



The Pensioners' Incomes Series 2006-07

Editorial Team:

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DWP Department for
Work and Pensions

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Chapter 1: Introduction and Summary of Main Results

The publication

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

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

Online access

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

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

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Feedback

The Pensioners' Incomes team are looking for feedback on what people find most useful about the publication, and any aspects that can be improved. Any comments will be gratefully received and can be addressed to the contact above.

Definitions and conventions used in the Pensioners' Incomes Series

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

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

Recently retired pensioner units are defined on the basis of age rather than employment status. They are those units where the head is less than 5 years over state pension age. Namely, single women between 60 and 64, single men between 65 and 69, and pensioner couples where the head is between 65 and 69 if male, or between 60 and 64 if female. Such units may include someone who is still in employment. Recently retired pensioner units are included in the 'Under 75' age group. Chapter 5 looks at retired units as defined by employment status rather than age.

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

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

This publication presents analysis by different groups of pensioners. The numbers within each different group according to the Family Resources Survey (FRS) are shown in **Table 1.1**. This shows how, for example, the recently retired pensioners group is mostly pensioner couples, and the single pensioner group is mainly single female pensioners. These figures are from the 2006-07 FRS and are consistent with the results for this year.

Table 1.1: The number of pensioner units in the United Kingdom, 2006-07

	Recently retired	Under 75	75 or over	All
All pensioner units	1,800,000	4,650,000	3,550,000	8,200,000
<i>of which</i>				
Pensioner couples	1,050,000	2,600,000	1,100,000	3,700,000
Single pensioners	750,000	2,050,000	2,450,000	4,500,000
Single male pensioners	300,000	550,000	600,000	1,150,000
Single female pensioners	500,000	1,500,000	1,850,000	3,350,000

The publication is based on data from the FRS, which is a household survey and therefore does not reflect the situation of the roughly 250,000 pensioners in care homes.

Gross income is income from all sources received by the pensioner unit including income from Social Security benefits (including Housing Benefit), earnings from employment or self-employment, any private pension income, and tax credits. **Net income before housing costs** deducts direct taxes including Council Tax. **Net income after housing costs** also deducts housing costs which include rent, water rates and mortgage interest payments. BHC stands for before housing costs and AHC for after housing costs. A detailed description of gross and net income definitions can be found in Appendix A.

Throughout the publication, figures for incomes are presented in 2006-07 prices and rounded to the nearest pound. Population numbers are rounded to the nearest 50,000 unless otherwise stated. Totals may not equal their components due to rounding. Estimates of less than 50p or 0.5% are labelled *.

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

Growth rates where they are shown are in real terms (that is, after inflation) and based on un-rounded data.

Graphs showing long term trends use the Family Expenditure Survey for 1979 to 1996-97 and the Family Resources Survey for 1994-95 to 2006-07 (the most recent year). FES estimates should not be directly compared with FRS estimates due to methodological differences in the surveys.

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

For reasons of space, the FRS tables published within the Pensioners' Incomes Series 2006-07 do not contain data for all years since 1994-95. Complete tables for the period 1994-95 to 2006-07 can be found on the Pensioners' Incomes website, as detailed on page 5.

Further details regarding the data sources used by and the methods used within the Pensioners' Incomes Series 2006-07 can be found in Appendix A.

Summary of main results

Growth in incomes

Chapter 2

- The average net income of all pensioner units grew by 63% in real terms between 1979 and 1996-97. Average earnings in the whole economy grew by 36% in real terms over the same period.
- Pensioners' average income has grown faster than earnings over the last ten years. Net income for pensioner units has grown by 29% between 1996-97 and 2006-07, whereas average earnings have risen by 16% in real terms over the same period.
- Growth in pensioner incomes over the last 25 years has resulted from substantial increases in incomes from occupational pensions, investments and benefits.
- Average net income after housing costs has risen faster than net income before housing costs. After deducting housing costs, average net income has grown by 43% since 1996-97 compared with 29% before deducting housing costs. This is partly a result of increasing numbers of pensioners owning their own home. About two thirds of households headed by pensioners are owned outright.

Differences between pensioner units

Chapter 2

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

- Pensioner couples on average have over two-and-a-half times the level of occupational pensions and investments as single pensioners, and over seven times the level of earnings.
- On average older pensioners have lower incomes. In 2006-07 pensioner couples where the head was aged 75 or over received £353 net income per week, compared with £437 for those aged under 75, and £431 per week for recently retired pensioner couples (those within five years of state pension age).
- On average male pensioners have higher incomes than female pensioners within all age groups. Single male pensioners had an average net income of £229 per week in 2006-07 compared with £208 for single female pensioners.
- Pensioners in the South East of England and London have on average higher income than pensioners in other parts of the UK. Average benefit income varies much less between regions than other types of income.

Sources of income

Chapter 3

- In 2006-07 state benefits accounted for 44% of pensioners' income; occupational pensions made up 25%, earnings 17%, investment income 10%, and personal pensions 3%.
- 95% of all pensioner units reported income from the State Pension in 2006-07, at an average of £104 a week for singles and £149 a week for couples.
- 32% of pensioner units received at least one income related benefit in 2006-07, such as Pension Credit, Housing Benefit or Council Tax Benefit. This is up from 29% in 2003/4, reflecting the introduction of Pension Credit.
- 23% of pensioner units were in receipt of disability benefits. Pensioner couples received an average £65 a week from disability benefits in 2006-07 compared to £52 for single pensioners.

- In 2006-07, 72% of pensioner units had some investment income, for example for savings or stocks and shares, although for most pensioners this was a relatively small amount. For example, half of pensioner couples who had investment income received £11 a week or less from it.
- 59% of pensioner units had income from an occupational pension at an average amount of £156 per week. 13% had personal pension income in 2006-07.
- The proportion of pensioner units reporting income from occupational pensions rose from 40% in 1979 to 57% in 1996-97 (based on FES data). The proportion with some form of private (occupational and/or personal) pension income has continued to rise in recent years, increasing from 62% of pensioner units in 1996-97 to 66% in 2006-07 (based on FRS data).

Distribution of pensioners' incomes

Chapter 4

- Between 1979 and 1996-97 incomes rose more quickly at the upper end of the pensioner income distribution than at the bottom. FRS estimates suggest that the growth in average income between 1996-97 and 2006-07 was more evenly spread across the income distributions of both single pensioners and pensioner couples.
- Median net income grew by 26% in the bottom fifth and 75% in the top fifth of the single pensioner net income distribution between 1979 and 1996-97. Under the after housing costs measure of net income, the growth rates were 21% and 83% respectively.
- Median net income grew by 33% in the bottom fifth and 78% in the top fifth of the pensioner couples' net income distribution between 1979 and 1996-97. After taking account of housing costs, net income growth rates were 30% and 91% respectively.
- Median net income increased by 20% and 28% in the bottom and top fifths of the single pensioner distribution respectively (after housing costs this was 33% and 37%) between 1996-97 and 2006-07.
- Growth over the same period in the median net income of the pensioner couple distribution was 17% in the bottom quintile and 22% in the top (after housing costs this was 35% and 32% respectively).
- Older pensioners were more likely to be at the bottom of the income distributions, as were female single pensioners.

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

Measures of income

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

Measuring living standards

Incomes are often used as a measure of the 'standard of living' achieved by different groups. However, there are many other factors that can affect living standards, such as wealth, physical health or expenditure. Furthermore, estimates of pensioner unit income in the Pensioners' Incomes Series do not take account of the income of other members of the household, which could affect pensioners' standards of living. Therefore income estimates should only be regarded as broadly indicative of living standards.

Comparing incomes

Great care should be taken when comparing groups with similar incomes, or looking at changes in income over a short-time period, since random sampling fluctuations mean that estimates should be regarded as a broad indication of trends only (see Appendix B). Further evidence can be obtained by looking at the estimates for adjacent years. For information on the significance of changes between 2005-06 and 2006-07 see **Table 2.2**.

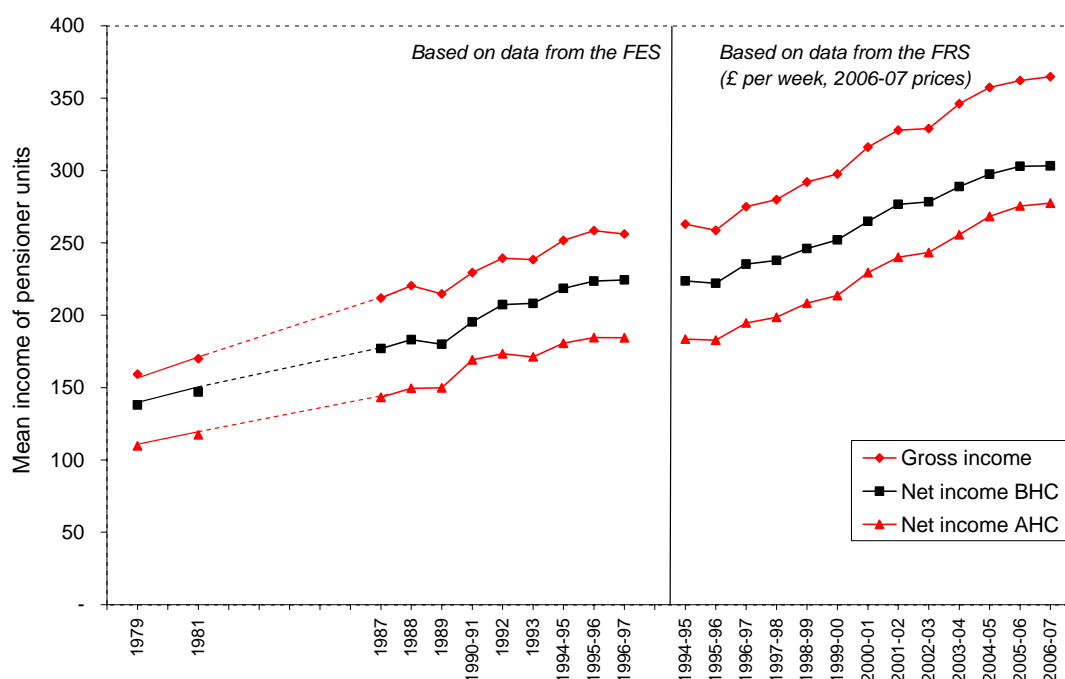
Chapter 2: Pensioners' Incomes

Trends in income for all pensioner units

Pensioner units on average received £365 a week in gross income in 2006-07 (**Table 2.1**). This compared with a gross income of £589 for the working age benefit units. After deduction of direct taxes, pensioner units received an average of £303 a week in net income, compared with £427 for the working age population. After deduction of housing costs, average income stood at £277 a week, compared with £363 for working age benefit units. These comparisons are with working age benefit units which may also include children.

Pensioner incomes have grown faster than average earnings across the economy as a whole since 1996-97. Net income for pensioners has grown in real terms by 29% since 1996-97, compared to real average earnings growth of about 17% over the same period. Net income after housing costs has grown more quickly, increasing by 43% in real terms since 1996-97. This is partly due to the fact that pensioners are now more likely to own their home outright than they were in 1996-97, and so have lower housing costs.

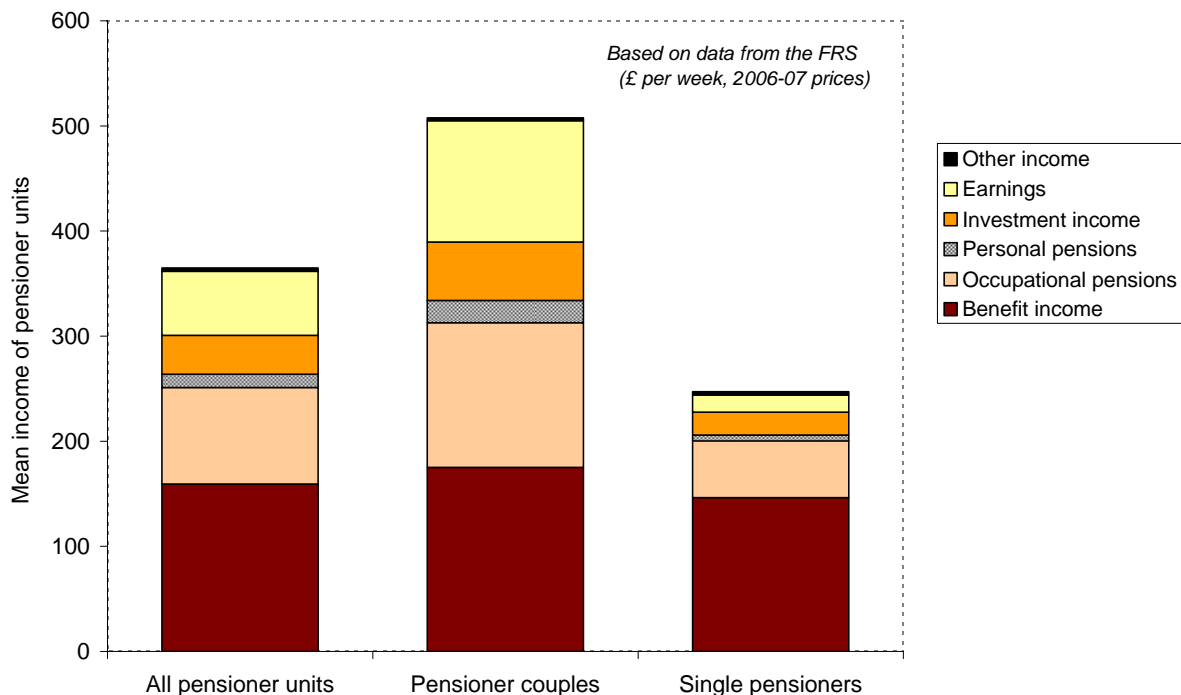
Figure 2.1: Real income of pensioners, 1979-1996-97 and 1994-95-2006-07



Pensioners receive income from a range of different sources (see **Figure 2.2**). In 2006-07:

- 44% of average gross income came from state benefits (including the State Pension)
- Occupational pensions provided 25% of average gross pensioner income
- 10% of gross income came from investment income
- On average 17% of gross income came from earnings, although this is concentrated among a small group of pensioners.

Figure 2.2: Sources of gross income, 2006-07



Some sources of income have contributed more than others to the overall growth in pensioners' incomes over the last 28 years (Figure 2.3). The fastest growing sources of income have been:

- **Occupational pensions**, which increased by 84% in real terms between 1979 and 1996-97. In more recent years average incomes from occupational pensions have continued to grow, increasing by 30% between 1996-97 and 2006-07
- **Personal pensions**, whose average contribution to pensioners' incomes has quadrupled in the last ten years. Although it is still only a small minority of pensioners who receive income from personal pensions
- **Earnings** have risen by over a half since 1996-97.

Average investment income roughly doubled between 1979 and 1996-97. However, growth through the 1990s has been less clear - average investment income fell between 2000-01 and 2002-03 and has slowly risen since.

Average benefit income has seen 21% growth in real terms over the ten years since 1996-97.

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

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

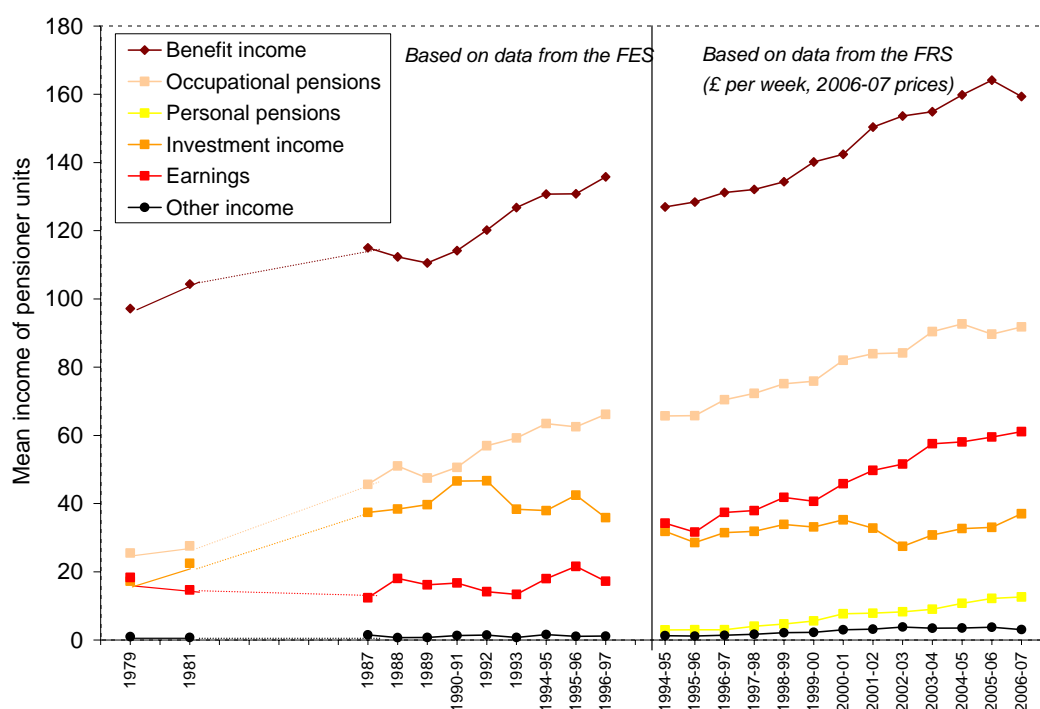
Estimates of average income are based on FRS data which is subject to sampling error. For example, year-on-year changes in average reported benefit income based on the FRS do not necessarily match changes in average benefit income seen in administrative data sources. Because of this readers should not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

Between 2005-06 and 2006-07 there was a statistically significant decrease in the average amount of benefit income reported by pensioners in the FRS. Benefit expenditure based on administrative data sources suggests that the change may not be as large as that indicated by the Pensioners' Incomes Series results.

Based on the FRS the average amount of reported benefit income decreased by £5 per week (£3 for single pensioners and £7 for couples). This is for three reasons:

- Pensioners no longer receive age-related payments (see **Table 3.11**).
- Amongst pensioner couples the proportion reporting receipt of State Pension, income related benefits and disability benefits has fallen slightly between 2005-06 and 2006-07 (see **Tables 3.3, 3.4** and **3.5**).
- The average amount of income related benefit and disability benefit received by pensioner couples has fallen slightly between 2005-06 and 2006-07 (see **Tables 3.4** and **3.5**).

Figure 2.3: Growth in sources of gross income, 1979-1996-97 and 1994-95-2006-07



Pensioner couples and single pensioners

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

On average pensioner couples have over two-and-a-half times the level of occupational pensions and investments as single pensioners, and over seven times the level of earnings. Pensioner couples include some couples where one partner is under state pension age (see Chapter 5 for more information regarding mixed status couples).

