riaz Ali*  
Longitudinal Surveys and Pensioners' Incomes Team, Surveys Branch  
Department for Work and Pensions  
Caxton House, 6-12 Tothill Street  
London SW1H 9NA  
Email: [pensioners-incomes@dwp.gsi.gov.uk](mailto:pensioners-incomes@dwp.gsi.gov.uk)  
Telephone: 020 7449 7464

### Summary of main results

#### Income trends

- Pensioner units (all pensioner couples and single pensioners) in Northern Ireland received on average £435 per week in gross income in 2012/13. This was an increase of 10 per cent from 2011/12. Approximately half of this total (£215) was sourced from state benefits. Overall pensioner income has risen 10 per cent since 2003/04.
- Pensioner couples median net income After Housing Costs has increased since 2003/04 while that of single pensioners has decreased. In 2012/13 median net weekly income After Housing Costs for pensioner couples in Northern Ireland was £391. In real terms this represents an 11 per cent increase from 2003/04 levels. For single pensioners the median net weekly income After Housing Costs for pensioner couples in Northern Ireland was £180. This represents an 8 per cent decrease in real terms from the 2003/04 levels.
- Pensioner units where the head is 75 years old or over had a median net income of £208 After Housing Costs in 2012/13. This is £101 (almost a third) lower than that received by pensioner units where the head is under 75 years old (£309).
- A three year average of weekly gross income for pensioner couples shows that in 2010/13 Northern Ireland was the second lowest ranking region for gross income (£583) in the United Kingdom; this compared to Wales (£564), Scotland (£646), England (£660) and the United Kingdom average (£651). Single pensioners had the lowest gross weekly income (£272) of all regions in the United Kingdom; this compares to Wales (£287), Scotland (£291), England (£317) and the United Kingdom average (£312).
- In 2010/13, pensioner couples in Northern Ireland had the highest weekly benefit income (£242) of all regions in the United Kingdom, £13 per week higher than the United Kingdom average (£229). Single pensioners in Northern Ireland had the second highest benefit income (£188) of all regions in the United Kingdom, £3 higher than the United Kingdom average (£185). Single pensioners in Wales had the highest benefit income (£192).

#### Income sources

- Ninety-eight per cent of all pensioner units for the three year period 2010/13 were in receipt of state pension, 3 percentage points higher than in 2003/06.
- In 2010/13, 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 (31 per cent) of all pensioner units during the period 2010/13 derived more than half of their gross income from private sources. This is 5 percentage points higher than in 2003/06.

#### Distribution of pensioners' incomes

- The highest growth rate for median net incomes After Housing Costs between 2003/06 and 2010/13 was observed for pensioner couples in the top fifth of the income distribution. These pensioner couples had incomes four times greater than those couples in the bottom fifth.
- Older pensioners were more likely to be in the bottom of the income distribution. Forty seven per cent of pensioner couples where the head is aged 75 or over are in the bottom two fifths, compared to 38 per cent of pensioners where the head is aged under 75 when housing costs were taken into account.

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## Section 1: Introduction and Summary of Main Results

- In 2010/13 single male pensioners were more likely to be in the top fifth of the income distribution than single female pensioners (27 per cent and 18 per cent After Housing Costs respectively).

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

The SPa is 65 for men born before 6th December 1953. For women born on or before 5th April 1950, SPa is 60. The SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018. Other changes are planned or have been announced from December 2018, when the State Pension age for both men and women will start to increase to reach 66 in October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028. These changes are published at: <https://www.gov.uk/changes-state-pension>. For 2012/13 data, women are over SPa based on date of birth and date of the survey interview. For further guidance on calculating State Pension eligibility age, see: <https://www.gov.uk/calculate-state-pension>.

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 five 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 2012/13, women aged between 61 and 65 are included in recently retired – as female SPa was 61 at the start of 2012/13 – provided they have reached SPa as defined by the criteria above. Recently retired pensioner units are included in the 'Under 75' age group.

**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.



## Section 1: Introduction and Summary of Main Results

**Table 1.1: The number of pensioners in pensioner groups, 2012/13<sup>1</sup>**

	Recently Retired	Under 75	75 or over	All
<b>All pensioner units</b>	60,000	130,000	90,000	220,000
of which:				
<b>Pensioner Couples</b>	30,000	70,000	30,000	100,000
<b>Single Pensioners</b>	20,000	60,000	60,000	120,000
<b>Single male pensioners</b>	10,000	20,000	20,000	30,000
<b>Single female pensioners</b>	20,000	40,000	50,000	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.

**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.

**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

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## Section 1: Introduction and Summary of Main Results

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.

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

The National Statistician also noted that there was significant value to users in maintaining the continuity of the existing RPI's long time series without major change, so that it may continue to be used for long-term indexation and for index-linked gilts and bonds in accordance with user expectations. In accordance with the Statistics and Registration Service Act 2007, the RPI used in this publication has been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. A full report can be found at:

[http://www.ons.gov.uk/ons/dcp29904\\_295002.pdf](http://www.ons.gov.uk/ons/dcp29904_295002.pdf)

In response to this announcement regarding the limitations of RPI, DWP set up an HBAI Technical Advisory Group, made up of external stakeholders and government analysts with an interest in DWP household and family income statistics. The Technical Advisory Group recommended that the RPI will continue to be used as the inflation measure in the 2012/13 publications. The use of RPI for another year was recommended because there are currently no suitable alternatives with appropriate before and after housing cost indices available.

Furthermore, the group thought it appropriate to keep monitoring the progress of the Paul Johnson inflation review (<http://www.statisticsauthority.gov.uk/news/index.html>), which looked at the range of price indices, considering what changes are needed to the range of consumer price statistics produced for the UK to best meet current and future user needs. It was agreed that, once this review has been disseminated and discussed, we will make a more informed decision on the most appropriate inflation measure to use in future publications. The review was published by the UK Statistics Authority in January 2015.

Throughout the Bulletin figures for incomes are presented in 2012/13 prices and rounded to the nearest pound. Where previous years' figures are presented these have been calculated using an adjustment factor in order to make them comparable to 2012/13 prices. This adjustment accounts for the effects of inflation. Totals may not equal their components due to rounding. Totals may not equal their components due to rounding. Estimates of less than 0.5 per cent are labelled '-'.<sup>1</sup>

Averages are either means or medians and are identified to help readers' understanding.