Average net income grew by 59% between 1979 and 1996-97 for both singles and couples. Between 1996-97 and 2006-07 net income has increased by 24% for pensioner couples, and 31% for singles. As pensioners are increasingly likely to own their own home these increases are bigger after housing costs; 36% for couples and 48% for single pensioners.

A small part of the general growth in incomes between 1979 and 2006-07 for pensioner units as a whole has been due to an increase in the ratio of couples to singles, caused mainly by declining mortality. Net incomes for all pensioner units would have risen by 59%, rather than the published 63%, between 1979 and 1996-97 if the ratio of couples to singles had remained constant (see Historical Tables on the internet site). If the ratio had remained constant between 1996-97 and 2006-07 the growth in net incomes would have been 27% rather than 29% - see **Table 2.1 (Supplementary)**.

Chapter 2: Pensioners' Incomes

Table 2.1: The average incomes of pensioner units, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>						
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	As a % of gross income in 2006-07
All pensioner units							
Gross income	263	275	346	357	362	365	100%
<i>of which</i>							
Benefit income	127	131	155	160	164	159	44%
Occupational pension	66	70	90	93	90	92	25%
Personal pension income	3	3	9	11	12	13	4%
Investment income	32	31	31	33	33	37	10%
Earnings	34	37	58	58	60	61	17%
Other income	1	1	3	4	4	3	1%
Net income BHC							
Mean	224	235	289	297	303	303	83%
Median	171	182	222	231	237	233	
Net income AHC							
Mean	183	195	256	268	276	277	76%
Median	132	142	190	202	210	207	
Pensioner couples							
Gross income	375	394	489	500	505	508	100%
<i>of which</i>							
Benefit income	147	150	173	177	183	175	34%
Occupational pension	104	110	137	139	133	138	27%
Personal pension income	6	6	15	18	21	21	4%
Investment income	49	49	47	51	51	56	11%
Earnings	68	78	113	111	114	115	23%
Other income	1	2	4	4	4	3	1%
Net income BHC							
Mean	313	332	398	405	412	413	81%
Median	248	260	309	321	328	329	
Net income AHC							
Mean	269	287	364	377	387	390	77%
Median	209	219	278	294	302	307	
Single pensioners							
Gross income	178	185	228	239	245	247	100%
<i>of which</i>							
Benefit income	112	117	140	145	149	146	59%
Occupational pension	37	41	52	54	54	54	22%
Personal pension income	1	1	4	5	5	6	2%
Investment income	19	18	17	18	18	22	9%
Earnings	8	7	12	14	15	16	6%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	156	162	198	207	213	213	86%
Median	133	140	174	181	185	184	
Net income AHC							
Mean	119	125	166	177	184	185	75%
Median	87	95	134	145	151	149	

Table 2.1 (Supplementary): The average incomes of pensioner units, 1994-95-2006-07, assuming the ratio of couples to singles stays as in 1996-97

Incomes in £ per week, 2006-07 prices

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	% growth 1994-95-2006-07	% growth 1996-97-2006-07
All pensioner units								
Gross income	263	275	340	351	357	359	37%	31%
<i>of which</i>								
Benefit income	127	131	154	159	163	159	25%	21%
Occupational pension	66	70	89	91	88	90	36%	29%
Personal pension income	3	3	9	10	12	12	300%	300%
Investment income	32	31	30	32	32	36	13%	16%
Earnings	34	37	55	56	57	59	74%	59%
Other income	1	1	3	3	4	3	200%	200%
Net income before housing costs								
Mean	224	235	284	293	299	299	33%	27%
Net income after housing costs								
Mean	183	195	251	263	271	273	49%	40%
Recently retired pensioner units								
Gross income	330	347	441	433	460	434	32%	25%
<i>of which</i>								
Benefit income	138	142	162	166	167	163	18%	15%
Occupational pension	90	100	114	110	110	105	17%	5%
Personal pension income	4	6	17	19	19	18	350%	200%
Investment income	42	43	45	45	51	49	17%	14%
Earnings	54	54	97	89	108	95	76%	76%
Other income	2	2	6	4	5	4	100%	100%
Net income before housing costs								
Mean	277	293	360	354	374	356	29%	22%
Net income after housing costs								
Mean	234	249	324	323	344	329	41%	32%

Recent income growth

All estimates presented in this publication are based on sample surveys and are therefore subject to a degree of uncertainty (see Appendix B for more details on the reliability of estimates within the Pensioners' Incomes Series 2006-07).

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

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

For other measures, such as income from earnings, the relative uncertainty in the original estimate is large and so the growth rate is subject to a wide margin of error. In some cases, the uncertainty is so great that we cannot tell whether the income measure has increased or decreased over the period. This is the case with investment income between 1994-95 and 2006-07.

In **Table 2.2** we give the central estimate of growth for each income component between 1994-95 and 2006-07 and between 1996-97 and 2006-07. We also give a 95% confidence interval for the growth rate between 1994-95 and 2006-07. (A 95% confidence interval is the range in which we think the actual growth rate has a 95% chance of falling). The 95% confidence intervals for the growth between 1996-97 and 2006-07 are shown in **Table B1.2** in Annex B.

Table 2.2 shows that some estimates, such as the 26% increase in benefit income for all pensioner units since 1994-95, are subject to little uncertainty. While others, like the 78% increase in earnings over the same period, should be treated with much more caution.

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

The ratio of couples to singles has changed over time. This will have a small effect on the growth estimates for all pensioner units. For example, the published investment income growth for all pensioners from 1996-97 to 2006-07 is 18%, the growth rate for couples and singles was 13% and 21% respectively. If the ratio of couples to singles had been the same throughout the period this would have been 16%.

Table 2.2: Recent growth in average incomes of pensioner units, 1994-95-2006-07

	Incomes in £ per week, 2006-07 prices					
	1994-95	1996-97	2006-07	% growth 1994-95-2006-07	% growth 1996-97-2006-07	95% confidence interval 1994-95 -2006-07
All pensioner units						
Gross income	263	275	365	39%	33%	33% to 45%
<i>of which</i>						
Benefit income	127	131	159	26%	21%	24% to 27%
Occupational pension	66	70	92	40%	30%	32% to 48%
Personal pension income	3	3	13	331%	319%	221% to 442%
Investment income	32	31	37	16%	18%	-2% to 34%
Earnings	34	37	61	78%	63%	53% to 104%
Other income	1	1	3	145%	118%	82% to 208%
Net income BHC						
Mean	224	235	303	36%	29%	31% to 40%
Median	171	182	233	36%	28%	32% to 40%
Net income AHC						
Mean	183	195	277	51%	43%	46% to 57%
Median	132	142	207	58%	46%	53% to 62%
Pensioner couples						
Gross income	375	394	508	35%	29%	28% to 43%
<i>of which</i>						
Benefit income	147	150	175	19%	17%	17% to 22%
Occupational pension	104	110	138	32%	25%	23% to 42%
Personal pension income	6	6	21	280%	270%	171% to 390%
Investment income	49	49	56	14%	13%	-8% to 37%
Earnings	68	78	115	68%	48%	43% to 94%
Other income	1	2	3	97%	65%	27% to 167%
Net income BHC						
Mean	313	332	413	32%	24%	26% to 38%
Median	248	260	329	33%	27%	29% to 37%
Net income AHC						
Mean	269	287	390	45%	36%	38% to 52%
Median	209	219	307	47%	40%	42% to 52%
Single pensioners						
Gross income	178	185	247	39%	34%	33% to 44%
<i>of which</i>						
Benefit income	112	117	146	31%	25%	29% to 33%
Occupational pension	37	41	54	47%	33%	35% to 59%
Personal pension income	1	1	6	497%	480%	184% to 811%
Investment income	19	18	22	13%	21%	-11% to 36%
Earnings	8	7	16	95%	136%	46% to 145%
Other income	1	1	3	194%	179%	85% to 302%
Net income BHC						
Mean	156	162	213	36%	31%	32% to 41%
Median	133	140	184	39%	31%	36% to 41%
Net income AHC						
Mean	119	125	185	55%	48%	49% to 61%
Median	87	95	149	71%	58%	67% to 74%

Differences by age

The sources of income for pensioners and the average amounts received vary with age. **Tables 2.3 – 2.5** give the average incomes of pensioner couples, single pensioners and all pensioner units split into three groups. Recently retired pensioner units (single pensioner or head of pensioner couple less than 5 years over state pension age), pensioner units aged under 75 (including recently retired) and pensioner units aged 75 and over. For couples, the age used is that of the head.

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

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

Pensioner couples by age

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

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

Figure 2.4: Sources of gross income of pensioner couples by age of head, 2006-07

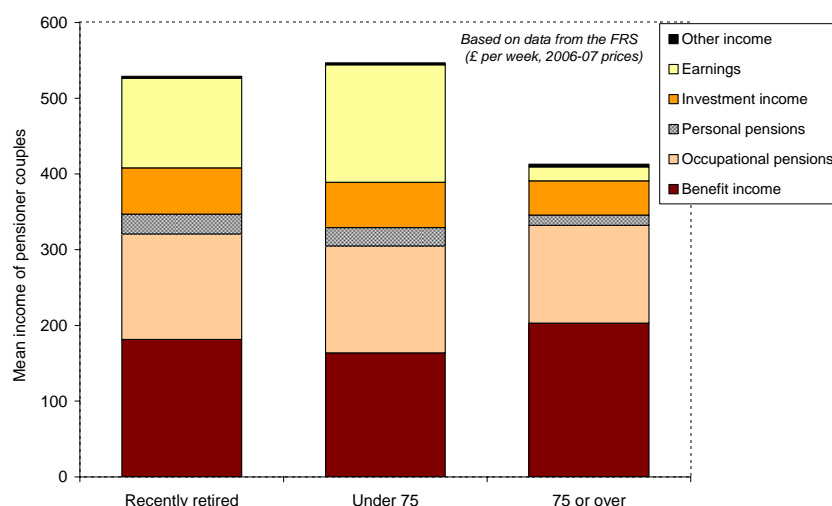


Table 2.3 shows the change in average incomes of pensioner couples by age. Note that interpreting year-on-year changes in estimates should be done with great care. In particular, the decrease in average income of recently retired between 2005-06 and 2006-07 is not statistically significant.

Table 2.3: The average incomes of pensioner couples by age, 1994-95-2006-07

Incomes in £ per week, 2006-07 prices

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	As a % of gross income in 2006-07
Recently retired pensioner couples							
Gross income	402	437	549	541	579	529	100%
<i>of which</i>							
Benefit income	158	160	181	190	186	182	34%
Occupational pension	115	130	147	144	143	139	26%
Personal pension income	5	9	24	27	26	26	5%
Investment income	54	60	61	62	73	61	12%
Earnings	67	76	130	113	144	118	22%
Other income	2	2	6	5	5	3	1%
Net income BHC							
Mean	338	368	444	438	465	431	81%
Median	266	283	334	334	350	347	
Net income AHC							
Mean	292	322	408	410	438	409	77%
Median	226	246	301	311	323	327	
Pensioner couples where the head is under 75							
Gross income	398	423	532	539	549	547	100%
<i>of which</i>							
Benefit income	141	142	163	166	171	164	30%
Occupational pension	109	119	142	143	138	141	26%
Personal pension income	6	7	18	20	23	24	4%
Investment income	52	52	52	56	58	60	11%
Earnings	88	102	154	150	155	155	28%
Other income	2	2	4	4	5	3	1%
Net income BHC							
Mean	328	352	426	430	441	437	80%
Median	262	274	323	338	343	349	
Net income AHC							
Mean	283	305	390	401	414	414	76%
Median	222	233	293	311	320	329	
Pensioner couples where the head is 75 or over							
Gross income	304	313	376	403	395	413	100%
<i>of which</i>							
Benefit income	165	172	199	203	212	203	49%
Occupational pension	88	85	124	129	119	129	31%
Personal pension income	5	3	8	13	15	14	3%
Investment income	37	42	34	39	34	45	11%
Earnings	9	11	9	14	11	18	4%
Other income	*	1	3	5	4	4	1%
Net income BHC							
Mean	265	276	327	344	342	353	85%
Median	217	232	278	284	294	287	
Net income AHC							
Mean	224	236	298	320	319	333	81%
Median	179	188	248	259	269	266	

Single pensioners by age

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

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

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

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

Figure 2.5: Sources of gross income of single pensioners by age, 2006-07

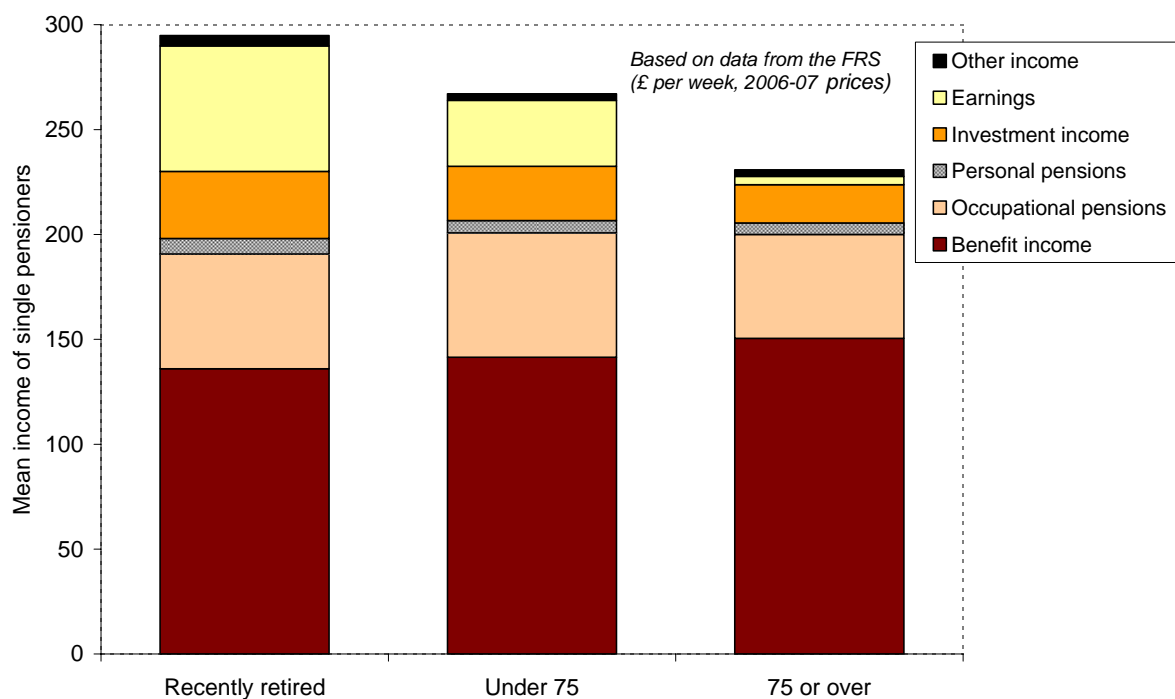


Table 2.4: The average incomes of single pensioners by age, 1994-95-2006-07

Incomes in £ per week, 2006-07 prices

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	As a % of gross income in 2006-07
Recently retired single pensioners							
Gross income	226	216	283	276	287	295	100%
<i>of which</i>							
Benefit income	109	114	134	132	139	136	46%
Occupational pension	53	55	67	61	61	55	19%
Personal pension income	1	2	7	8	8	7	2%
Investment income	25	19	20	19	20	32	11%
Earnings	36	23	49	55	55	60	20%
Other income	2	2	5	2	4	5	2%
Net income BHC							
Mean	189	184	237	232	240	246	83%
Median	147	156	189	190	195	196	
Net income AHC							
Mean	150	142	202	197	207	212	72%
Median	110	115	156	152	163	154	
Single pensioners under 75							
Gross income	191	200	247	251	265	267	100%
<i>of which</i>							
Benefit income	110	115	137	138	144	141	53%
Occupational pension	45	50	58	59	60	59	22%
Personal pension income	1	2	6	6	6	6	2%
Investment income	20	20	19	17	21	26	10%
Earnings	13	13	23	27	29	31	12%
Other income	1	2	3	3	4	3	1%
Net income BHC							
Mean	166	173	212	214	226	226	85%
Median	135	144	178	182	190	188	
Net income AHC							
Mean	128	135	179	184	196	196	73%
Median	91	101	142	147	155	152	
Single pensioners 75 or over							
Gross income	165	170	212	230	228	231	100%
<i>of which</i>							
Benefit income	114	119	143	151	153	151	65%
Occupational pension	28	32	47	50	49	49	21%
Personal pension income	1	*	2	4	4	5	2%
Investment income	18	16	16	18	16	18	8%
Earnings	3	2	2	3	3	4	2%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	147	152	187	202	202	203	88%
Median	129	137	170	180	182	179	
Net income AHC							
Mean	111	116	155	173	174	175	76%
Median	86	90	130	144	149	147	

All pensioner units by age

Figure 2.6 shows the proportions of income that come from different sources by age group for all pensioner units. **Table 2.5** sets out the different sources of income. As with pensioner couples and single pensioners, higher private pension income and higher earnings are the main source of difference between younger and older pensioners' incomes.

Figure 2.6: Sources of gross income of all pensioner units by age of head, 2006-07

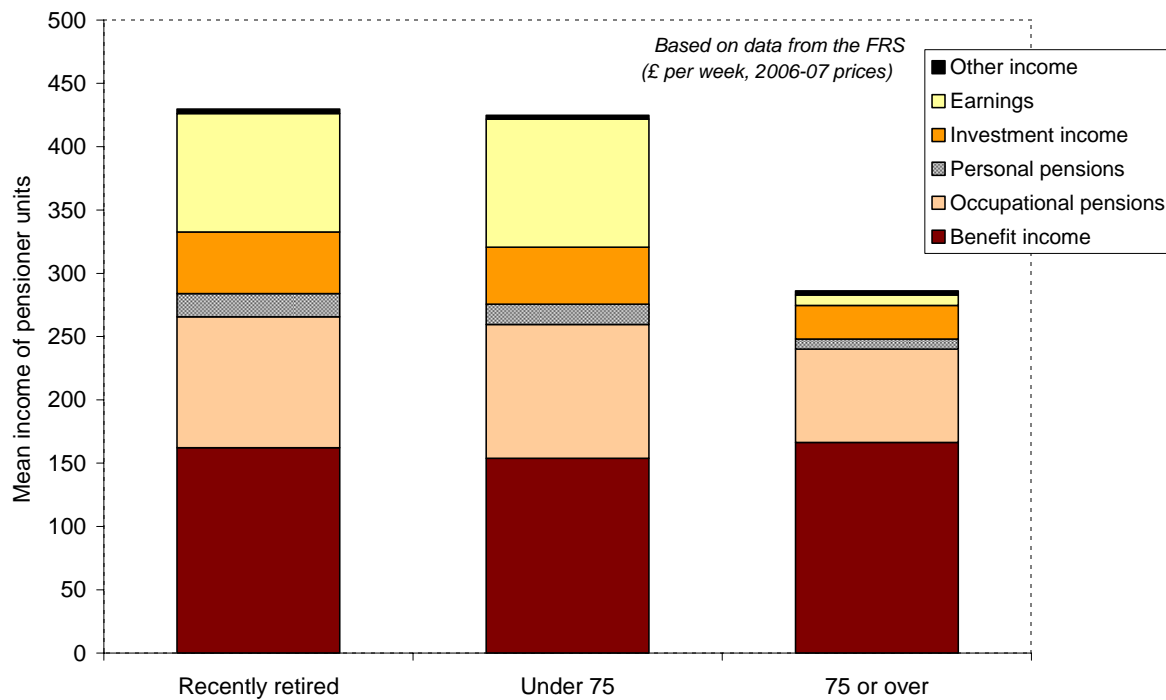


Table 2.5: The average incomes of pensioner units by age, 1994-95-2006-07

Incomes in £ per week, 2006-07 prices

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	As a % of gross income in 2006-07
Recently retired pensioner units							
Gross income	330	347	439	431	459	430	100%
<i>of which</i>							
Benefit income	138	142	161	166	167	162	38%
Occupational pension	90	100	114	109	110	103	24%
Personal pension income	4	6	17	19	19	18	4%
Investment income	42	43	44	44	51	49	11%
Earnings	54	54	97	89	108	94	22%
Other income	2	2	6	4	5	4	1%
Net income BHC							
Mean	277	293	358	352	374	353	82%
Median	216	226	271	272	282	272	
Net income AHC							
Mean	234	249	323	321	344	325	76%
Median	179	187	241	245	255	247	
Pensioner units where the head is under 75							
Gross income	301	320	408	416	426	425	100%
<i>of which</i>							
Benefit income	126	129	152	154	159	154	36%
Occupational pension	79	87	105	107	104	106	25%
Personal pension income	4	4	13	14	16	16	4%
Investment income	37	37	38	39	42	45	11%
Earnings	53	60	97	98	101	101	24%
Other income	2	2	4	4	4	3	1%
Net income BHC							
Mean	252	269	332	338	347	345	81%
Median	194	204	251	258	268	263	
Net income AHC							
Mean	210	226	298	308	319	319	75%
Median	157	166	220	232	242	236	
Pensioner units where the head is 75 or over							
Gross income	203	210	261	282	279	286	100%
<i>of which</i>							
Benefit income	128	134	160	167	171	166	58%
Occupational pension	44	47	70	74	70	74	26%
Personal pension income	2	1	4	7	8	8	3%
Investment income	23	24	21	24	21	26	9%
Earnings	5	4	4	7	5	8	3%
Other income	1	1	3	4	3	3	1%
Net income BHC							
Mean	179	187	229	245	244	248	87%
Median	144	154	193	205	208	206	
Net income AHC							
Mean	152	160	204	220	219	223	78%
Median	114	128	165	180	182	179	

Differences by gender

Average incomes of pensioners differ for men and women. **Table 2.6** gives components of income for single male and single female pensioners. It is not possible to split estimates for pensioner couples by gender.

On average, net income before housing costs was higher for single men (at £229) than for single women (£208) in 2006-07. **Figure 2.7** shows the growth in their net incomes (BHC) over time. Net incomes measured after deducting housing costs follow a similar trend. The gross and net income amounts are subject to relatively large sampling errors so short term changes need to be treated with caution. Incomes may also be affected by the different age distributions for single men and women.

The main difference between the two sexes occurs within occupational pension income. In 2006-07, single men received £69 a week on average from this source, compared with £49 for single women. Single men also received more investment and personal pension income, but average incomes from other sources were similar for single men and women.

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

Figure 2.7: Net income (BHC) of single pensioners by gender 1979-1996-97 and 1994-95-2006-07

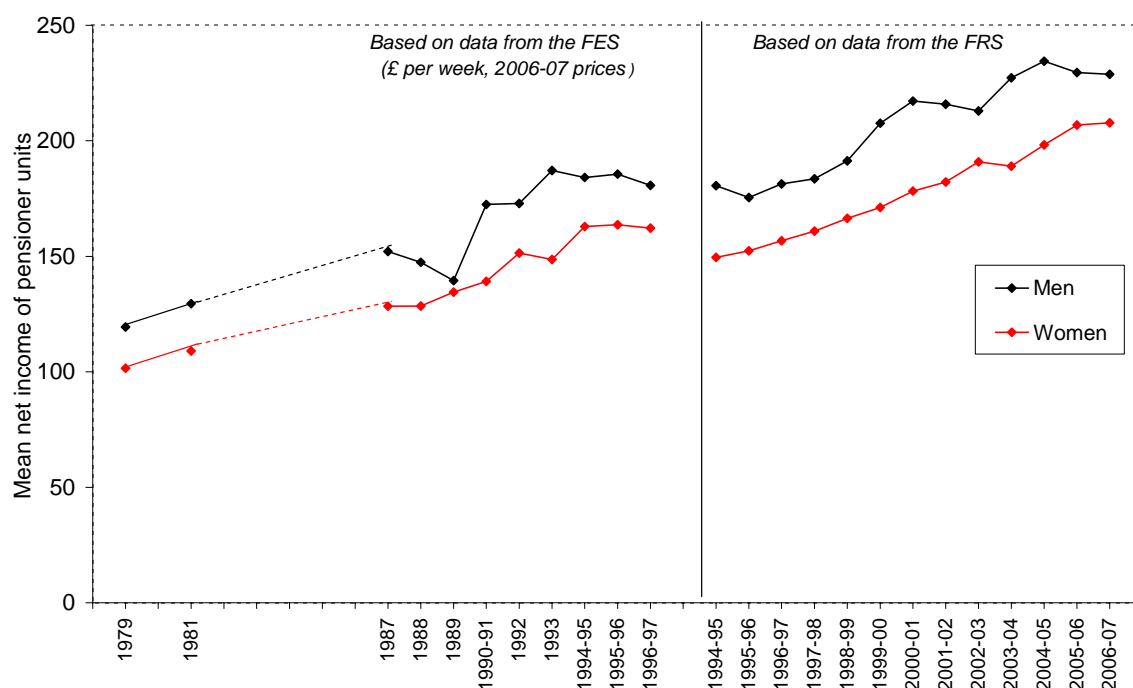


Table 2.6: The average incomes of single pensioners by gender, 1994-95-2006-07

Incomes in £ per week, 2006-07 prices

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	As a % of gross income in 2006-07
Single male pensioners							
Gross income	214	210	266	276	266	267	100%
<i>of which</i>							
Benefit income	111	117	139	143	147	147	55%
Occupational pension	62	61	76	78	71	69	26%
Personal pension income	1	2	11	10	10	9	3%
Investment income	28	25	23	26	23	25	9%
Earnings	11	6	14	17	14	14	5%
Other income	1	*	3	2	3	2	1%
Net income BHC							
Mean	181	181	227	234	230	229	86%
Median	142	150	188	189	191	194	
Net income AHC							
Mean	142	142	194	204	200	198	74%
Median	102	110	152	154	159	156	
Single female pensioners							
Gross income	168	177	216	227	237	240	100%
<i>of which</i>							
Benefit income	112	117	140	146	150	146	61%
Occupational pension	29	35	44	46	48	49	20%
Personal pension income	1	1	2	3	4	5	2%
Investment income	17	16	15	15	17	21	9%
Earnings	8	7	11	13	15	17	7%
Other income	1	1	3	3	4	4	2%
Net income BHC							
Mean	150	157	189	198	207	208	87%
Median	130	137	170	179	183	180	
Net income AHC							
Mean	113	120	157	169	178	180	75%
Median	86	91	129	142	148	146	
Single male pensioners under 75							
Gross income	228	230	288	288	275	277	100%
Benefit income	112	120	139	140	147	148	53%
Net Income BHC	190	195	243	243	236	236	85%
Net Income AHC	149	152	208	210	205	203	73%
Single male pensioners over 75							
Gross income	199	191	246	265	258	257	100%
Benefit income	110	114	140	145	146	147	57%
Net Income BHC	170	168	213	227	224	223	87%
Net Income AHC	134	131	182	198	196	194	75%
Single female pensioners under 75							
Gross income	180	191	233	237	261	263	100%
Benefit income	110	113	137	138	142	139	53%
Net Income BHC	159	166	201	204	222	223	85%
Net Income AHC	121	129	169	174	193	194	74%
Single female pensioners over 75							
Gross income	156	165	201	219	218	222	100%
Benefit income	115	121	143	153	155	152	68%
Net Income BHC	141	148	179	194	195	196	88%
Net Income AHC	104	112	146	165	167	169	76%

Differences by region

Pensioner incomes vary by region within the UK. Single pensioners and pensioner couples in London and the South have gross incomes above the average for the UK. However, average benefit income shows little difference when compared between all regions.

These figures are based on the average of three years of data and users should not read too much into small differences between regions. There is no significant difference between United Kingdom and Great Britain results.

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

Figure 2.8: Average gross income for pensioner couples by region / country, 2004-07

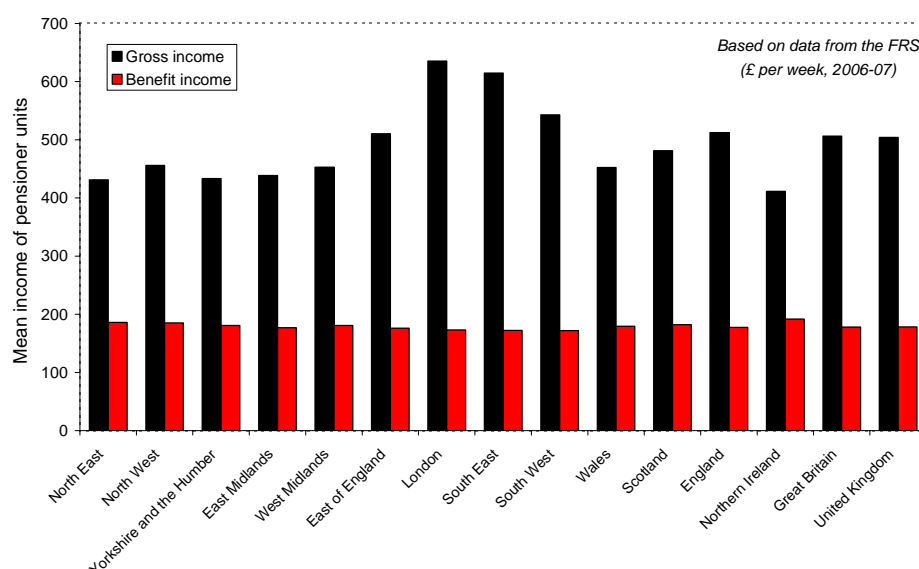


Table 2.7: The average income of pensioner units by region / country, 2004-07

Incomes in £ per week, in 2006-07 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	512	177	414	388	247	146	213	183
North East	431	186	359	334	241	161	212	181
North West	456	185	376	354	231	153	202	172
Yorkshire and the Humber	433	181	362	339	228	148	201	172
East Midlands	438	177	362	341	227	147	198	172
West Midlands	453	181	373	349	237	152	206	178
East of England	510	176	414	387	261	145	222	194
London	635	173	495	458	269	143	227	187
South East	615	172	485	457	262	137	222	194
South West	543	172	434	408	251	141	215	188
Wales	452	179	380	359	223	145	198	176
Scotland	481	182	398	373	233	153	207	179
Northern Ireland	411	192	353	338	217	148	194	176
Great Britain	506	178	411	385	244	147	211	182
United Kingdom	504	178	409	384	244	147	211	182

Notes:

(1) Data based on the average of three years of results from 2004-05, 2005-06, 2006-07 FRS data and updated to 2006-07 prices

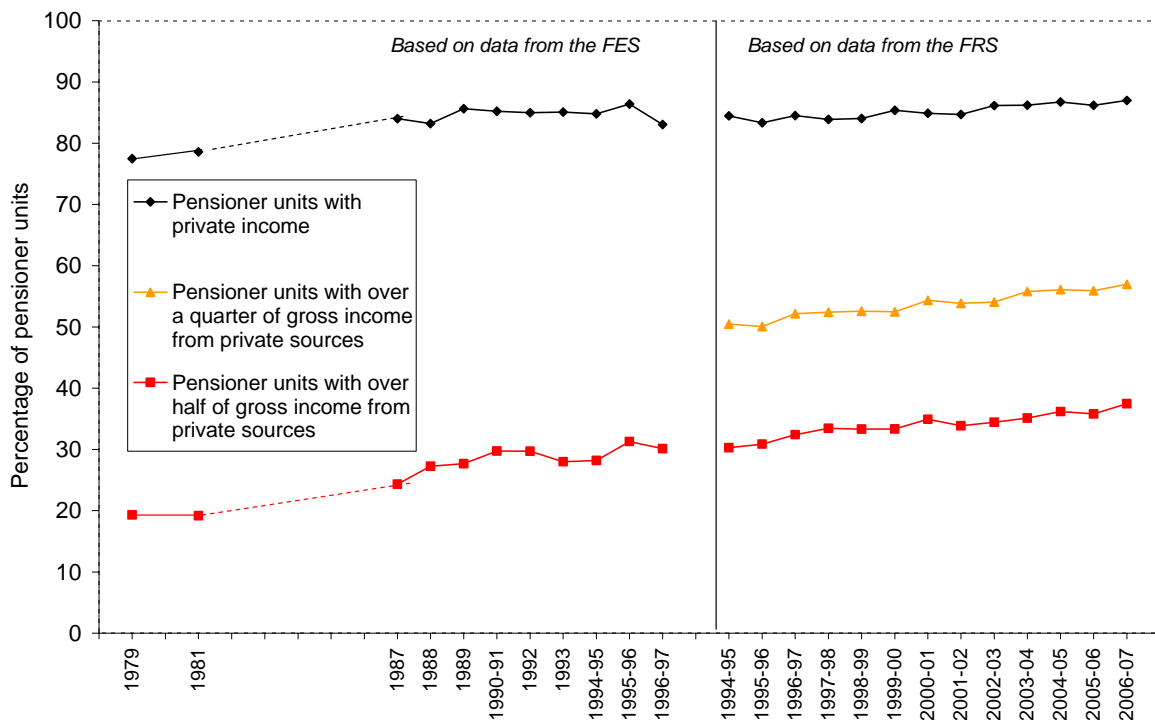
Chapter 3: Sources of Pensioners' Incomes

Benefit income (including the State Pension) serves as the main source of income for pensioners as a whole. However, the importance of benefit income varies between different pensioner units.

In 2006-07, the vast majority of pensioner units had some private income on top of state benefits (94% of pensioner couples and 81% of single pensioners – **Table 3.1**). The overall proportion increased from 77% in 1979 and has remained stable at around 85% since the mid-1990s.

For over a third (37%) of pensioner units, more than half of their gross income came from private sources in 2006-07 (**Table 3.2**). This proportion was higher for couples (52%) than singles (25%), and considerably higher among the recently retired, at 49%. Choosing half of gross income as a threshold is somewhat arbitrary but does allow some analysis of trends over time. **Figure 3.1** shows that the overall proportion with over half of income from private sources increased from 19% in 1979 to 30% in 1996-97. It also shows the proportion of pensioners with over one quarter of gross income from private sources rising slowly since 1994-95, reaching 57% in 2006-07.

Figure 3.1: Benefit and non-benefit income, 1979-1996-97 and 1994-95-2006-07



Chapter 3: Sources of Pensioners' Incomes

Table 3.1: The proportion of pensioner units with income on top of state benefits, 1994-95-2006-07

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
All pensioner units						
Total	84%	85%	86%	87%	86%	87%
Pensioner couples	92%	93%	93%	94%	93%	94%
Single pensioners	78%	78%	80%	81%	81%	81%
Recently retired pensioner units						
Total	88%	87%	87%	88%	87%	87%
Pensioner couples	93%	93%	93%	94%	93%	95%
Single pensioners	81%	79%	79%	79%	78%	77%

Table 3.2: The proportion of pensioner units with more than 50% of income from private sources, 1994-95-2006-07

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
All pensioner units						
Total	30%	32%	35%	36%	36%	37%
Pensioner couples	44%	46%	49%	50%	50%	52%
Single pensioners	20%	22%	24%	25%	24%	25%
Recently retired pensioner units						
Total	41%	43%	47%	48%	48%	49%
Pensioner couples	46%	50%	52%	53%	54%	57%
Single pensioners	34%	34%	39%	41%	39%	38%

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

Pensioner units in receipt of different sources of income

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

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

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

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

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

The most common source of income amongst pensioners is the State Pension. Nearly all pensioner units (95%) received income from this source (**Figure 3.2**). 72% of pensioner units received some investment income, whilst 59% received income from an occupational pension. All other sources were received by less than half of all pensioner units, including earnings which were received by 16%.