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## Section 1: Introduction and Summary of Main Results

For the 2012/13 FRS dataset, changes were made to use newly available 2011 Census data to derive grossing factors, which are used to weight the survey findings so that they are representative of the whole UK population. Revised grossing factors have also been produced for past data, back as far as the 2002/03 FRS dataset. The new grossing factors have resulted in minor changes to some results based on the FRS data. The Pensioners' Incomes Series datasets for 2003/04 to 2012/13 used for this report incorporate the new grossing changes.

In addition to the use of 2011 Census data, a number of minor methodological changes have also been implemented in the FRS dataset. These methodological changes were made on the recommendation of the ONS Methodological Advisory Service during an Initial Review of the FRS weighting scheme. The revised grossing regime is described in detail in the Methodology chapter of the report. A full report of the changes made to the grossing regime is also available at:

<https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>.

Further details regarding the data sources and methods used within the Pensioners' Income Series 2012/13 can be found in Appendix A.

### 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 at or over SPa or one at or 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 2012/13) 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

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## Section 1: Introduction and Summary of Main Results

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. The most important of these to note for the FRS are reporting errors, under-reporting, systematic bias and random sampling error. Where available, administration data often avoids these uncertainties and is therefore a potentially better source when analysing particular income sources in isolation (see Appendix B for methodology). However administration data lack the socio economic detail available from the household surveys such as the FRS.

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 2012/13).

### Strengths of the Pensioners' Income Series Bulletin

The key strengths of the Pensioners' Income Series Bulletin are: the relatively long time series available for assessing trends going back to 2003/04 and the availability of data for a range of income sources.

### 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

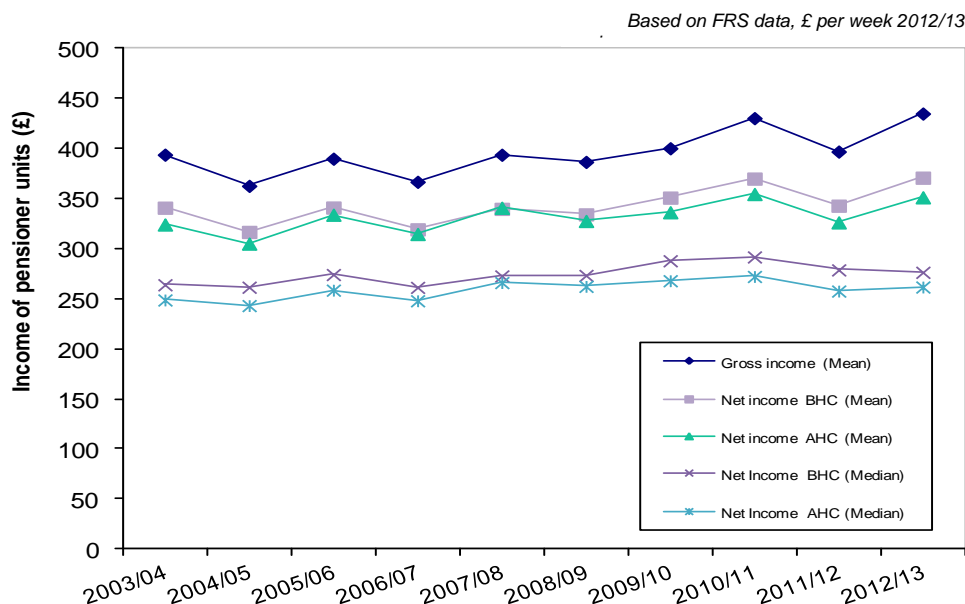
This section looks at the income for different groups of pensioners by age; and for singles and couples. Tables provide data which allows comparison of income between years from 2003/04 to 2012/13.

This is the first year that this bulletin has used the new grossing factors<sup>1</sup> based on the 2011 Census data, so caution should be used when making comparisons with previous reports. These revised grossing factors have been produced for each FRS dataset from 2002/03 onwards, and have been used in the time series presented in this bulletin.

### Analysis

**Table 2.1** gives the average estimate for each income component for 2003/04 and between 2009/10 and 2012/13. Pensioner units (all pensioner couples and single pensioners) in Northern Ireland received on average £435 per week in gross income in 2012/13. Between 2011/12 and 2012/13 gross income increased in real terms by £38 (£397 to £435), which equalled an approximate 10 per cent increase – this followed a decrease, so is now at a similar level to 2010/11. Similarly, net income Before Housing Costs increased by 8 per cent for the mean but decreased by 1 per cent for the median. Mean net income After Housing Costs increased by 8 per cent (£326 to £351) and Median net income After Housing Costs increased by 2 per cent (£258 to £262) between 2011/12 and 2012/13.

**Figure 2.1:** Real income of pensioners, 2003/04 – 2012/13



**Figure 2.1** shows that pensioners' mean gross income increased between 2003/04 and 2012/13 (£394 to £435) in real terms. A similar pattern was observed for mean net income

<sup>1</sup> Further information on the new Grossing factors can be found here: <https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>

both Before and After Housing Costs. Mean net income Before Housing Costs increased from £341 in 2003/04 to £371 in 2012/13. Mean net income After Housing Costs increased from £324 in 2003/04 to £351 in 2012/13. A similar but less pronounced pattern was observed for median incomes both Before and After Housing Costs. Net income Before Housing Costs increased from £264 in 2003/04 to £276 in 2012/13, while net income After Housing Costs increased from £249 in 2003/04 to £262 in 2012/13.

**Table 2.1** also shows that mean net income (After Housing Costs) increased for pensioner couples between 2003/04 and 2012/13 from £468 to £517 (10 percent) while mean net income for single pensioners (After Housing Costs) decreased from £209 to £207 (1 percent) over the same period. All sources of income increased apart from investment and other income for pensioner couples between 2003/04 and 2012/13. Decreases in occupational pension income as well as in investment income and other income over the same time period were observed for single pensioners.

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:

- Mean household incomes for the UK population as a whole decreased by 2 per cent between 2011/12 and 2012/13 in real terms.
- Average Weekly Earnings in the UK fell by 2 per cent from 2011/12 to 2012/13, using the same ONS measure for long-term trend in real average earnings (based on Average Weekly Earnings adjusted to real terms). There are a number of factors which could be influencing the recent trend of falling real earnings following the economic downturn, including: changes in hours worked, the impact of falling productivity and changes in the composition of the workforce<sup>2</sup>, and behavioural change in reaction to higher tax rate changes in April 2013<sup>3</sup>.
- The inflation rate in 2012/13 as measured by the Retail Price Index (RPI) was 3.1 per cent, and 2.6 per cent as measured by the Consumer Price Index (CPI)<sup>4</sup>. For 2011/12, RPI was 4.8 per cent and CPI 4.3 per cent.
- Base interest rates were 0.5 per cent in 2012/13 and have remained unchanged since April 2009.

In 2012/13, benefit income accounted for the largest proportion of gross income for pensioner units; 49 per cent (£215) for all pensioner units, 38 per cent (£247) for pensioner couples and 75 per cent (£186) for single pensioners (**Table 2.1 & Figure 2.2**). Benefit income for all pensioner units increased in real terms between 2011/12 and 2012/13. Various benefit reforms were introduced in 2011/12 which had different effects on different benefit recipients.

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 per cent.

<sup>2</sup> An examination of falling real wages, 2010-2013, ONS: <http://www.ons.gov.uk/ons/rel/elmr/an-examination-of-falling-real-wages/2010-to-2013/art-an-examination-of-falling-real-wages.html>

<sup>3</sup> See page 56, HMRC Income Tax Liabilities Statistics: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/306818/Income\\_Tax\\_Liabilities\\_Statistics\\_-\\_April\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306818/Income_Tax_Liabilities_Statistics_-_April_2014.pdf), and ONS Average weekly earnings bonus payments report: <http://www.ons.gov.uk/ons/rel/awe/average-weekly-earnings/bonus-payments-in-great-britain--2012-2013/index.html>.

<sup>4</sup> All Before Housing Costs (BHC) incomes in this publication have been adjusted for inflation using a bespoke index supplied by the Office for National Statistics, consisting of the Retail Price Index excluding Council Tax, while all After Housing Costs (AHC) incomes in this publication have been adjusted for inflation using the Retail Price Index excluding housing.

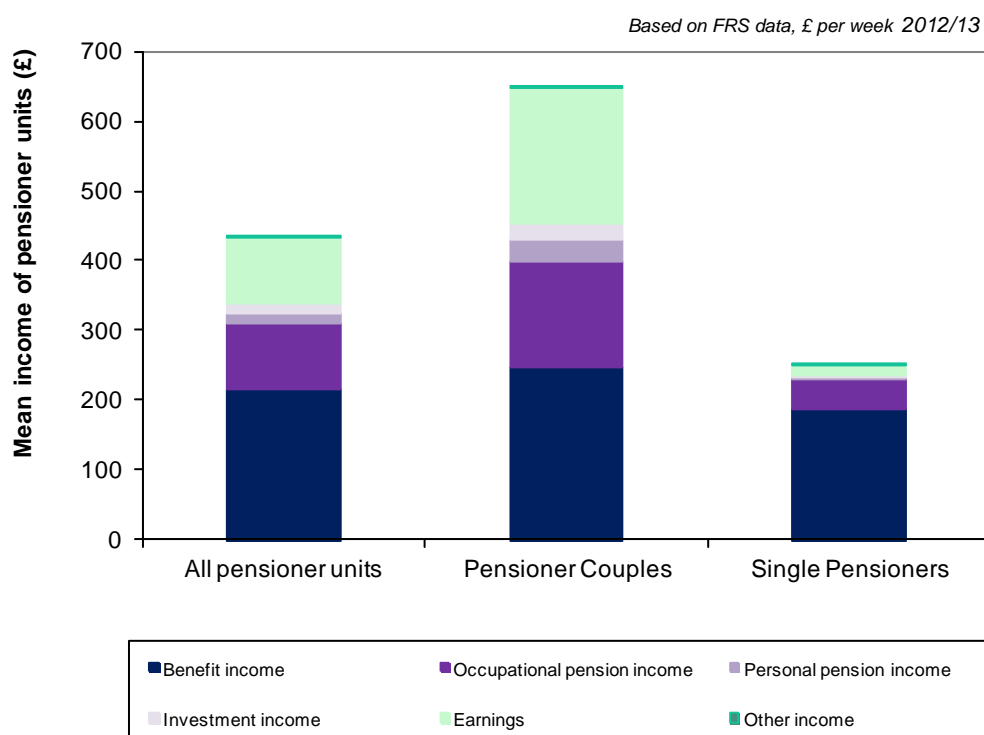
## Section 2: Pensioners' Incomes

- The standard minimum income guarantee in Pension Credit was increased again in April 2012 by a cash rise in a full Basic State Pension.
- Measures to reduce housing benefit expenditure.

The triple guarantee in 2012/13 meant the key pensioner benefit, the Basic State Pension, was uprated by 5.2 per cent in April 2012 (the higher of earnings, prices as measured in the 3<sup>rd</sup> quarter of 2011/12, or 2.5 per cent). In addition the Pension Credit (guaranteed credit) was increased by 3.9 per cent, to ensure the lowest income pensioners received the full value of their Basic State Pension. Maximum levels of the Savings Credit in Pension Credit were reduced however.

Uprating to most benefits therefore more than kept pace with the RPI inflation rate (3.1 per cent) for 2012/13, contributing to the overall rise in real incomes in that year.

**Figure 2.2:** Sources of gross income, 2012/13



**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 (£314) and for those where the head is under 75 (£520). The contribution of benefits to gross income for pensioners aged 75 and over was 67 per cent in 2012/13 and for under 75's the contribution was 42 per cent. In addition, pensioner units where the head is under 75 on average have larger weekly earnings (£161) than older (75 and over) pensioners (£4).

Pensioner units where the head is 75 years old or over had a median net income of £208 After Housing Costs in 2012/13. This is £101 (almost a third) lower than that received by pensioner units where the head is under 75 years old (£309).