Figure 3.2: The proportion of pensioner units in receipt of selected sources of income, 2006-07

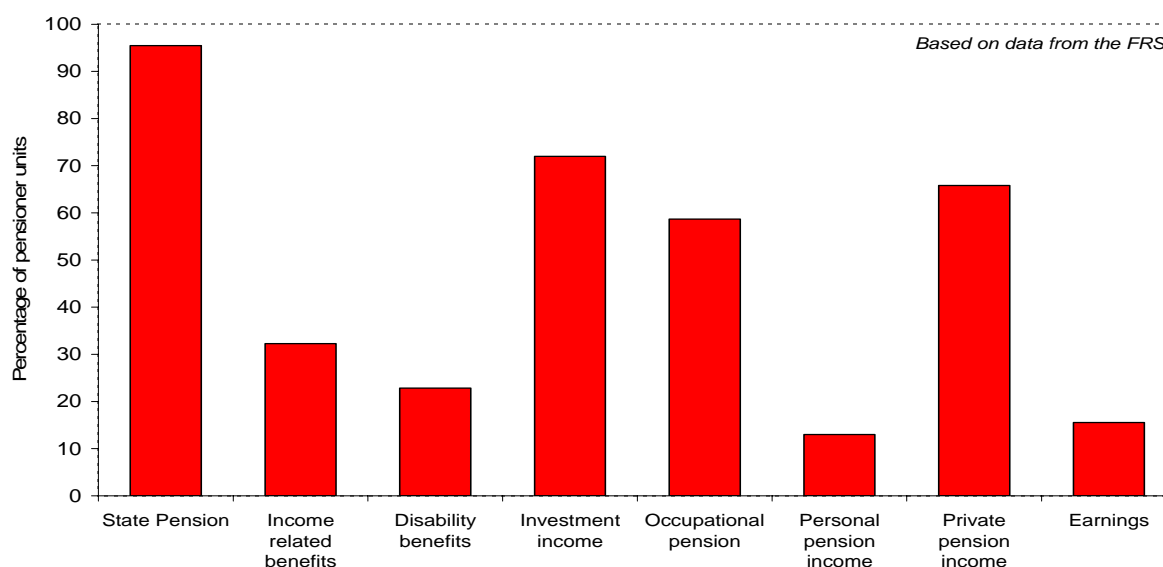
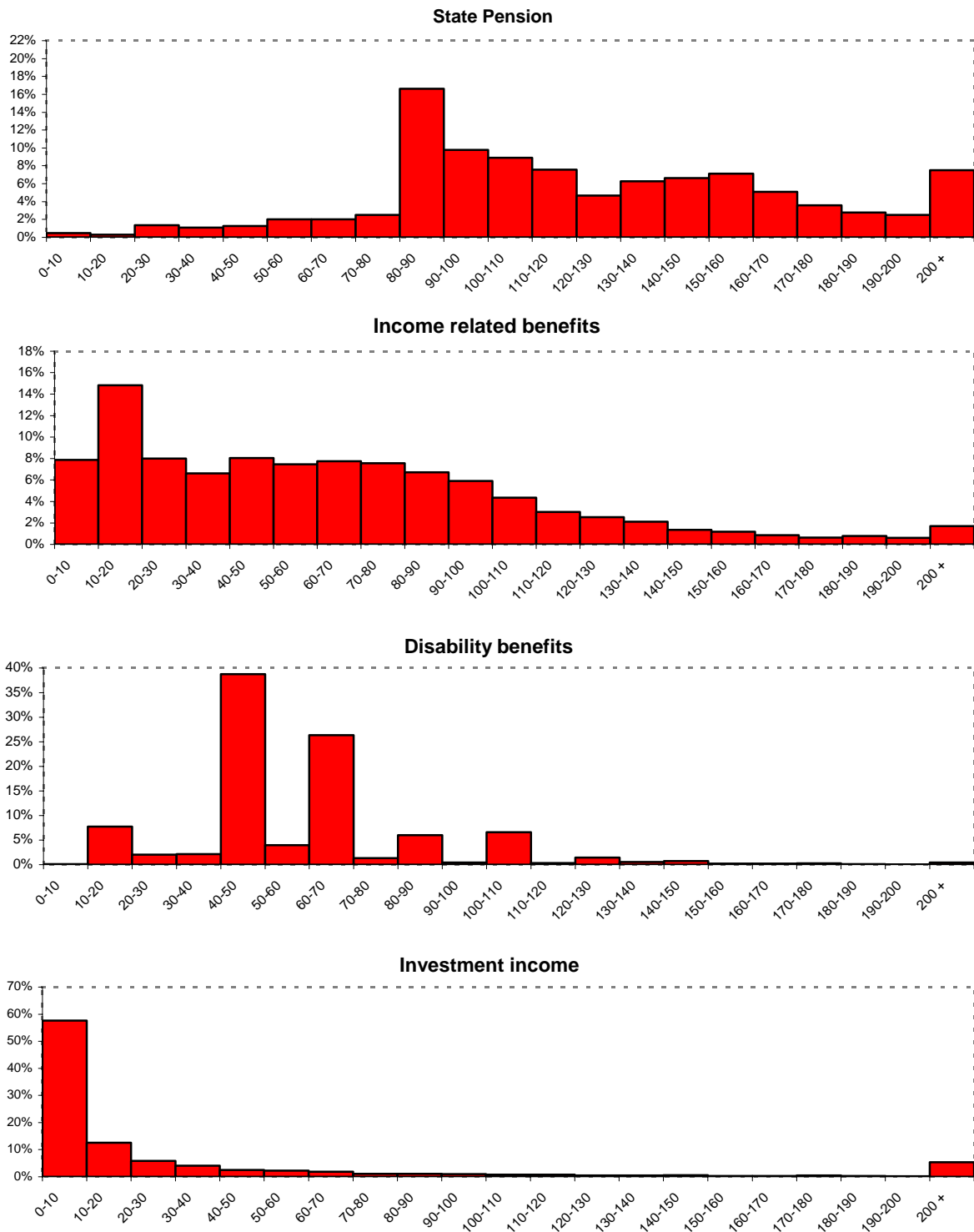


Figure 3.3 shows the distribution of income that pensioners receive from various sources. These figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income band will be subject to a degree of sampling error.

Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 1: Distribution of income from selected income sources for those in receipt, 2006-07

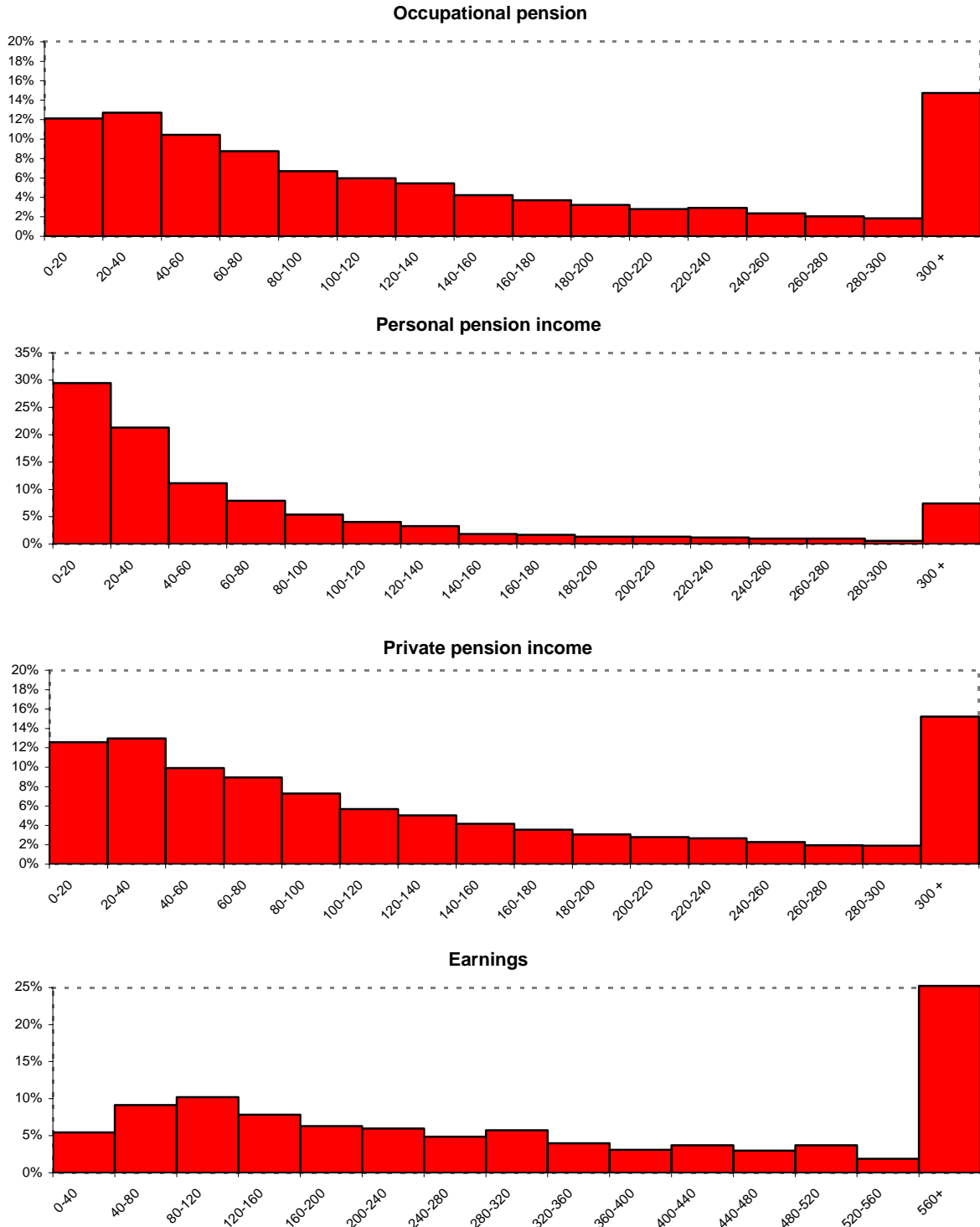
Income received from each source (£ per week, 2006-07 prices)



Chapter 3: Sources of Pensioners' Incomes

Figure 3.3 Part 2: Distribution of income from selected income sources for those in receipt, 2006-07

Income received from each source (£ per week, 2006-07 prices)



Notes:

(1) The scales used on each of the income axes in Figure 3.3 (parts 1 and 2) are not the same across each of the graphs and are different to previous years.

Pensioners in receipt of State Pension

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

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

Nearly all pensioner units (95%) received the State Pension in 2006-07 (**Table 3.3**). This proportion was slightly lower for recently retired pensioners. This reflects the fact that individuals can defer receiving their pension for up to five years after they reach state pension age.

The average amount of reported State Pension for all pensioner units in receipt was £124 per week in 2006-07 (£104 for singles and £149 for couples). Between 1994-95 and 2006-07 there was 28% real terms growth in the median State Pension received (**Figure 3.4**). This growth has mainly been due to the maturing of the earnings-related component (SERPS) of the State Pension. Since being introduced in 1978, each new wave of retirees has had the opportunity to make contributions over a longer period, leading to a growth in average income from this component over time. It is likely that SERPS and the State Second Pension will continue to have a positive effect on average real incomes.

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

Figure 3.4: Pensioner units in receipt of State Pension, 1979-1996-97 and 1994-95-2006-07

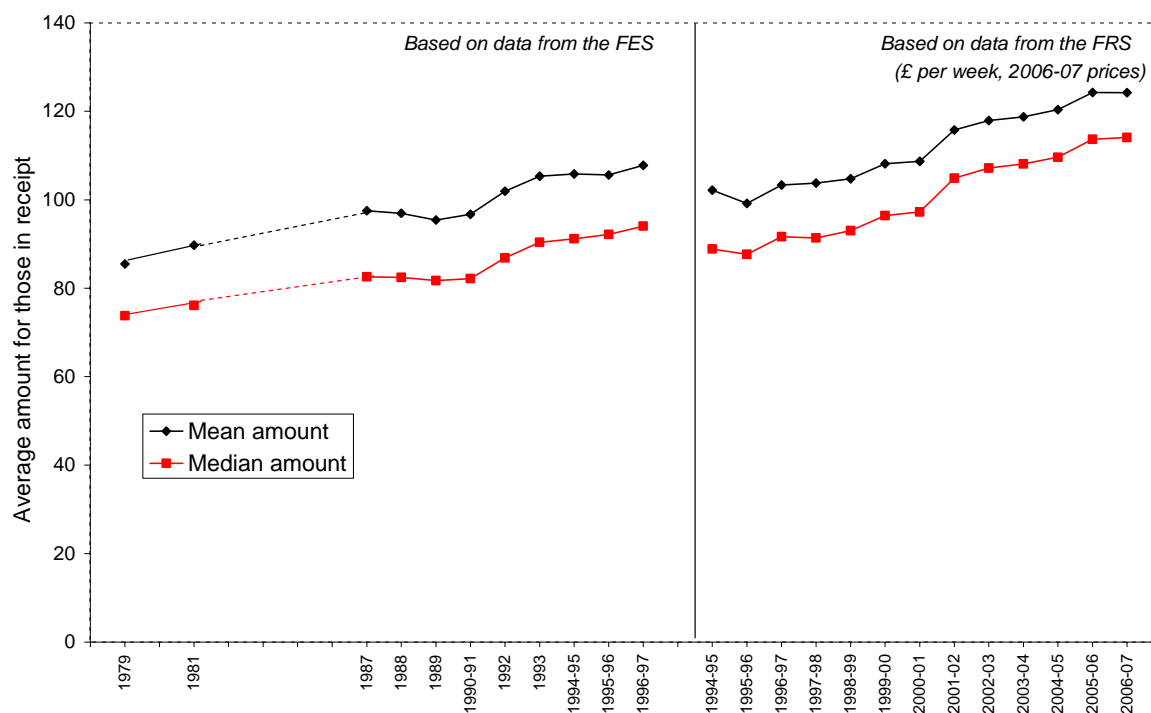


Table 3.3: The proportion of pensioner units with income from State Pension and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of State Pension (%)						
All pensioner units						
Total	94%	94%	97%	97%	96%	95%
Pensioner couples	90%	91%	95%	96%	95%	94%
Single pensioners	97%	97%	98%	98%	97%	97%
Recently retired pensioner units						
Total	88%	91%	96%	97%	94%	93%
Pensioner couples	88%	92%	96%	98%	95%	95%
Single pensioners	87%	88%	95%	94%	93%	92%
Average amount of State Pension for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	102	103	119	120	124	124
Pensioner couples	125	126	144	146	149	149
Single pensioners	86	87	98	99	104	104
Recently retired pensioner units						
Total	116	117	133	138	134	135
Pensioner couples	135	134	155	163	155	157
Single pensioners	89	91	101	101	104	103
Median amounts						
All pensioner units						
Total	89	92	108	110	114	114
Pensioner couples	135	137	152	153	154	154
Single pensioners	82	84	95	96	99	99
Recently retired pensioner units						
Total	116	122	135	139	133	133
Pensioner couples	138	138	154	156	153	156
Single pensioners	87	89	95	95	97	98

Pensioners in receipt of income related benefits

Income related benefits in 2006-07 included Pension Credit, Housing Benefit, Council Tax Benefit, and Social Fund Grants. In previous years this has included Minimum Income Guarantee (MIG) and Income Support, the predecessors to Pension Credit.

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

These benefits were less common than the State Pension, but were nevertheless received by a third of all pensioner units in 2006-07 (**Table 3.4**). This contrasts with 57% of pensioner units reporting receipt in 1979. Receipt was considerably more common among single pensioners (40%) than pensioner couples (17%).

Pension Credit was introduced in October 2003. The increased proportion of pensioners reporting receipt of Income Related Benefits (29% in 2003-04 to 32% in 2006-07) reflects the increased number of pensioners receiving Pension Credit. However, for a number of reasons we would not necessarily expect to see a large effect from Pension Credit in the Pensioners' Incomes tables, this is because:

- **other trends** may confuse the picture. Increasing private pension income and increasing home ownership (relevant for Housing Benefit) both make pensioners less likely to be eligible for income related benefits.
- most results show the **overall average** for all pensioner units in receipt of income related benefits as reported on the survey.

Figure 3.5: Pensioner units in receipt of income related benefits, 1979-1996-97 and 1994-95-2006-07

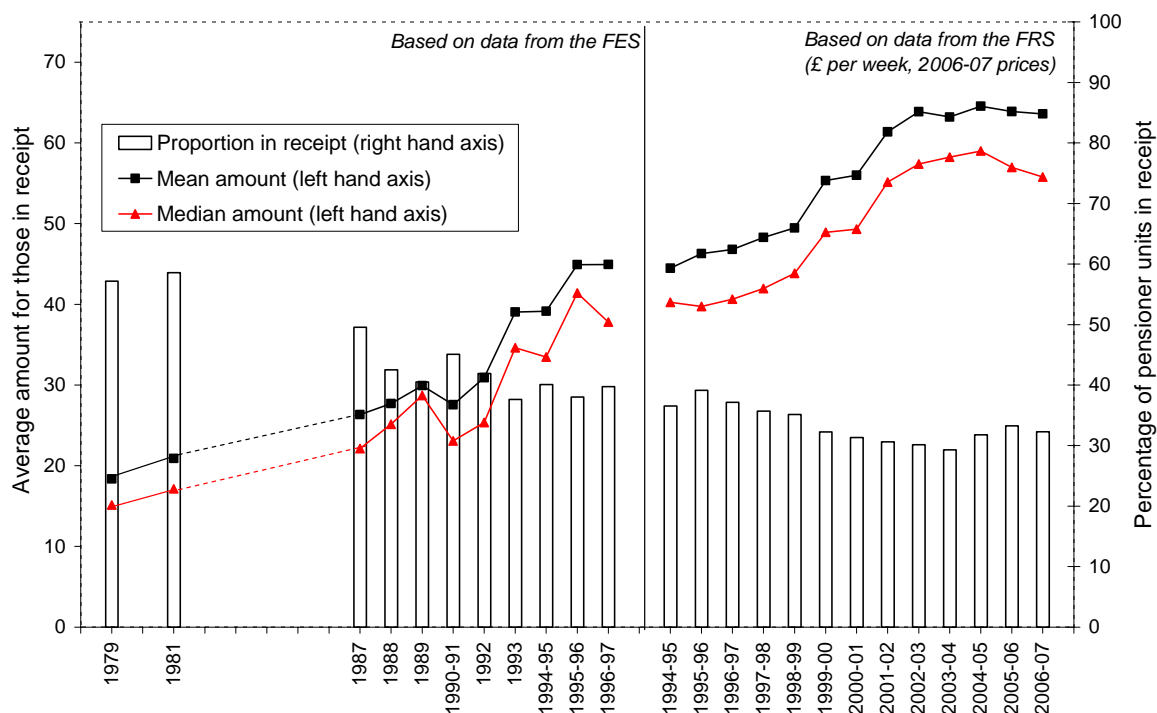


Table 3.4: The proportion of pensioner units with income from income related benefits and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of income related benefits (%)						
All pensioner units						
Total	37%	37%	29%	32%	33%	32%
Pensioner couples	22%	22%	16%	18%	20%	18%
Single pensioners	47%	48%	40%	43%	44%	44%
Recently retired pensioner units						
Total	27%	29%	23%	25%	26%	26%
Pensioner couples	17%	21%	14%	16%	18%	16%
Single pensioners	40%	41%	37%	37%	39%	40%
Average amount of income related benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	45	47	63	65	64	64
Pensioner couples	43	45	63	64	65	62
Single pensioners	45	47	63	65	63	64
Recently retired pensioner units						
Total	45	45	66	65	71	64
Pensioner couples	40	40	63	63	75	56
Single pensioners	48	49	68	67	69	68
Median amounts						
All pensioner units						
Total	40	41	58	59	57	56
Pensioner couples	31	30	50	55	51	47
Single pensioners	43	44	60	60	59	59
Recently retired pensioner units						
Total	38	32	60	62	63	57
Pensioner couples	26	25	52	60	56	44
Single pensioners	43	41	62	64	67	65

Pensioners in receipt of disability benefits

This income category covers a range of benefits paid to individuals as a result of their disability status. It does not include additional amounts within other benefits such as Pension Credit. Those most commonly received by pensioners in 2006-07 were Attendance Allowance and Disability Living Allowance.