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<sup>5</sup>) 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. However when these women do retire, they are likely to have higher entitlements. In addition, the reforms to the State Pension in 2010 are likely to increasingly boost outcomes for many lower paid people and women.

When average pensioners' income was compared by region (**Table 2.3**) it was found that pensioner couples in Northern Ireland had the second lowest gross income of all regions in the UK. A three year average of gross income shows that in 2010/13 NI pensioner couples had a mean gross income of (£583); £19 higher than Wales (the region with the lowest gross income) and £77 lower than England (the region with the highest gross income). Of this £583 (NI gross income), £242 was sourced from benefits. Regionally this was the highest level of benefit income in the UK, £13 higher than the UK average. Single pensioners had the lowest gross income of all regions in the UK. A three year average of gross income for single pensioners shows that in 2010/13, NI had a mean gross income of £272; £15 lower than Wales (the region with the second lowest gross income) and £45 lower than England (the region with the highest gross income). Of this £272 (NI gross income), £188 was sourced from benefits; this was £3 higher than the UK average (£185).

### 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).

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<sup>5</sup> Annuity Purchasing Behaviour report, 2010, Association of British Insurers (ABI): [http://www.optimisaresearch.com/reports/Annuities\\_purchasing\\_behaviour\\_report\\_final1.pdf](http://www.optimisaresearch.com/reports/Annuities_purchasing_behaviour_report_final1.pdf)



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. Gross income figures in this bulletin are presented as mean values.

Estimates have been rounded to the nearest pound and percentage point. Monetary estimates are presented in 2012/13 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 2012/13. 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 2010/11, 2011/12 and 2012/13 and the income values have been up-rated to 2012/13 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.

#### Changes to tables between 2011/12 and 2012/13

This is the first year that this bulletin has used the new grossing factors<sup>6</sup> based on the 2011 Census data, so caution should be used when making comparisons with previous reports. These revised grossing factors have been produced for each FRS dataset from 2002/03 onwards, and have been used in the time series presented in this bulletin.

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<sup>6</sup> Further information on the new Grossing factors can be found here: <https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>



## Section 2: Pensioners' Incomes

**Table 2.1: The average incomes of pensioner units, 2003/04 - 2012/13**

Results based upon data from the FRS

Incomes in £ per week, 2012/13 prices

	FRS				As a % of gross income in 2012/13
	2003/04	2010/11	2011/12	2012/13	
<b>All pensioner units</b>					
<b>Gross Income</b>	394	430	397	435	100
of which:					
Benefit income	205	220	205	215	49
Occupational pension income	79	109	95	94	22
Personal pension income	10	12	12	15	3
Investment income	29	19	24	13	3
Earnings	67	70	59	97	22
Other income	3	1	2	1	0
<b>Net Income BHC</b>					
Mean	341	370	343	371	85
Median	264	292	279	276	
<b>Net Income AHC</b>					
Mean	324	355	326	351	81
Median	249	272	258	262	
<b>Pensioner Couples</b>					
<b>Gross Income</b>	575	603	499	647	100
of which:					
Benefit income	230	245	232	247	38
Occupational pension income	121	167	119	151	23
Personal pension income	21	25	20	30	5
Investment income	58	35	39	24	4
Earnings	141	131	87	193	30
Other income	3	1	1	1	0
<b>Net Income BHC</b>					
Mean	479	504	429	534	83
Median	367	402	373	414	
<b>Net Income AHC</b>					
Mean	468	491	416	517	80
Median	352	387	365	391	
<b>Single Pensioners</b>					
<b>Gross Income</b>	248	267	300	249	100
of which:					
Benefit income	184	197	179	186	75
Occupational pension income	46	52	73	43	17
Personal pension income	2	1	4	2	1
Investment income	6	4	9	4	2
Earnings	7	11	32	12	5
Other income	3	1	2	1	1
<b>Net Income BHC</b>					
Mean	229	243	260	228	92
Median	215	227	215	209	
<b>Net Income AHC</b>					
Mean	209	225	261	207	83
Median	196	211	192	180	

**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 - 2012/13**

*Results based upon data from the FRS*

*Incomes in £ per week, 2012/13 prices*

	FRS				As a % of gross income in 2012/13
	2003/04	2010/11	2011/12	2012/13	
<b>Recently retired pensioner units</b>					
<b>Gross Income</b>	451	530	461	493	100
of which:					
Benefit income	196	212	216	223	45
Occupational pension income	102	145	91	107	22
Personal pension income	25	8	18	8	2
Investment income	33	7	8	11	2
Earnings	92	157	127	143	29
Other income	3	0	1	-	-
<b>Net Income BHC</b>					
Mean	387	442	392	417	85
Median	271	309	313	299	
<b>Net Income AHC</b>					
Mean	374	427	375	394	80
Median	269	300	303	279	
<b>Pensioner units where head is under 75</b>					
<b>Gross Income</b>	443	496	427	520	100
of which:					
Benefit income	197	221	203	217	42
Occupational pension income	93	134	86	105	20
Personal pension income	13	15	14	17	3
Investment income	35	13	29	18	4
Earnings	103	112	95	161	31
Other income	2	0	1	-	-
<b>Net Income BHC</b>					
Mean	374	418	364	432	83
Median	273	333	295	326	
<b>Net Income AHC</b>					
Mean	357	402	347	409	79
Median	258	317	276	309	
<b>Pensioner units where head is 75 or over</b>					
<b>Gross Income</b>	317	327	352	314	100
of which:					
Benefit income	217	220	209	211	67
Occupational pension income	59	68	110	77	25
Personal pension income	6	6	10	12	4
Investment income	20	27	16	6	2
Earnings	10	2	5	4	1
Other income	5	3	3	3	1
<b>Net Income BHC</b>					
Mean	290	295	311	284	90
Median	255	249	256	224	
<b>Net Income AHC</b>					
Mean	272	280	295	268	85
Median	229	238	237	208	