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

More than one fifth (23%) of all pensioner units received some form of disability benefit in 2006-07. **Figure 3.6** shows the large increase in this proportion between 1979 and 1996-97, there has been little change in the late 1990s and early 2000s. Receipt of disability benefits was slightly less common among recently retired pensioners.

The average amount for pensioner units in receipt was £58 a week in 2006-07. Results show that median income from disability benefits tend to fluctuate greatly. This is because disability benefits are usually paid at one of a number of rates. For example, Attendance Allowance is paid at either a lower rate (£41.65) or a higher rate (£62.25) in 2006-07; so the median can suddenly jump if the proportions on the lower and higher rate changes. In 2006-07 the proportion reporting receipt of lower rates of DLA increased compared to higher rates leading to the fall in median income.

The payment of disability benefits at one of a number of rates explains the shape of the distribution of incomes from disability benefits seen in **Figure 3.3**. The first three peaks in the distribution represent receipt at the three levels for singles, and the other two lower peaks represent the incomes from disability benefits of pensioner couples where both partners are eligible.

Figure 3.6: Pensioner units in receipt of disability benefits, 1979-1996-97 and 1994-95-2006-07

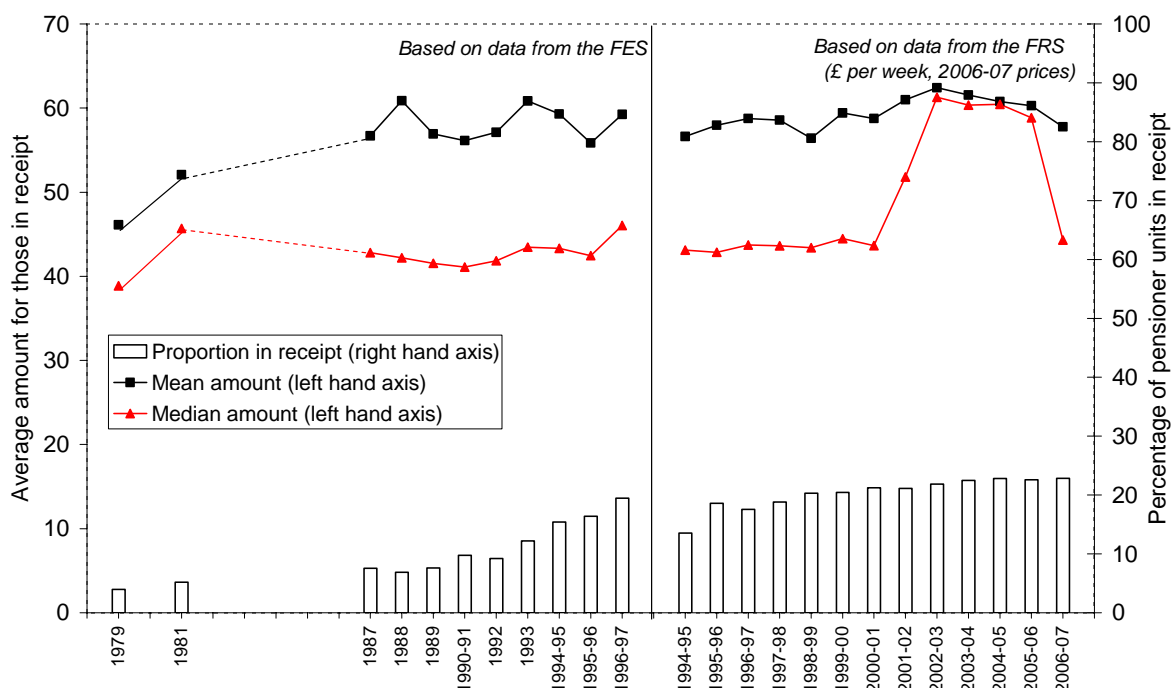


Table 3.5: The proportion of pensioner units with income from disability benefits and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of disability benefits (%)						
All pensioner units						
Total	14%	18%	22%	23%	23%	23%
Pensioner couples	16%	22%	23%	23%	23%	22%
Single pensioners	12%	14%	22%	23%	22%	23%
Recently retired pensioner units						
Total	13%	17%	18%	17%	18%	19%
Pensioner couples	15%	21%	20%	20%	19%	21%
Single pensioners	10%	12%	16%	14%	16%	17%
Average amount of disability benefits for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	57	59	62	61	60	58
Pensioner couples	60	64	70	68	68	65
Single pensioners	53	52	54	55	53	52
Recently retired pensioner units						
Total	58	61	65	63	66	60
Pensioner couples	61	62	71	69	69	65
Single pensioners	53	58	55	50	60	53
Median amounts						
All pensioner units						
Total	43	44	60	61	59	44
Pensioner couples	44	60	62	62	63	61
Single pensioners	42	42	44	44	44	43
Recently retired pensioner units						
Total	44	60	60	60	60	58
Pensioner couples	44	60	62	62	61	60
Single pensioners	43	59	44	44	59	44

Pensioners in receipt of investment income

Investment income was the second most common source of income, received by 72% of all pensioner units in 2006-07 (**Table 3.6**). As **Figure 3.3** shows, large numbers of people receive small amounts of investment income with half of all pensioner units receiving investment income getting £7 a week or less. There are a small number of pensioners who receive very large amounts of investment income; the mean amount for those in receipt is £51.

After the falls seen between 2000-01 and 2002-03 in the average amounts of investment income received by pensioners, 2006-07 shows investment income continuing to slowly rise. The falls seen were likely to be due to the falls in the stock market over this time, and also the relatively low level of interest rates in 2002-03. This fall in investment income disproportionately affected the richest pensioners, and makes little difference to the majority of pensioners who receive relatively small amounts of investment income. Chapter 4 gives more detail on the distribution of incomes and investment income by quintile.

It should be noted that a comparative study found that FRS based estimates of investment income were significantly lower than FES based estimates, partly because FES estimates include personal pension income whereas the FRS estimates do not.

Figure 3.7: Pensioner units in receipt of investment income, 1979-1996-97 and 1994-95-2006-07

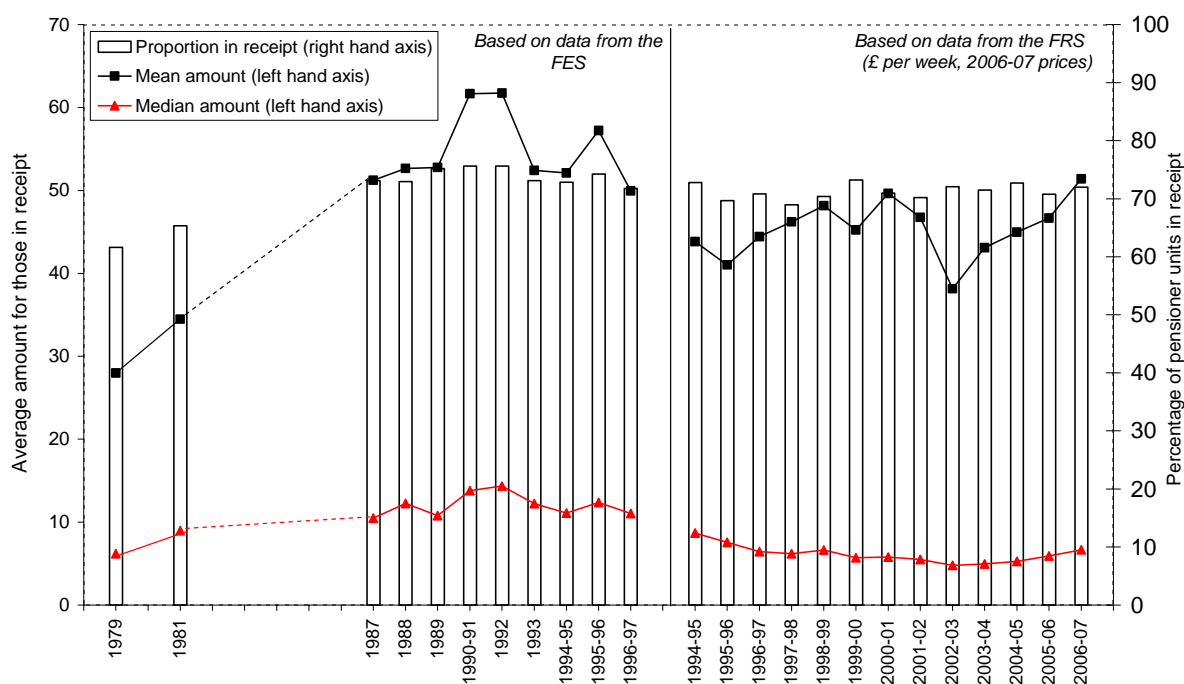


Table 3.6: The proportion of pensioner units with investment income and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of investment income (%)						
All pensioner units						
Total	73%	71%	71%	73%	71%	72%
Pensioner couples	81%	79%	78%	79%	77%	79%
Single pensioners	67%	65%	66%	67%	65%	66%
Recently retired pensioner units						
Total	75%	72%	71%	73%	69%	72%
Pensioner couples	81%	78%	77%	79%	76%	79%
Single pensioners	66%	63%	64%	65%	59%	63%
Average amount of investment income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	44	44	43	45	47	51
Pensioner couples	60	62	61	64	66	70
Single pensioners	29	28	26	26	28	33
Recently retired pensioner units						
Total	56	60	62	61	74	68
Pensioner couples	67	76	80	79	96	77
Single pensioners	38	31	32	30	34	51
Median amounts						
All pensioner units						
Total	9	6	5	5	6	7
Pensioner couples	15	12	8	9	10	11
Single pensioners	6	4	3	3	3	4
Recently retired pensioner units						
Total	13	9	6	7	9	9
Pensioner couples	17	14	8	9	12	13
Single pensioners	9	5	4	4	4	4

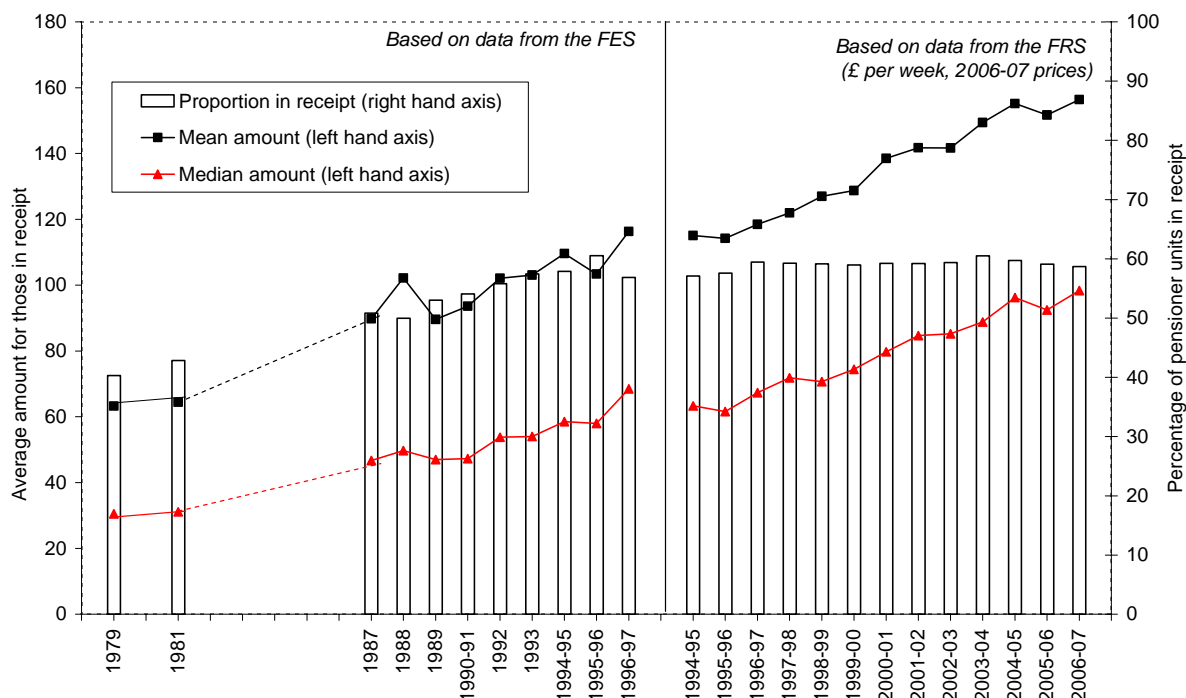
Pensioners in receipt of occupational pension income

Income from occupational pensions has become increasingly common since 1979, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s. Occupational pensions provided income for 59% of pensioner units in 2006-07, compared to 40% in 1979 (Figure 3.8).

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

The latest estimates based on FRS data show that in 2006-07, 59% of pensioner units received occupational pension income, at an average of £156 a week (Table 3.7). Average occupational pension income has continued to broadly increase over recent years, although the trend in the proportion in receipt is less clear.

Figure 3.8: Pensioner units in receipt of occupational pension income, 1979-1996-97 and 1994-95-2006-07



Chapter 3: Sources of Pensioners' Incomes

Table 3.7: The proportion of pensioner units with occupational pension income and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of occupational pension income (%)						
All pensioner units						
Total	57%	59%	60%	60%	59%	59%
Pensioner couples	69%	71%	68%	68%	66%	67%
Single pensioners	48%	51%	54%	53%	53%	52%
Recently retired pensioner units						
Total	65%	66%	60%	60%	56%	59%
Pensioner couples	74%	76%	68%	69%	65%	65%
Single pensioners	52%	53%	48%	48%	43%	44%
Average amount of occupational pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	115	119	149	155	152	156
Pensioner couples	151	156	200	203	200	206
Single pensioners	76	80	97	103	102	104
Recently retired pensioner units						
Total	138	150	190	182	196	184
Pensioner couples	155	173	217	210	221	214
Single pensioners	103	104	138	126	141	125
Median amounts						
All pensioner units						
Total	63	67	89	96	92	98
Pensioner couples	96	98	135	140	132	144
Single pensioners	44	47	58	64	65	67
Recently retired pensioner units						
Total	88	95	127	133	129	127
Pensioner couples	103	113	147	149	148	157
Single pensioners	64	71	94	98	96	82

Pensioners in receipt of personal pension income

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

Personal pensions provide income to a relatively small group of pensioners, although the proportion of pensioners in receipt of personal pension income has increased during the period from 1994-95 (**Figure 3.9**). Results based on FES data for the period from 1979 to 1996-97 are not separately available for personal pension income. Indeed, personal pensions in their current form were only introduced in 1988.

In 2006-07, 13% of pensioner units were in receipt of income from personal pensions, with couples much more likely to be in receipt than single pensioners (**Table 3.8**). Recently retired pensioner units were more likely to be in receipt than older pensioners, which reflects the relatively recent expansion in the numbers contributing to personal pensions. The average amount of income from personal pensions for those in receipt was £97 per week in 2006-07, although half of all recipients had £38 per week or less.

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

Figure 3.9: Pensioner units in receipt of personal pension income, 1994-95-2006-07

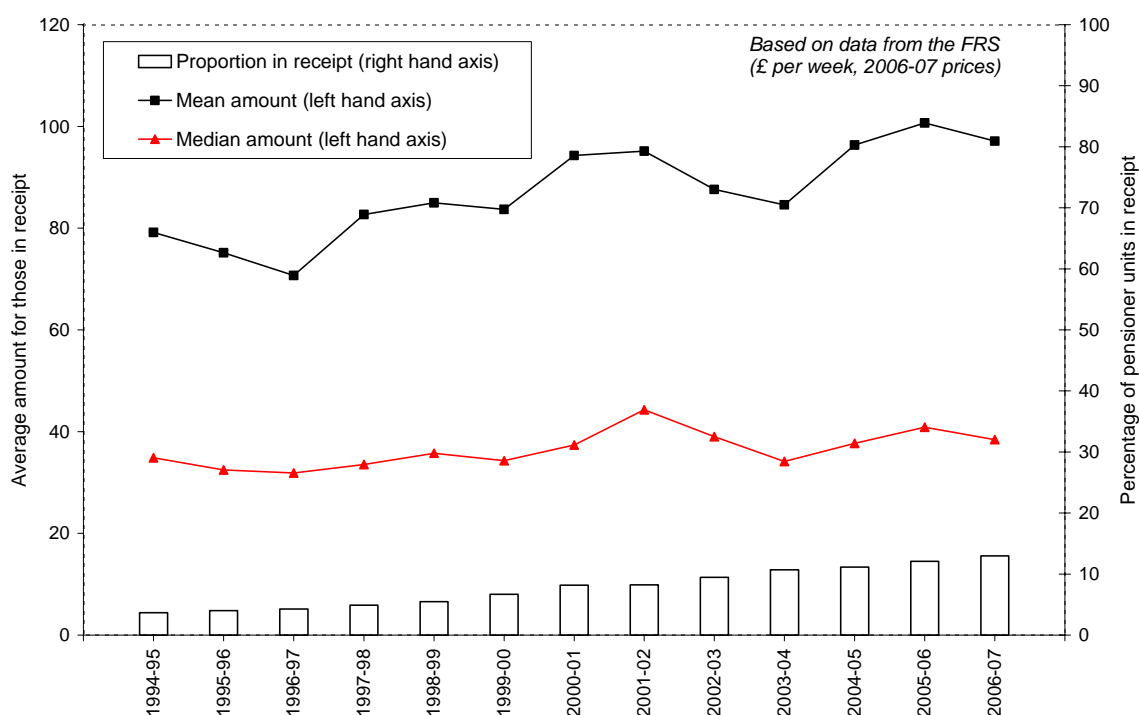


Table 3.8: The proportion of pensioner units with personal pension income and the average amount for those in receipt, 1994-95-2006-07

Incomes in £ per week, 2006-07 prices

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of personal pension income (%)						
All pensioner units						
Total	4%	4%	11%	11%	12%	13%
Pensioner couples	6%	7%	16%	17%	19%	20%
Single pensioners	2%	2%	6%	6%	7%	7%
Recently retired pensioner units						
Total	7%	7%	19%	18%	20%	21%
Pensioner couples	9%	10%	23%	24%	26%	27%
Single pensioners	4%	3%	13%	9%	12%	11%
Average amount of personal pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	79	71	85	96	101	97
Pensioner couples	87	77	93	103	110	103
Single pensioners	57	52	66	81	79	82
Recently retired pensioner units						
Total	56	86	90	109	95	88
Pensioner couples	62	91	103	115	103	95
Single pensioners	34	60	58	89	68	64
Median amounts						
All pensioner units						
Total	35	32	34	38	41	38
Pensioner couples	37	36	39	41	45	42
Single pensioners	29	26	28	32	34	32
Recently retired pensioner units						
Total	35	40	32	44	40	37
Pensioner couples	36	42	41	47	44	41
Single pensioners	25	32	25	41	31	25