**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, 2010/13**

	<i>Results based upon data from the FRS</i>				<i>Incomes in £ per week, 2012/13 prices</i>			
	<b>Pensioner Couples</b>				<b>Single Pensioners</b>			
	<b>Gross Income</b>	<b>Benefit Income</b>	<b>Net Income BHC</b>	<b>Net Income AHC</b>	<b>Gross Income</b>	<b>Benefit Income</b>	<b>Net Income BHC</b>	<b>Net Income AHC</b>
England	660	227	533	506	317	185	273	237
Wales	564	240	476	453	287	192	256	224
Scotland	646	234	532	508	291	186	259	229
Great Britain	653	229	530	503	313	185	271	235
Northern Ireland	583	242	489	474	272	188	244	224
United Kingdom	651	229	529	503	312	185	270	235

**Notes:**

1. Data based on the mean of three years of results for 2010/11, 2011/12 and 2012/13 FRS uprated to 2012/13 prices

## Supplementary Tables

Data for Figure 2.1:

**Table S2.1: Real income of pensioners, 2003/04 - 2012/13***Based on FRS data**Incomes in £ per week, 2012/13 prices*

	Year									
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<b>All pensioner units</b>										
Gross income (Mean)	394	363	390	367	394	387	400	430	397	435
Net income BHC (Mean)	341	317	341	319	340	334	351	370	343	371
Net income AHC (Mean)	324	305	334	315	341	328	336	355	326	351
Net income BHC (Median)	264	262	274	261	273	273	288	292	279	276
Net income AHC (Median)	249	243	259	248	266	262	268	272	258	262

## Section 3: Sources of Pensioners' Incomes

### 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.

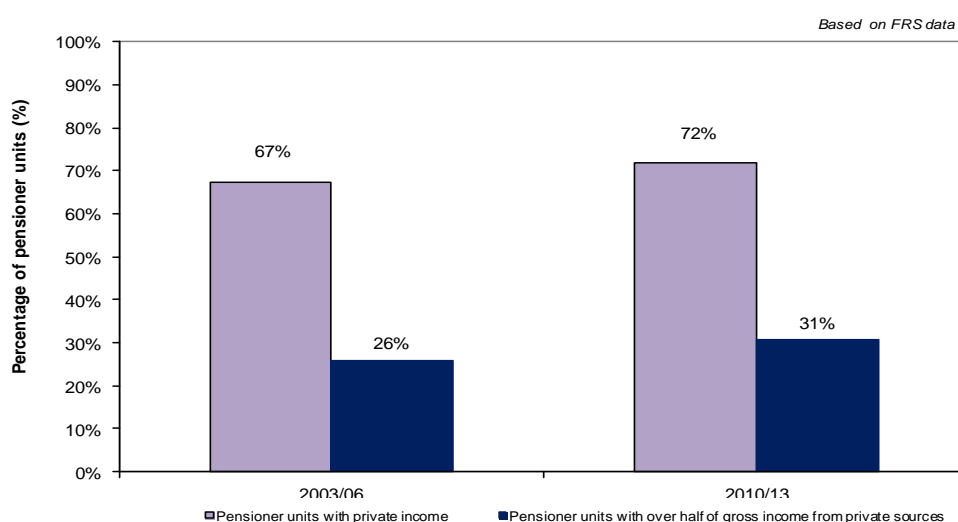
This is the first year that this bulletin has used the new grossing factors<sup>7</sup> based on the 2011 Census data, so caution should be used when making comparisons with previous reports. These revised grossing factors have been produced for each FRS dataset from 2002/03 onwards, and have been used in the time series presented in this bulletin.

### Analysis

**Table 3.1** shows that during the period 2010/13, almost three quarters (72 per cent) of all pensioner units received income on top of state benefits (83 per cent of pensioner couples and 61 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 (31 per cent) of all pensioner units during the period 2010/13 derived more than half of their gross income from private sources. This is 5 percentage points higher than in 2003/06.

**Figure 3.1:** Pensioner units with income on top of state benefits, 2003/06 & 2010/13

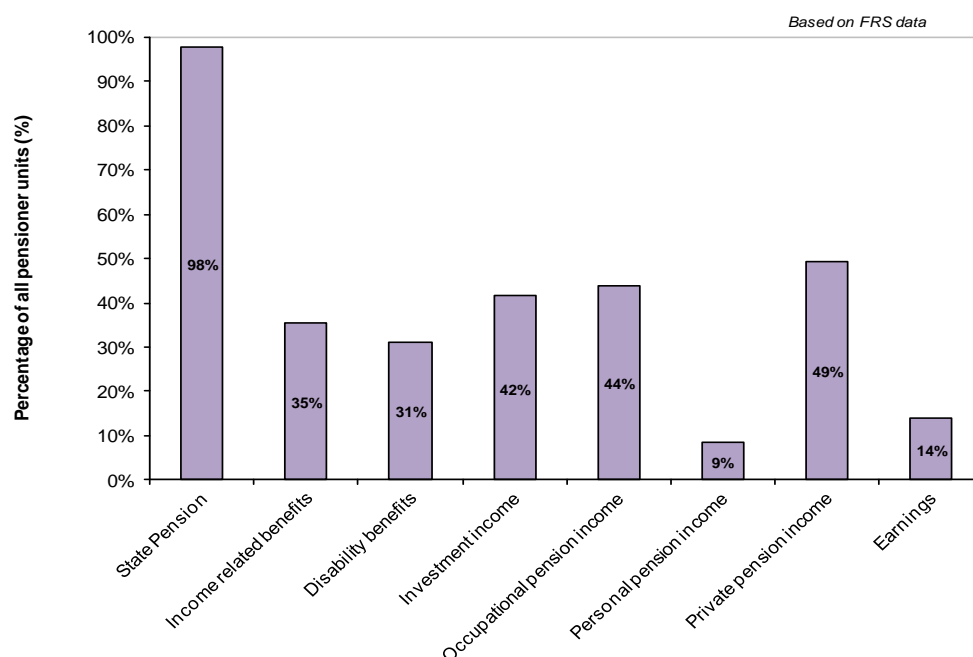


<sup>7</sup> Further information on the new Grossing factors can be found here: <https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>

### Section 3: Sources of Pensioners' Incomes

**Figure 3.2** and **Table S3.2** show the proportion of pensioner units receiving income from various sources in 2010/13. As expected the most common source of income for pensioner units is state pension; with 98 per cent of pensioner units claiming this. Forty nine per cent of pensioner units receive income from private pensions, 44 per cent receive income from occupational pension income while only 9 per cent of pensioner units have income from a personal pension. In 2010/13, 31 per cent of pensioner units were in receipt of disability benefits and 14 per cent were in receipt of earnings from employment.