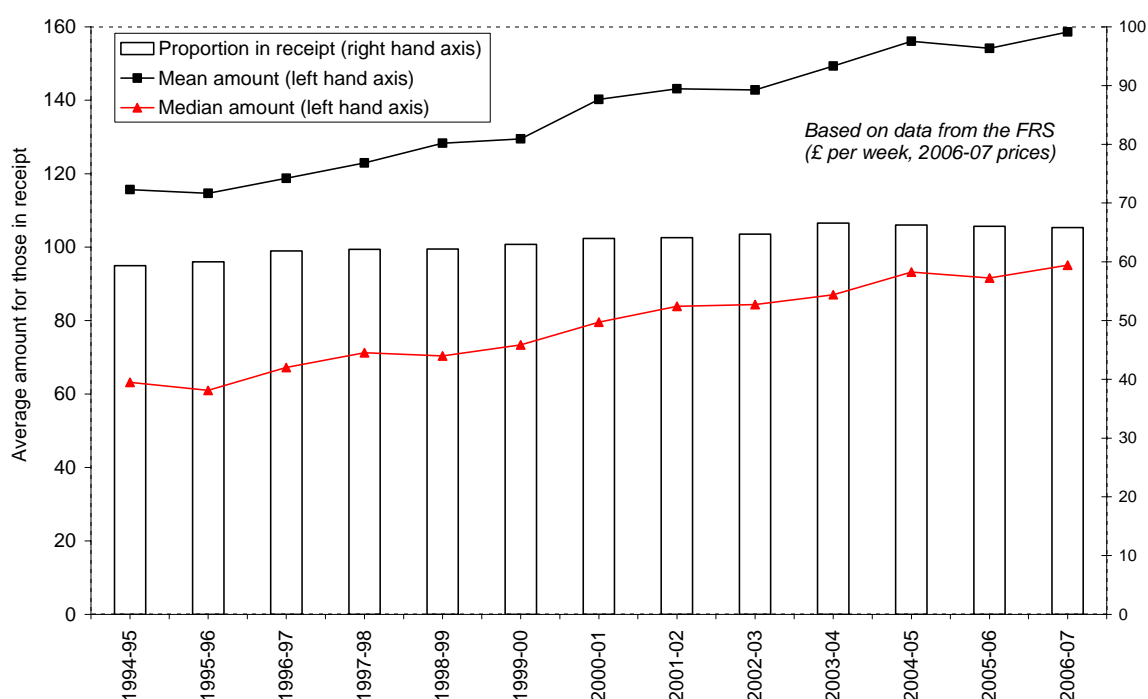
Pensioners in receipt of private pension income

Private pension income is the sum of occupational and personal pension income. Given the relative importance of the two, the results are dominated by occupational pensions. There has been a gradual increase in both the proportion of pensioners receiving income from private pensions and in the amount that they receive since 1994-95 (**Figure 3.10**).

In 2006-07, 66% of pensioner units were in receipt of private pension income, with couples more likely to be in receipt than single pensioners (**Table 3.9**).

The average amount of income from private pensions for pensioner units in receipt has increased in recent years, and was £159 per week in 2006-07, although half of all recipients had less than £95 per week. Recently retired pensioner units in receipt of private pension income on average receive more income from this source compared to older pensioner units.

Figure 3.10: Pensioner units in receipt of private pension income, 1994-95-2006-07



Chapter 3: Sources of Pensioners' Incomes

Table 3.9: The proportion of pensioner units with private pension income and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of private pension income (%)						
All pensioner units						
Total	59%	62%	67%	66%	66%	66%
Pensioner couples	73%	74%	77%	78%	77%	77%
Single pensioners	49%	52%	58%	57%	57%	56%
Recently retired pensioner units						
Total	69%	70%	69%	70%	67%	67%
Pensioner couples	79%	80%	80%	81%	77%	79%
Single pensioners	54%	55%	55%	54%	51%	51%
Average amount of private pension income for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	116	119	149	156	154	159
Pensioner couples	151	155	197	202	200	205
Single pensioners	76	79	97	104	104	106
Recently retired pensioner units						
Total	136	152	188	185	193	182
Pensioner couples	153	174	215	212	219	211
Single pensioners	101	104	134	127	137	122
Median amounts						
All pensioner units						
Total	63	67	87	93	92	95
Pensioner couples	96	97	127	134	129	139
Single pensioners	44	47	57	63	64	67
Recently retired pensioner units						
Total	87	95	121	128	120	120
Pensioner couples	103	113	137	145	143	150
Single pensioners	63	71	86	96	91	74

Pensioners in receipt of income from earnings

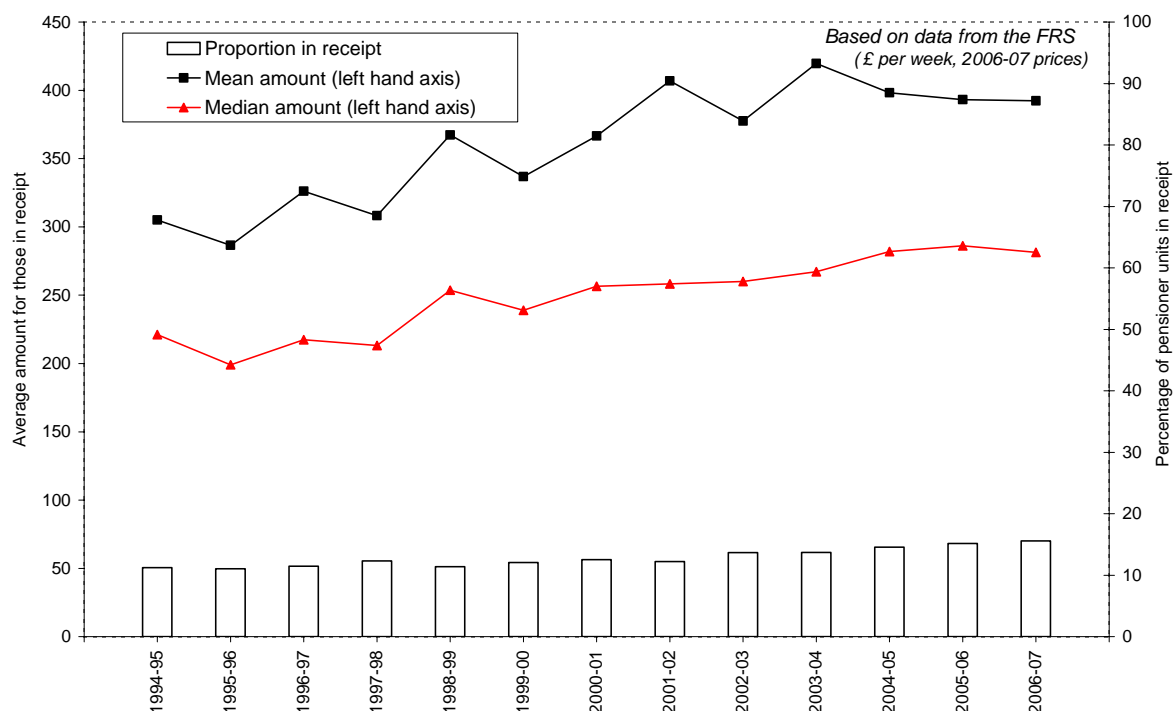
Income from earnings refers to gross earnings from employment and self employment. It is difficult to see a clear pattern over time for these figures – the increases in mean and median incomes from employment are not inconsistent with earnings growth over the economy as a whole - but due to the relatively small numbers reporting earnings in each year, there is high sampling variation and an erratic time series (**Figure 3.11**).

In 2006-07, 16% of pensioner units were in receipt of income from earnings, with couples more likely to be in receipt than single pensioners (**Table 3.10**). Recently retired pensioner units are much more likely to have income from earnings compared to all pensioner units, with 29% reporting to have earnings as a source of income.

The average amount of income from earnings in 2006-07 for those in receipt was £392 per week, with half of all pensioner units receiving earnings having more than £282 per week.

Pensioner couples in PI include couples where one member is below state pension age but the other is over. As such, some of the results include earnings from people under state pension age. The effects of these mixed status couples, particularly to earnings, are explored further in Chapter 5 (**Tables 5.1** and **5.2**).

Figure 3.11: Pensioner units in receipt of income from earnings, 1994-95-2006-07



Chapter 3: Sources of Pensioners' Incomes

Table 3.10: The proportion of pensioner units with income from earnings and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of income from earnings (%)						
All pensioner units						
Total	11%	11%	14%	15%	15%	16%
Pensioner couples	21%	22%	25%	25%	26%	27%
Single pensioners	4%	4%	5%	6%	6%	6%
Recently retired pensioner units						
Total	20%	20%	26%	26%	30%	29%
Pensioner couples	24%	26%	32%	30%	35%	35%
Single pensioners	15%	12%	18%	21%	22%	21%
Average amount of income from earnings for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	305	326	420	398	393	392
Pensioner couples	333	362	460	438	435	432
Single pensioners	202	178	245	250	244	257
Recently retired pensioner units						
Total	267	272	368	340	364	320
Pensioner couples	282	297	409	379	416	338
Single pensioners	233	194	269	263	247	281
Median amounts						
All pensioner units						
Total	221	217	267	282	286	282
Pensioner couples	252	261	307	313	317	309
Single pensioners	123	96	174	195	172	198
Recently retired pensioner units						
Total	181	184	227	250	255	242
Pensioner couples	188	196	235	282	283	244
Single pensioners	158	166	211	225	205	235

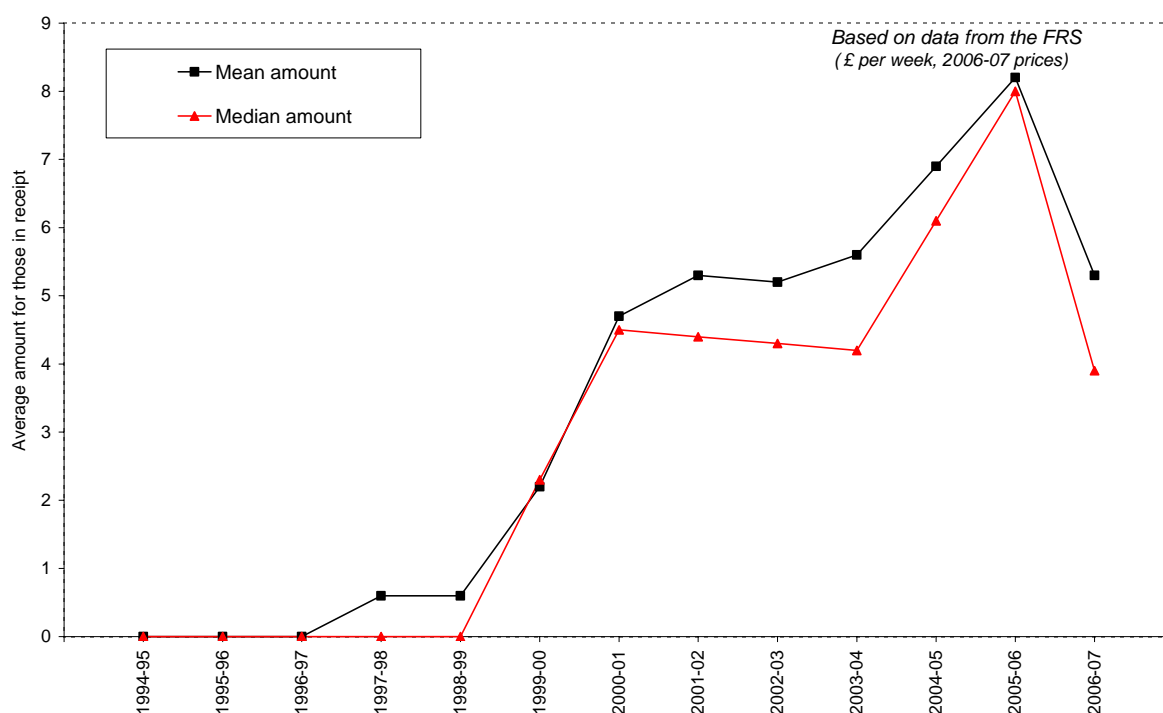
Pensioners in receipt of income from annual lump sum payments

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

A Winter Fuel Payment of £20 was introduced in 1997-98 and Free TV licences for the over-75s were introduced in November 2000. Since then fluctuations in the average amount are due to changes in the amount of the Winter Fuel Payment and age-related payment (if any). The peak in 2005-06 is due to the introduction of age-related payments in 2004-05 and their subsequent increase in 2005-06, before they were removed in 2006-07.

In 2006-07 practically all pensioner units receive some income from a lump sum payment, with the average amount received being £5 per week.

Figure 3.12: Pensioner units in receipt of income from annual lump sums, 1994-95-2006-07



Chapter 3: Sources of Pensioners' Incomes

Table 3.11: The proportion of pensioner units with income from annual lump sums and the average amount for those in receipt, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>					
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Proportion in receipt of income from annual payments (%)						
All pensioner units						
Total	0%	0%	99%	99%	100%	100%
Pensioner couples	0%	0%	99%	99%	100%	100%
Single pensioners	0%	0%	99%	100%	100%	100%
Recently retired pensioner units						
Total	0%	0%	99%	99%	100%	100%
Pensioner couples	0%	0%	99%	99%	100%	100%
Single pensioners	0%	0%	98%	99%	100%	100%
Average amount of income from annual payments for those in receipt (£pw)						
Mean amounts						
All pensioner units						
Total	*	*	6	7	8	5
Pensioner couples	*	*	5	6	8	5
Single pensioners	*	*	6	7	9	6
Recently retired pensioner units						
Total	*	*	4	4	6	4
Pensioner couples	*	*	4	4	7	4
Single pensioners	*	*	4	4	5	4
Median amounts						
All pensioner units						
Total	*	*	4	6	8	4
Pensioner couples	*	*	4	6	8	4
Single pensioners	*	*	5	8	8	5
Recently retired pensioner units						
Total	*	*	4	4	8	4
Pensioner couples	*	*	4	4	8	4
Single pensioners	*	*	4	4	4	4

Chapter 4: Distribution of Pensioners' Incomes

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

- **Tables 4.1 to 4.4** examine the distribution of incomes within the single pensioner and pensioner couples groups. In these tables incomes are not adjusted for the size of the household, so results for single pensioners and couples are shown separately
- **Tables 4.5 and 4.6** look at the distribution of pensioners' incomes within the population as a whole. In order to rank households within these tables income has been equivalised, or in other words adjusted to take into account variations in both the composition and size of the household. These figures are not comparable with figures in **Tables 4.1 to 4.4**

In both sets of tables, the distribution is calculated separately under the before and after housing costs measures. When considering changes in incomes over time it is more appropriate to use the after housing costs measure.

In **Tables 4.1 to 4.4**, the distribution of income is calculated separately for singles and couples, that is estimates for pensioner couples show income for each quintile of the pensioner couples' income distribution. Comparisons between single pensioners and pensioner couples are sensitive to the precise way in which incomes are equivalised (see Appendix A for more information).

The position in the overall income distribution is only a proxy for relative living standards. It does not account for the different costs people will face. For example the costs involved in disability or old age, or for working people the costs associated with travelling to work.

Median incomes by quintile

For pensioner couples in 2006-07, the median net income (before and after housing costs) of the top fifth was around four times that of the bottom fifth. For single pensioners median net income of the top fifth was around three times that of the bottom fifth.

The distribution of pensioners' incomes has become wider since 1979. **Figure 4.1** compares the median net incomes of the bottom fifth and top fifth of pensioner couples in 1979 and 1996-97 (based on the FES), and 1996-97 and 2006-07 (based on the FRS). The widening gap is mainly a result of the increasing value of occupational pensions and investments, which has led to faster growth in incomes towards the top of the distribution.

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

The rate of growth in median incomes between 1996-97 and 2006-07 was fairly evenly spread across the income distribution (32% growth in the top quintile of pensioner couples, 35% in the bottom on an AHC basis – **Table 4.1**).

Chapter 4: Distribution of Pensioners' Incomes

Table 4.1: The median net income of pensioner units by quintile of the net income distribution, 1996-97 and 2006-07

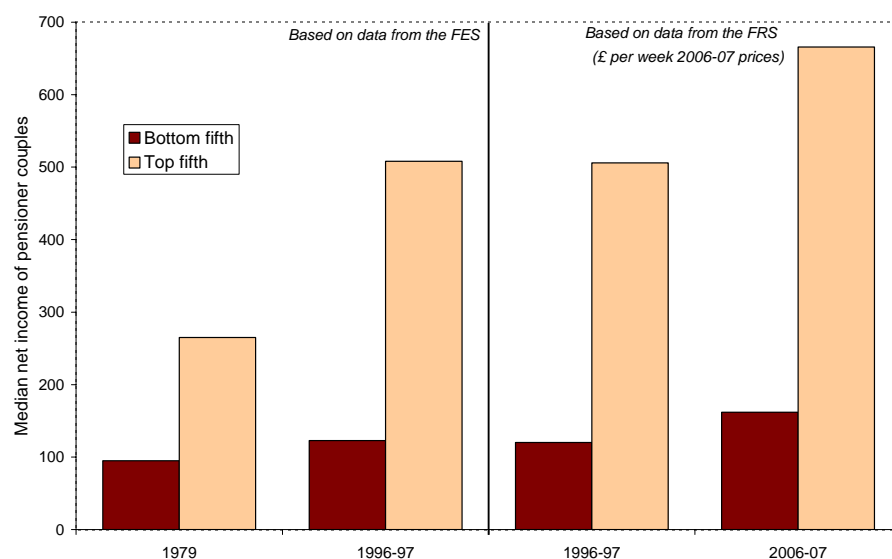
Incomes in £ per week, 2006-07 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Medians						
Pensioner couples						
Net income before housing costs						
1996-97	154	205	260	346	562	332
2006-07	181	255	329	433	686	413
% growth 1996-97-2006-07	17%	24%	27%	25%	22%	24%
Net income after housing costs						
1996-97	120	166	219	306	506	287
2006-07	162	231	307	412	666	390
% growth 1996-97-2006-07	35%	39%	40%	35%	32%	36%
Medians						
Single pensioners						
Net income before housing costs						
1996-97	86	116	140	173	253	162
2006-07	104	148	184	227	323	213
% growth 1996-97-2006-07	20%	27%	31%	31%	28%	31%
Net income after housing costs						
1996-97	62	79	95	136	216	125
2006-07	83	119	149	201	296	185
% growth 1996-97-2006-07	33%	49%	58%	47%	37%	48%

Notes:

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

Figure 4.1: Net income (AHC) of pensioner couples by position in the income distribution, 1979, 1996-97 and 2006-07



Age and gender in the income distribution

Table 4.2 shows the spread of different groups of pensioners across the pensioner income distribution in 2006-07. Two thirds of pensioners own their own home outright, and so tend to have relatively low housing costs. Net income after deducting housing costs better reflects their living standards than net income before housing costs.