**Figure 3.2:** Proportion of pensioner units in receipt of selected sources of income, 2010/13



**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 (98 per cent) claim State Pension, the figure is slightly lower for recently retired pensioner units (97 per cent) as some choose to defer their payments.

The mean amount of reported state pension for all pensioners per week during the period 2010/13 was £156 (£126 for singles and £190 for couples). This was an increase of 8 per cent from the period 2003/06 in real terms. There was also an 8 per cent increase in the median amount received by all pensioners over the same period (£131 to £142). 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 44 per cent of pensioner units in 2010/13 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 2010/13 (£226) has increased by approximately 20 per cent since 2003/06 (£188) in real terms.



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## Section 3: Sources of Pensioners' Incomes

The pensioner units with the highest income from occupational pensions were recently retired pensioner couples (£280 in 2010/13). When comparing growth (in real terms) in mean income received from occupational pensions for pensioner couples and single pensioners between 2003/06 and 2010/13, the largest growth (19 per cent) was observed for single pensioners; median income from occupational pensions for this group increased by 22 per cent over the same period. Median income from occupational pensions was lower than mean incomes from occupational pensions for all groups of pensioners suggesting that there are a small amount of extreme values at either end of the distribution. Chapter 4 will look further at the income distribution of pensioners.

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 2012/13 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 2010/11 to 2012/13 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 2010/11 to 2012/13 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 2010/11 to 2012/13 combined.

### **Changes to tables between 2011/12 and 2012/13**

This is the first year that this bulletin has used the new grossing factors<sup>8</sup> based on the 2011 Census data, so caution should be used when making comparisons with previous reports. These revised grossing factors have been produced for each FRS dataset from 2002/03 onwards, and have been used in the time series presented in this bulletin.

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<sup>8</sup> Further information on the new Grossing factors can be found here: <https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>

### Section 3: Sources of Pensioners' Incomes

**Table 3.1: The proportion of pensioner units with income on top of state benefits, 2003/06 & 2010/13**

*Results based upon data from the FRS*

	2003/06	2010/13
<b>All pensioner units</b>		
Total	67%	72%
Pensioner couples	79%	83%
Single pensioners	58%	61%
<b>Recently retired pensioner units</b>		
Total	71%	73%
Pensioner couples	81%	82%
Single pensioners	59%	59%

## 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 & 2010/13**

	FRS	
	2003/06	2010/13
<i>Results based upon data from the FRS</i>		
<i>Incomes in £ per week, 2012/13 prices</i>		
<b>Proportion in receipt of state pension (%)</b>		
<b>All pensioner units</b>		
Total	95%	98%
Pensioner couples	93%	97%
Single pensioners	97%	99%
<b>Recently retired pensioner units</b>		
Total	92%	97%
Pensioner couples	93%	98%
Single pensioners	89%	95%
<b>Average amount of state pension for those in receipt (£pw)</b>		
<b>Mean amounts</b>		
<b>All pensioner units</b>		
Total	145	156
Pensioner couples	176	190
Single pensioners	120	126
<b>Recently retired pensioner units</b>		
Total	153	169
Pensioner couples	182	199
Single pensioners	113	122
<b>Median amounts</b>		
<b>All pensioner units</b>		
Total	131	142
Pensioner couples	182	197
Single pensioners	116	122
<b>Recently retired pensioner units</b>		
Total	138	158
Pensioner couples	183	211
Single pensioners	113	118

## 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 & 2010/13**

*Results based upon data from the FRS*

*Incomes in £ per week, 2012/13 prices*

	FRS	
	2003/06	2010/13
<b>Proportion in receipt of occupational pension income (%)</b>		
<b>All pensioner units</b>		
Total	39%	44%
Pensioner couples	49%	53%
Single pensioners	32%	36%
<b>Recently retired pensioner units</b>		
Total	43%	46%
Pensioner couples	53%	56%
Single pensioners	30%	31%
<b>Average amount of occupational pension income for those in receipt (£pw)</b>		
<b>Mean amounts</b>		
<b>All pensioner units</b>		
Total	188	226
Pensioner couples	231	275
Single pensioners	133	158
<b>Recently retired pensioner units</b>		
Total	220	251
Pensioner couples	234	280
Single pensioners	177	173
<b>Median amounts</b>		
<b>All pensioner units</b>		
Total	118	140
Pensioner couples	158	172
Single pensioners	86	105
<b>Recently retired pensioner units</b>		
Total	144	174
Pensioner couples	156	211
Single pensioners	124	126

## Supplementary tables

Data for Figure 3.1:

**Table S3.1: Pensioner units with income on top of state benefits, 2003/06 & 2010/13**

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

	2003/06	2010/13
Pensioner units with private income	67%	72%
Pensioner units with over half of gross income from private sources	26%	31%

Data for Figure 3.2:

**Table S3.2: Proportion of pensioner units in receipt of selected sources of income, 2010/13**

*Results based on FRS data*

Income source	2010/13
State Pension	98%
Income related benefits	35%
Disability benefits	31%
Investment income	42%
Occupational pension income	44%
Personal pension income	9%
Private pension income <sup>1</sup>	49%
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 2010/13, the median net income of the top quintile of the pensioners' income distribution was almost four times the income of the bottom quintile both Before Housing Costs (£787 and £207 respectively) and After Housing Costs (£783 to £198 respectively). For single pensioners median net income of the top quintile was around three times that of the bottom quintile both Before Housing Costs (£376 to £122 respectively) and After Housing Costs (£350 to £109 respectively). This is similar to the pattern observed in 2003/06.

Median net incomes increased in real terms for both pensioner couples and single pensioners between 2003/06 and 2010/13 across all quintiles. The largest growth in income between 2003/06 and 2010/13 was observed for pensioner couples in the middle and top fifth of the income distribution; income for these groups increased by 9 per cent (£364 - £396 and £719 - £787 respectively). Single pensioners' incomes have not grown to the same extent as those of pensioner couples.

Notable are those single pensioners and pensioner couples with incomes in the bottom quintile. Median incomes of these groups were below the 'Guaranteed Income'<sup>9</sup> thresholds for the three year period concerned (2010-2013) for single pensioners and pensioner couples.