Points of note include:

- **Older pensioner couples are more likely to be in the bottom fifth** of the pensioner couples' income distribution (both before and after housing costs) than younger pensioner couples. After housing costs 25% of pensioner couples 75 and over are in the bottom fifth compared with 18% of pensioner couples under 75. There is a similar pattern in the net BHC income distribution.
- **Older single pensioners are more likely to be in the bottom fifth** of the single pensioners' income distribution (both before and after housing costs) than younger single pensioners. After housing costs 22% of single pensioners 75 and over are in the bottom fifth compared with 19% of single pensioners under 75. There is a similar pattern before housing costs between single pensioners under 75 and over 75.
- **Single females are more likely to be in the bottom fifth** of the single pensioners' income distribution (both before and after housing costs) than single males. After housing costs 21% of single females are in the bottom fifth compared to 17% of men. There is a similar pattern in the net BHC income distribution. This is partly because a larger proportion of older pensioners are female than male. However, **Table 2.6** showed that within the 75 and over age group female single pensioners do have lower incomes than single males.

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

Figure 4.2: Pensioner couples by age and position in the net income (AHC) distribution, 2006-07

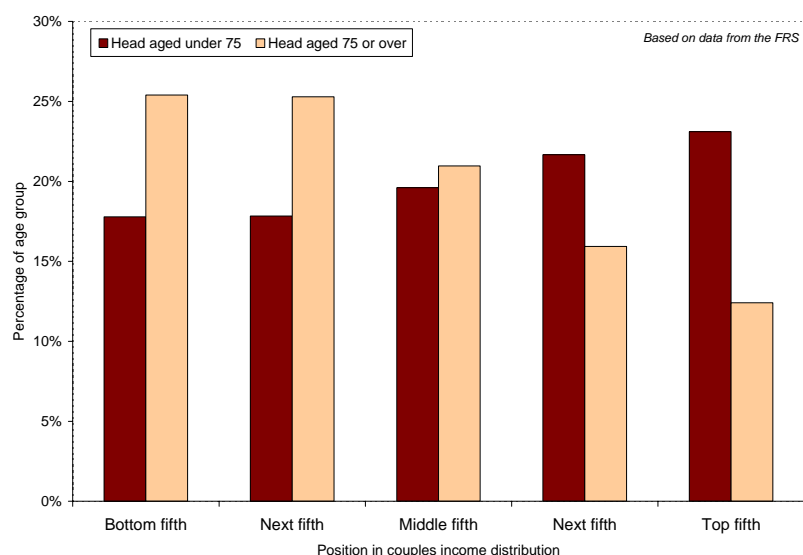


Table 4.2: The age and gender of pensioners by quintile of the net income distribution, 2006-07

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	16%	20%	20%	22%	22%	100%
Head aged under 75	17%	19%	20%	21%	23%	100%
Head aged 75 and over	27%	24%	21%	17%	12%	100%
Pensioner couples' net income						
After housing costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	16%	20%	19%	23%	22%	100%
Head aged under 75	18%	18%	20%	22%	23%	100%
Head aged 75 and over	25%	25%	21%	16%	12%	100%
Single pensioners' net income						
Before housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	14%	19%	22%	22%	23%	100%
Single females	22%	20%	19%	19%	19%	100%
Recently retired	18%	16%	19%	21%	27%	100%
Aged under 75	18%	19%	21%	20%	22%	100%
Aged 75 and over	22%	21%	19%	20%	19%	100%
Single pensioners' net income						
After housing costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	17%	17%	22%	20%	24%	100%
Single females	21%	21%	19%	20%	19%	100%
Recently retired	20%	20%	15%	18%	26%	100%
Aged under 75	18%	21%	19%	20%	22%	100%
Aged 75 and over	21%	19%	21%	20%	18%	100%

The distribution of different sources of income

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

Income from state benefits in 2006-07 is fairly even across the distribution of pensioner couples (**Figure 4.3**) but increases as we move up the distribution for single pensioners (**Figure 4.4**). The bottom fifth received only a small proportion of their income from other sources, with benefits accounting for 75% of gross income for pensioner couples. Occupational pension income increases rapidly as we move up the distribution, reaching an average of £321 for the top fifth of pensioner couples and £147 for the top fifth of single pensioners. Income from investments and earnings also increase steeply as we move up the income distribution for both pensioner couples and single pensioners.

Figure 4.3: Sources of gross income of pensioner couples by position in the net income (BHC) distribution, 2006-07

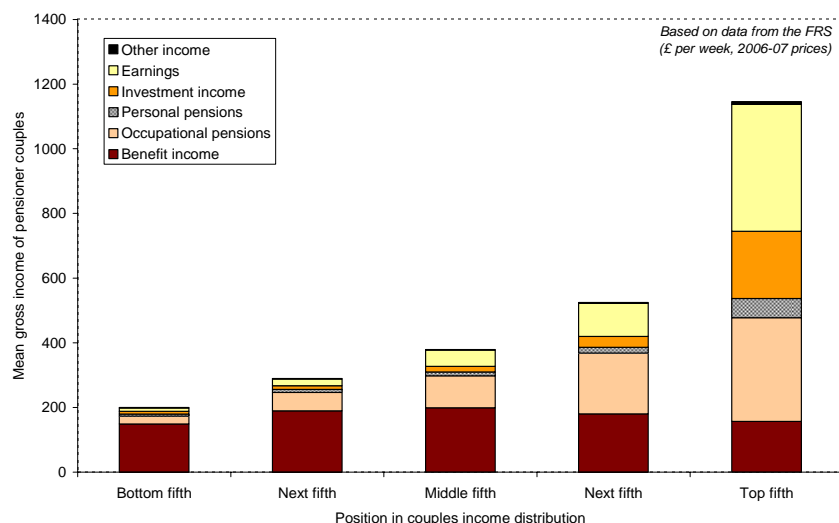
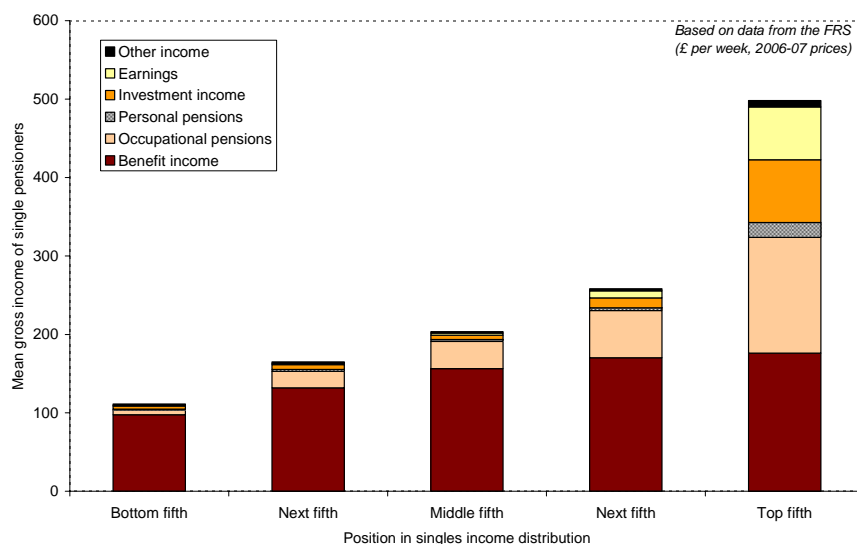


Figure 4.4: Sources of gross income of single pensioners by position in the net income (BHC) distribution, 2006-07



Chapter 4: Distribution of Pensioners' Incomes

Table 4.3: Components of mean gross income of pensioner units by quintile of the net income distribution, 1996-97 and 2006-07

Incomes in £ per week, 2006-07 prices

	Quintiles of the income distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1996-97 Means						
Pensioner couples						
Gross income	165	227	292	407	881	394
<i>of which</i>						
Benefit income	133	163	165	153	135	150
Occupational pension	18	41	73	136	282	110
Personal pension income	1	2	3	5	17	6
Investment income	7	10	19	38	172	49
Earnings	6	11	31	74	268	78
Other income	*	*	1	1	6	2
Single pensioners						
Gross income	94	127	153	193	356	185
<i>of which</i>						
Benefit income	86	105	125	132	137	117
Occupational pension	4	16	21	42	121	41
Personal pension income	*	*	*	1	4	1
Investment income	4	5	5	13	62	18
Earnings	*	1	1	4	29	7
Other income	*	1	1	1	3	1
2006-07 Means						
Pensioner couples						
Gross income	200	290	379	524	1146	508
<i>of which</i>						
Benefit income	149	190	199	181	157	175
Occupational pension	24	57	99	188	321	138
Personal pension income	7	10	12	18	59	21
Investment income	8	11	17	34	208	56
Earnings	10	21	50	102	393	115
Other income	1	1	1	2	9	3
Single pensioners						
Gross income	111	165	203	258	498	247
<i>of which</i>						
Benefit income	98	132	156	170	176	146
Occupational pension	6	21	35	60	147	54
Personal pension income	1	2	2	4	19	6
Investment income	4	6	6	13	80	22
Earnings	1	2	3	9	67	16
Other income	2	2	2	2	8	3

The importance of different sources of income in different quintiles

The analysis of income receipt in **Table 4.4** shows the proportion of pensioner units *within each quintile* who received a given source of income.

Pensioners (both pensioner couples and single pensioners) towards the bottom of the income distribution are less likely to receive income from investments, occupational pensions or earnings. In the before housing costs distribution, the proportion of pensioner couples with occupational pension income ranged from 44% in the bottom fifth of the distribution to 77% in the top fifth. The trend is similar after housing costs with 42% of the bottom fifth receiving occupational pension income and 77% in the top fifth.

The lowest rates of receipt for disability benefits were generally found towards the bottom of the income distribution. This is because disability benefits themselves (and disability related additions to income related benefits) help move people up the income distribution. It is worth noting though that in this analysis no account is taken of the extra costs associated with disability when calculating each pensioner's position in the income distribution.

Income related benefits were not limited to those at the bottom of the income distribution. A significant proportion of those further up the income distribution received income related benefits too. This is partly due to these benefits serving to push people up the distribution; particularly disability related additions to income related benefits (which are paid on top of disability benefits such as Attendance Allowance and Disability Living Allowance).

Across all quintiles a greater proportion of single pensioners are in receipt of income related benefits than pensioners couples. This holds true for a BHC and AHC basis. For example, on a BHC basis, 32% of single pensioners in the top quintile are in receipt of income related benefits, compared with 3% for pensioner couples. In contrast, greater proportions of pensioner couples are in receipt of investment income and occupational pension across all quintiles than single pensioners. This is true on both BHC and AHC basis.

Housing Benefit is included as income on a before housing costs basis but rents are not deducted from income. Pensioners who receive this income related benefit will thus appear better off than those pensioners who do not have rent to pay and so are not entitled to Housing Benefit. This leads to larger proportions of pensioners in the 3rd, 4th and 5th quintiles getting income related benefits on the before housing costs basis than when rent is deducted from incomes for the after housing costs basis (**Table 4.4**).

Table 4.4: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2006-07

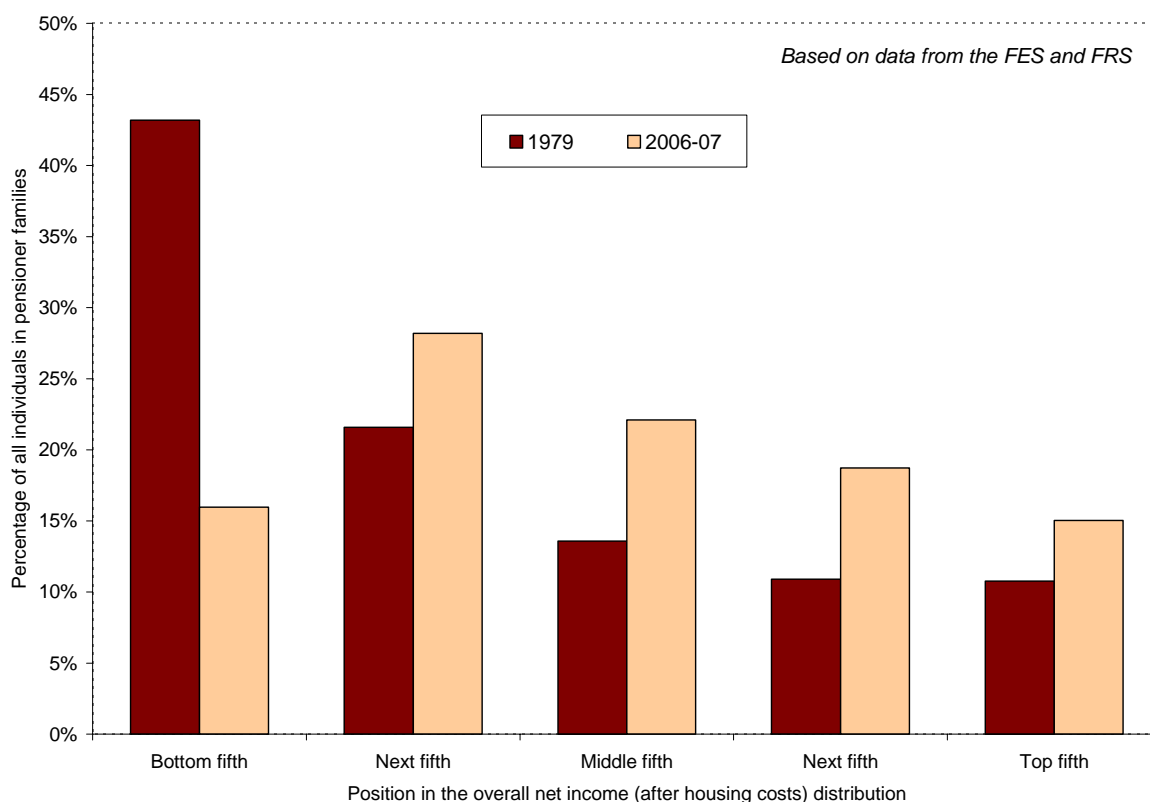
	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	92%	96%	95%	96%	92%	94%
Income related benefits	30%	29%	21%	8%	3%	18%
Disability benefits	12%	27%	36%	26%	11%	22%
Investment income	65%	74%	78%	86%	92%	79%
Occupational pension	44%	63%	71%	79%	77%	67%
Personal Pension income	18%	20%	17%	21%	26%	20%
Earnings	8%	14%	23%	33%	56%	27%
Pensioner couples' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	91%	96%	95%	96%	92%	94%
Income related benefits	35%	30%	18%	6%	2%	18%
Disability benefits	12%	30%	35%	25%	11%	22%
Investment income	62%	74%	79%	88%	92%	79%
Occupational pension	42%	62%	72%	81%	77%	67%
Personal Pension income	15%	21%	18%	21%	26%	20%
Earnings	8%	14%	22%	35%	55%	27%
Single pensioners' net income						
Before housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	92%	98%	99%	99%	96%	97%
Income related benefits	35%	50%	56%	46%	32%	44%
Disability benefits	6%	17%	21%	37%	35%	23%
Investment income	56%	64%	60%	70%	80%	66%
Occupational pension	25%	50%	53%	62%	70%	52%
Personal Pension income	4%	7%	5%	6%	13%	7%
Earnings	2%	2%	3%	7%	18%	6%
Single pensioners' net income						
After housing costs distribution						
Proportion of each quintile in receipt of:						
State Pension	92%	98%	99%	98%	96%	97%
Income related benefits	40%	67%	49%	41%	21%	44%
Disability benefits	8%	10%	25%	43%	29%	23%
Investment income	54%	54%	65%	72%	86%	66%
Occupational pension	28%	36%	58%	63%	76%	52%
Personal Pension income	4%	3%	8%	6%	14%	7%
Earnings	1%	2%	3%	6%	19%	6%

Pensioners in the overall net income distribution

Tables 4.5 and 4.6 show the position of individuals within the overall household income distribution. Before dividing households into quintiles, household income is equivalised, meaning that it is adjusted to take account of the size and composition of the household. The tables show pensioners ranked by their equivalised household income. More details of the equivalisation process are given in Appendix A.

The proportion of pensioners in each fifth of the income distribution in 1979 and 2006-07 is shown in Figure 4.5. In 1979, 44% of all pensioners were in the bottom fifth before housing costs and by 2006-07 this proportion had almost halved to 25%. As increasing numbers of pensioners own their own home outright the improvement of pensioners' position in the net income distribution after housing costs was more significant. On this measure the proportion in the bottom fifth fell from 43% in 1979 to 16% in 2006-07. A slightly greater proportion of single pensioners are in the bottom fifth both on a BHC and AHC basis in comparison to couples.

Figure 4.5: Pensioners' position in the overall net income (AHC) distribution, 1979 and 2006-07



Chapter 4: Distribution of Pensioners' Incomes

Table 4.5: The proportion of individuals in pensioner families in each quintile of the overall population net income distribution, 1979, 1996-97, and 2006-07

Quintiles based on equivalised household income

Results based upon data from the FES (for 1979) and the FRS (for 1996-97 and 2006-07)

	Quintile of the income distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
1979						
All pensioners						
Before housing costs	44%	23%	14%	10%	9%	100%
After housing costs	43%	22%	14%	11%	11%	100%
Pensioner couples						
Before housing costs	40%	22%	16%	11%	11%	100%
After housing costs	41%	20%	15%	12%	12%	100%
Single pensioners						
Before housing costs	49%	24%	11%	8%	7%	100%
After housing costs	47%	23%	11%	9%	9%	100%
1996-97						
All pensioners						
Before housing costs	21%	29%	22%	15%	13%	100%
After housing costs	16%	29%	22%	18%	15%	100%
Pensioner couples						
Before housing costs	21%	28%	22%	15%	14%	100%
After housing costs	15%	29%	22%	18%	16%	100%
Single pensioners						
Before housing costs	24%	33%	23%	12%	9%	100%
After housing costs	18%	32%	22%	15%	13%	100%
2006-07						
All pensioners						
Before housing costs	25%	27%	21%	15%	11%	100%
After housing costs	16%	28%	22%	19%	15%	100%
Pensioner couples						
Before housing costs	23%	25%	21%	17%	15%	100%
After housing costs	15%	25%	23%	19%	18%	100%
Single pensioners						
Before housing costs	30%	32%	20%	12%	6%	100%
After housing costs	18%	33%	21%	17%	10%	100%

The proportion of pensioners in the top half of the income distribution

Since 1979, the proportion of pensioners in the top half of the overall population income distribution has increased (**Figure 4.6**). Pensioners are more likely to own their own home outright than the rest of the population, and so the proportion of pensioners in the top half of the distribution is higher on the after housing costs measure. According to this measure, 44% of all pensioners were in the top half in 2006-07; 48% of individuals in pensioner couples and 38% of single pensioners.