**Table 4.2** shows the proportions of different groups of pensioners within each quintile of the pensioners' income distribution in 2010/13. Over two thirds of pensioners own their own home (Family Resources Survey, 2012/13) 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. 47 per cent of pensioner couples where the head is aged 75 or over are in the bottom two quintiles, compared to 38 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 23 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.

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<sup>9</sup> Guaranteed Income rates (2012/13 prices): [www.ifs.org.uk/ff/pencredit.xls](http://www.ifs.org.uk/ff/pencredit.xls)

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## **Section 4: Distribution of Pensioners' Incomes**

Single males are more likely to be in the top quintile of the pensioners' income distribution than single females (27 per cent and 18 per cent respectively).

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 per cent for pensioner couples, and 24 per cent and 16 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, 84 per cent of income for pensioner couples and 94 per cent of income for single pensioners.

In 2010/13 earnings increased across all quintiles from the bottom fifth to the top fifth moving up the distribution for pensioner couples and single pensioners. The most well off pensioner couples (i.e. those in the top fifth of the income distribution) earned on average £498 (six times) more per week than the most well off single pensioners (£81). The Pensioner couples in the bottom fifth of the income distribution earned £13 pounds more than single pensioners in the bottom fifth. Earnings made up the largest proportion of mean gross income for pensioner couples in the top fifth of the income distribution (37 per cent). Single pensioners in the top fifth of the income distribution received 16 per cent of gross income from earnings.

In 2010/13 occupational pension income increased across all quintiles for pensioner couples and single pensioners, with the greatest increase observed for those pensioners in the top quintile.

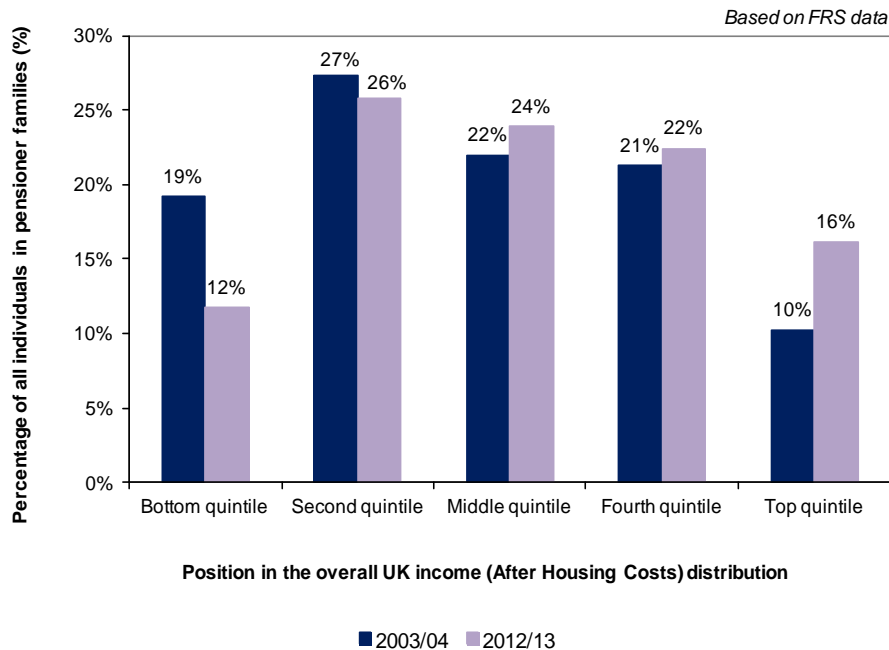
For pensioner couples benefit income peaked at £290 for those in the middle quintile. For single pensioners benefit income increased over the first four quintiles (£134 to £229 then decreased in the top quintile to £205).

**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.



## Section 4: Distribution of Pensioners' Incomes

**Figure 4.1:** Pensioners' position in the overall net UK income (AHC) distribution, 2003/04 & 2012/13



**Figure 4.1** (and **Table 4.4**) shows that there is a larger proportion of pensioners in the top three quintiles in 2012/13 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 (AHC) in 2012/13 was 12 per cent, which has decreased from the 2003/04 level of 19 per cent. The proportion in the middle quintile in 2012/13 was 24 per cent, which is an increase from the 2003/04 level of 22 per cent. The proportion in the top quintile in 2012/13 was 16 per cent, an increase from the 2003/04 level of 10 per cent.

**Table 4.5** shows that a higher percentage of pensioners in 2012/13 are in the top half of the overall UK population income distribution than in 2003/04. Fifty-one per cent of all pensioners are in the top half of the overall UK income distribution in 2012/13 compared to 44 per cent in 2003/04. Fifty-six per cent of pensioner couples were in the top half of the overall income distribution in 2012/13, which is 11 percentage points higher than 2003/04 levels. The fact that pensioners are more likely to own their own home (Family Resources Survey, 2012/13) may be partly responsible for high levels of pensioners in the top quintiles.

There has been a small decrease in the proportion of single pensioners in the top half of the overall population distribution between 2003/04 and 2012/13 with levels in 2012/13 (41 per cent) being 2 percentage points lower than in 2003/04.

### 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 2012/13) and so tend to have relatively low housing costs.

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## Section 4: Distribution of Pensioners' Incomes

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 2012/13 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.

#### Changes to tables between 2011/12 and 2012/13

This is the first year that this bulletin has used the new grossing factors<sup>10</sup> based on the 2011 Census data, so caution should be used when making comparisons with previous reports. These revised grossing factors have been produced for each FRS dataset from 2002/03 onwards, and have been used in the time series presented in this bulletin.

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<sup>11</sup> Further information on the new Grossing factors can be found here: <https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>

## Section 4: Distribution of Pensioners' Incomes

**Table 4.1: Net income of pensioner units by quintile of the pensioners' net income distribution, 2003/06 & 2010/13**

*Results based upon data from the FRS*

*Incomes in £ per week, 2012/13 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	201	290	364	488	719	453
Single pensioners	119	163	209	265	359	236
<b>Net income After Housing Costs</b>						
Pensioner couples	190	272	355	482	722	447
Single pensioners	108	148	192	246	328	219
<b>2010/13</b>						
<b>Medians</b>						
<b>Net income Before Housing Costs</b>						
Pensioner couples	207	302	396	518	787	489
Single pensioners	122	173	218	272	376	244
<b>Net income After Housing Costs</b>						
Pensioner couples	198	292	381	510	783	474
Single pensioners	109	155	195	250	350	224

**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, 2010/13**

*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	20%	21%	18%	19%	22%	100%
Head aged under 75	19%	18%	19%	21%	22%	100%
Head aged 75 or over	22%	25%	22%	17%	14%	100%
<b>Pensioner couples' net income After Housing Costs distribution</b>						
<b>All pensioner couples</b>	20%	20%	20%	20%	20%	100%
Recently retired	21%	21%	20%	16%	23%	100%
Head aged under 75	20%	18%	20%	21%	22%	100%
Head aged 75 or over	21%	26%	21%	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	18%	18%	21%	19%	24%	100%
Single females	21%	21%	20%	20%	19%	100%
Recently retired	18%	20%	20%	19%	22%	100%
Aged under 75	19%	19%	18%	20%	25%	100%
Aged 75 or over	21%	21%	22%	20%	16%	100%
<b>Single pensioners' net income After Housing Costs distribution</b>						
<b>All single pensioners</b>	20%	20%	20%	20%	20%	100%
Single males	18%	19%	20%	16%	27%	100%
Single females	21%	20%	20%	21%	18%	100%
Recently retired	22%	19%	19%	16%	24%	100%
Aged under 75	20%	20%	18%	18%	24%	100%
Aged 75 or over	20%	20%	22%	21%	16%	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 & 2010/13**

Results based upon data from the FRS

Incomes in £ per week, 2012/13 prices

	Quintiles of the Income Distribution					Overall Mean (NI)
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
<b>2003/06 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	210	318	405	562	1225	544
Of which:						
Benefit Income	174	252	273	276	221	239
Occupational pension income	13	27	77	144	319	116
Personal pension income	6	8	18	14	72	23
Investment income	3	4	10	19	176	43
Earnings	14	24	26	107	432	121
Other income	1	1	2	1	5	2
<b>Single pensioners</b>						
<b>Gross income</b>	132	180	227	289	508	267
Of which:						
Benefit Income	121	164	195	234	225	188
Occupational pension income	5	8	20	39	145	43
Personal pension income	2	1	1	6	8	4
Investment income	3	3	2	6	56	14
Earnings	0	2	4	2	65	15
Other income	2	2	3	2	9	4
<b>2010/13 Means</b>						
<b>Pensioner couples</b>						
<b>Gross income</b>	223	329	437	603	1333	585
Of which:						
Benefit Income	188	263	290	263	209	243
Occupational pension income	12	38	82	184	413	146
Personal pension income	4	9	13	27	70	25
Investment income	2	2	4	11	142	32
Earnings	14	15	47	116	498	138
Other income	1	1	1	1	2	1
<b>Single pensioners</b>						
<b>Gross income</b>	142	191	230	290	513	274
Of which:						
Benefit Income	134	176	198	229	205	188
Occupational pension income	4	9	25	49	199	57
Personal pension income	1	1	-	3	7	2
Investment income	1	2	2	5	20	6
Earnings	1	1	3	4	81	18
Other income	1	1	2	1	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 & 2012/13**

*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%	27%	22%	21%	10%	100%
<b>Pensioner couples</b>						
Before Housing Costs	27%	25%	20%	18%	10%	100%
After Housing Costs	19%	26%	20%	21%	13%	100%
<b>Single pensioners</b>						
Before Housing Costs	32%	26%	24%	16%	3%	100%
After Housing Costs	19%	29%	25%	22%	6%	100%
<b>2012/13</b>						
<b>All pensioners</b>						
Before Housing Costs	26%	23%	21%	19%	11%	100%
After Housing Costs	12%	26%	24%	22%	16%	100%
<b>Pensioner couples</b>						
Before Housing Costs	22%	19%	22%	21%	16%	100%
After Housing Costs	10%	22%	23%	25%	20%	100%
<b>Single pensioners</b>						
Before Housing Costs	32%	29%	20%	15%	3%	100%
After Housing Costs	15%	32%	26%	18%	9%	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 - 2012/13**

*Quintiles based on equivalised household income*

*Results based upon data from the FRS*

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	2003/04	2010/11	2011/12	2012/13
<b>Net income Before Housing Costs</b>				
All pensioner units	34%	39%	34%	41%
Pensioner couples	38%	44%	36%	49%
Single pensioners	29%	30%	30%	28%
<b>Net income After Housing Costs</b>				
All pensioner units	44%	50%	45%	51%
Pensioner couples	45%	54%	48%	56%
Single pensioners	43%	42%	41%	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 (i.e. Council Tax/Domestic Rates); maintenance and child support payments; student loan repayments; and parental contributions to children living away from home.

## **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 2012/13 prices, rather than equivalised income. Tables containing results which have been equivalised will be clearly annotated.

### **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

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

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

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

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

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

**Table 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, 2012/13**

	<i>Results based upon data from the FRS</i>		<i>Incomes in £ per week, 2012/13 prices</i>		
	Estimate £pw	Standard Error	95% confidence interval		
			Interval Width +/-	Relative Width	Interval Range
<b>All Pensioner Units</b>					
<b>Gross Income</b>	435	36	71	16%	[364,506]
Of which:					
Benefit income	215	4	8	4%	[207,223]
Occupational pension income	94	9	18	19%	[76,112]
Personal pension income	15	4	8	52%	[7,23]
Investment income	13	4	8	58%	[6,21]
Earnings	97	36	71	73%	[26,167]
<b>Mean net income</b>					
Before housing costs	371	22	44	12%	[327,415]
After housing costs	351	21	41	12%	[310,392]
<b>Subgroups of pensioners</b>					
<b>Mean net income BHC</b>					
Pensioner couples	534	43	85	16%	[449,619]
Single pensioners	228	6	12	5%	[216,240]
Recently retired head	417	40	78	19%	[339,494]
Head under 75 years	432	36	70	16%	[362,502]
Head 75 years or over	284	14	27	10%	[256,311]

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