Figure 4.6: Proportion of individuals in pensioner families in the top half of the overall population net income (AHC) distribution, 1979-1995/97 and 1994-95-2006-07

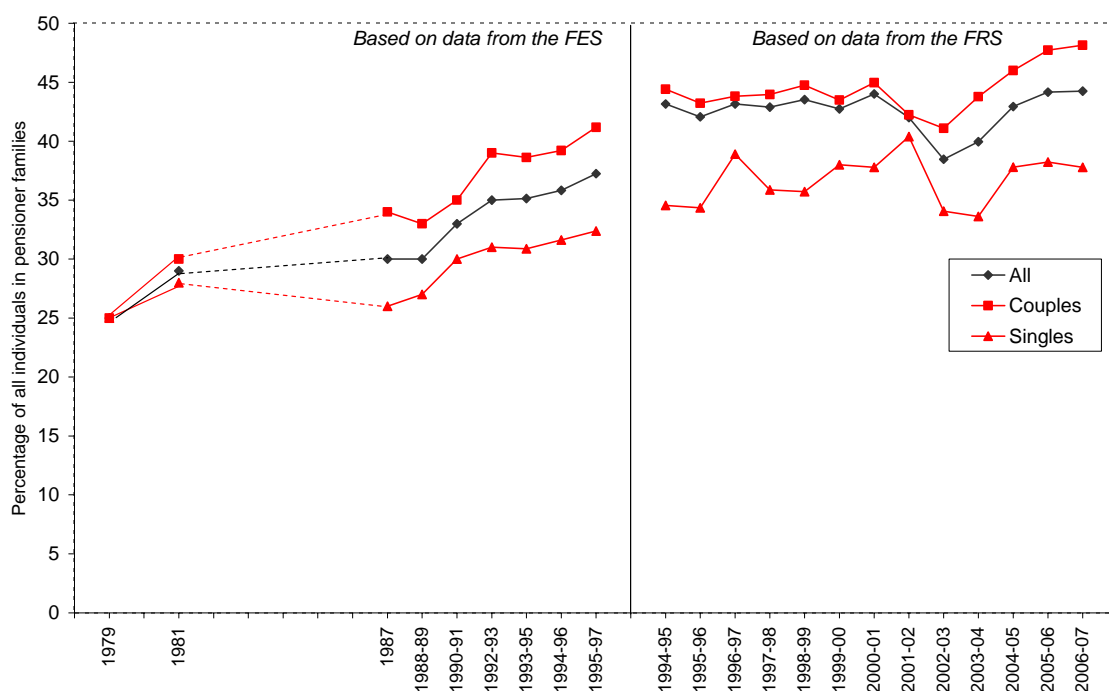


Table 4.6: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 1994-95-2006-07

Quintiles based on equivalised household income

	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07
Net income before housing costs						
All pensioner units	37%	38%	34%	35%	36%	36%
Pensioner couples	38%	39%	39%	40%	41%	41%
Single pensioners	27%	31%	26%	28%	29%	28%
Net income after housing costs						
All pensioner units	43%	43%	40%	43%	44%	44%
Pensioner couples	44%	44%	44%	46%	48%	48%
Single pensioners	35%	39%	34%	38%	38%	38%

Chapter 5: Additional Analysis and Context

This chapter looks at areas of interest around pensioners' incomes that do not fit into other chapters of the publication or have a lower level of robustness so that results should be treated with caution. **In particular, differences in incomes between groups and changes over time are unlikely to be statistically significant.**

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

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

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

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

Mixed status couples

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

This section looks at summary results for mixed status couples, that is those couples where strictly one partner is above state pension age and one below. Although same sex couples are included in the main tables as part of the definition of pensioner couples for 2006-07, the numbers are too small to provide a separate analysis of them in this section, and so they are excluded.

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

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

Figure 5.1: Sources of gross income for different types of pensioner couples, 2006-07

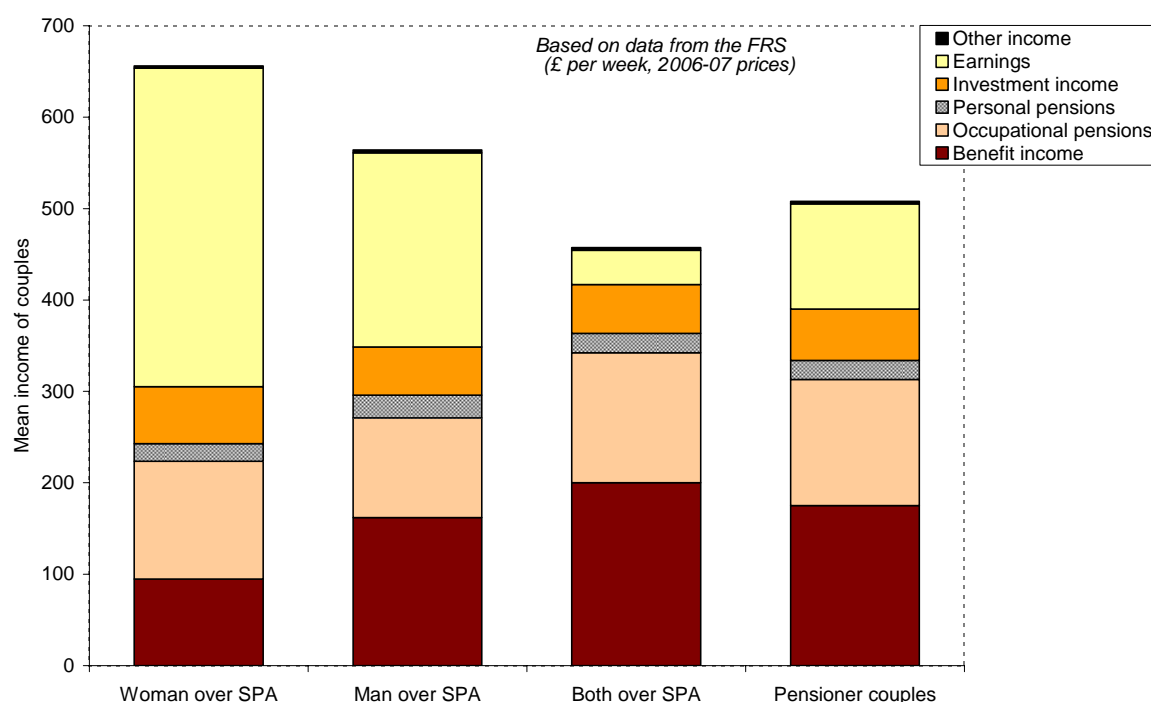


Figure 5.1 shows that pensioner couples with one member over state pension age and one below have, on average, significantly higher earnings, and as a result a higher overall income.

Chapter 5: Additional Analysis and Context

From **Figure 5.1** we can see that couples in which only the woman is over state pension age tend to have different characteristics to other couples. A larger amount of their income comes from earnings and less from benefits. Couples where the man is over SPA but the woman is below also have different characteristics from couples where both members are above SPA. Couples where one person is above SPA have significantly greater income from earnings and tend to receive less income from benefits.

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

Table 5.1: The average incomes of couples where one partner is over state pension age but the other is not, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>						
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07	As a % of gross income in 2006-07
Couples where one partner is over state pension age but the other is not							
Gross income	456	489	629	641	650	637	100%
<i>of which</i>							
Benefit income	97	97	110	112	116	109	17%
Occupational pension	105	115	124	138	131	125	20%
Personal pension income	4	6	13	15	17	20	3%
Investment income	54	51	51	60	59	60	9%
Earnings	192	217	326	311	320	320	50%
Other income	3	4	5	5	6	2	0%
Net income BHC							
Mean	358	385	476	483	498	483	76%
Median	291	299	352	364	375	376	
Net income AHC							
Mean	309	332	433	446	464	454	71%
Median	251	252	322	334	346	352	

Mixed status couples are a relatively small group, and so their inclusion or exclusion makes little difference to the overall results for pensioner couples or pensioner units as a whole. However, for some sub-groups, and analysis of some components of income, for instance earnings, inclusion or exclusion of these mixed status couple will make a greater difference.

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

Table 5.2: The proportion of different groups of pensioner couples with income from earnings and the average amounts for those in receipt, 2006-07

		<i>Incomes in £ per week, 2006-07 prices</i>	
	Proportion in receipt of income from earnings (%)	Average amount of income from earnings for those in receipt (£pw)	
		Mean	Median
Published results (Table 3.10)	27%	432	309
Results using previous definition of pensioner couples	17%	300	203
Man over SPA, Woman under SPA	57%	371	264
Woman over SPA, Man under SPA	62%	560	413
Strictly one member over SPA, one under SPA	61%	524	390
Both members over SPA	14%	276	186

Retired people

The Pensioners' Income Series classifies people by age – either under or over SPA. Another way to approach this is to look at benefit units which report their employment status as retired. Here, retirement is self-reported and is defined as no longer economically active (in employment or actively seeking work).

Table 5.3 shows the numbers of singles and couples who have retired and whether they are under or over SPA. This shows that:

- There are 150,000 singles that have retired under SPA and 250,000 couples where both are under SPA and at least one member has retired. These groups are not included in the results in earlier chapters of this report.
- 500,000 singles over SPA have not retired and 550,000 couples have at least one member over SPA where neither has retired. These are included in the results in earlier chapters of this report.

Table 5.3: The number of benefit units that have retired or not, by SPA, 2006-07

	Under SPA		Over SPA		All
	Males	Females	Males	Females	
Singles					
Not retired	6,450,000	5,850,000	100,000	400,000	12,800,000
Retired	100,000	50,000	1,050,000	2,950,000	4,150,000
All	6,550,000	5,850,000	1,150,000	3,350,000	16,900,000
	Both under SPA	Female over SPA	Male over SPA	Both over SPA	All
Couples					
Neither retired	10,850,000	350,000	50,000	150,000	11,400,000
One retired	250,000	300,000	150,000	400,000	1,100,000
Both retired	50,000	150,000	0	2,150,000	2,400,000
All	11,150,000	800,000	200,000	2,700,000	14,850,000

Table 5.4, looking at the income components of single retired benefit units under SPA, gives an example of the characteristics of people who have retired early. The estimates provided need treating with some caution due to the sample size available. However, they do give a broad sense of the incomes available to those who have retired below SPA.

Table 5.4: The average incomes of single retired benefit units under SPA, 2006-07

<i>Incomes in £ per week, in 2006-07 prices</i>		
Retired under SPA	Amount of income	Proportion in receipt
Gross income	265	
<i>of which</i>		
Benefit Income	59	67%
State Pension	4	5%
Income related benefits	33	34%
Disability benefits	7	11%
Occupational pension	122	64%
Personal pension income	18	55%
Investment income	39	9%
Earnings	26	*
Other income	*	11%
Net income BHC		
Mean	209	
Median	166	
Net income AHC		
Mean	174	
Median	122	

The single benefit units retired below SPA show:

- High occupational pension
- Benefit income from income related benefits
- 64% are in receipt of occupational pensions income
- 67% are in receipt of some form of benefit income

The gross income level would place these retired singles in the top two quintiles of the singles pensioner income distribution. The levels of investment income and occupational pension income on average are similar to those received by single pensioners in the top quintile. State Pension includes Widow's Pension and Widowed Parent's Allowance.

Pensioners over 65

In earlier chapters pensioner units are included in results if they are a single pensioner over state pension age (65 for men, 60 for women), or a couple one or more of which are over state pension age. Between 2010 and 2020 the state pension age for women will be increasing from 60 to 65, to match the SPA for men. So the results in **Table 2.1** will include a slightly different group of pensioners every year between 2010 and 2020.

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

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

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

Table 5.5: The average incomes of pensioner units over 65 years old, 1994-95-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>						
	1994-95	1996-97	2003-04	2004-05	2005-06	2006-07 income in 2006-07	As a % of gross
All pensioner units							
Gross income	251	264	323	336	339	340	100%
<i>of which</i>							
Benefit income	132	136	162	168	172	168	49%
Occupational pension	63	68	89	91	88	91	27%
Personal pension income	3	3	9	11	12	12	4%
Investment income	32	32	30	31	32	35	10%
Earnings	21	23	29	31	31	31	9%
Other income	1	1	3	3	4	3	1%
Net income BHC							
Mean	216	228	274	285	289	288	85%
Median	166	178	217	226	231	227	
Net income AHC							
Mean	176	188	242	257	262	263	77%
Median	128	138	185	198	203	203	
Pensioner couples							
Gross income	361	381	454	467	470	470	100%
<i>of which</i>							
Benefit income	159	164	190	195	201	193	41%
Occupational pension	103	109	138	139	134	140	30%
Personal pension income	6	6	16	19	22	21	4%
Investment income	49	52	46	49	50	53	11%
Earnings	43	50	60	61	60	60	13%
Other income	1	1	4	4	4	3	1%
Net income BHC							
Mean	306	325	379	388	393	391	83%
Median	240	256	300	310	317	316	
Net income AHC							
Mean	262	281	347	362	368	370	79%
Median	203	215	270	285	294	294	
Single pensioners							
Gross income	175	182	222	236	240	241	100%
<i>of which</i>							
Benefit income	112	118	141	147	151	149	62%
Occupational pension	36	40	52	55	54	54	22%
Personal pension income	1	1	4	5	5	6	2%
Investment income	19	18	17	18	19	20	8%
Earnings	5	5	6	8	9	9	4%
Other income	1	1	3	3	3	3	1%
Net income BHC							
Mean	154	161	194	206	210	209	87%
Median	131	139	173	180	184	183	
Net income AHC							
Mean	117	124	162	176	182	181	75%
Median	87	94	133	145	150	149	

Ethnic minority groups

Ethnic minorities account for 4.1% of all pensioner units in the UK according to the FRS (based on head of pensioner unit), this proportion is similar to the one found in the 2001 Census (3%). The sample sizes for ethnic minority pensioner groups on the FRS are small and so it is difficult to get robust estimates from the survey. For these results a three year dataset has been used and so comparisons with tables in the main text can only be indicative. Data is collected on pensioners in the 'Mixed' ethnic group, but sample sizes are too small to provide robust estimates, even when combining three year's data.

Results show that:

- Ethnic minority pensioners have lower overall income than their White counterparts (for example, median net income (BHC) of White pensioner units is £235 compared to £204 and £175 for Black and Asian units respectively)
- A large part of this difference is due to ethnic minority pensioners being less likely to receive occupational or personal pensions. They are also less likely to receive State Pension

Low pension incomes partially reflects members of ethnic groups migrating to Great Britain in the middle of their working lives. This gave them a reduced chance to build up entitlement to state and private pension schemes. Migration from the Caribbean peaked in the early 1960s; and the Asian groups in the following two decades (those from India and Pakistan in the early 1970s; from Bangladesh in the early 1980s). More information can be found in *'Immigration, emigration and the ageing of the overseas-born population in the United Kingdom'* by Michael Rendall and Deborah Ball, available on the internet at www.statistics.gov.uk/articles/population_trends/PT116_RendallBall.pdf.

Although the overall benefit income is roughly equal across the groups, a breakdown shows differences in the types and amount of benefits received. A higher proportion of minority group pensioners are in receipt of income related benefits compared to the White group

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

Table 5.6: The components of mean gross income of pensioner units, and the proportion in receipt by ethnic minority group, 2004-07

Incomes in £ per week, in 2006-07 prices

Ethnic Minority groups	All	White	Asian / Asian British	Black / Black British	Chinese / Other
Gross income	362	364	285	273	321
<i>of which</i>					
Benefit income	161	161	149	160	150
State Pension	118	119	86	101	94
Income related benefits	21	20	39	39	32
Disability benefits	14	14	12	12	13
Occupational pension	91	93	48	37	66
Personal pension income	12	12	4	6	4
Investment income	34	35	27	7	29
Earnings	60	60	55	58	67
Other income	3	3	3	5	5
Net income BHC					
Mean	301	304	239	234	264
Median	233	235	175	204	211
Net income AHC					
Mean	274	276	212	192	231
Median	207	208	150	153	183
Proportion of pensioners in receipt of:					
Benefit income	100%	100%	98%	100%	99%
State Pension	96%	97%	80%	90%	84%
Income related benefits	32%	32%	47%	50%	37%
Disability benefits	23%	23%	22%	22%	20%
Occupational pension	59%	60%	30%	38%	43%
Personal pension income	12%	12%	4%	4%	6%
Investment income	72%	73%	46%	39%	57%
Earnings	15%	15%	12%	18%	16%
Total population figures	8,100,000	7,790,000	160,000	90,000	50,000
(rounded to 10,000)					

Notes:

(1) Data based on the average of three years of FRS results from 2004-05, 2005-06 and 2006-07 uprated to 2006-07 prices

Appendices

A Data Sources and Methods

B Reliability of Estimates

Appendix A: Data Sources and Methods

The PI series in 2006-07 is based on the Households Below Average Income (HBAI) dataset, which is itself based on the Family Resources Survey (FRS). The HBAI publication makes an adjustment for households with very high incomes as the FRS under-records information about these households. This adjustment is based on data from the Survey of Personal Incomes (SPI) from HM Revenue and Customs (HMRC). FRS based estimates are not available prior to 1994-95. Estimates for years between 1979 and 1996-97 are based on Family Expenditure Survey (FES) data (see Historical Tables on the PI website). FES data is based on calendar years between 1979 and 1993, and financial years from 1994-95 onwards.

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

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

More information on data sources and methodology

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

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

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

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

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

National Statistics Quality Review of Income Statistics

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

Estimates for 1990/91

The PI Series gives single calendar year estimates up to the calendar year 1993, and single financial year estimates thereafter. However, in 1991 one quarter of the Family Expenditure Survey sample was omitted because of problems following the delayed issue of Community Charge bills in April 1991. This is explained fully in *'Households Below Average Income 1979-1990/1'* published by Her Majesty's Stationary Office. As a result the sample size in that year is too small to provide sufficiently reliable estimates of pensioners' incomes. For this reason the remaining data for 1991 has been combined with that for 1990 to produce estimates for the combined calendar years 1990 and 1991.

Definitions of Gross and Net Income

Gross Income

Within the Pensioners' Incomes Series, gross income is generally separated into six components:

- **Income from benefits** – including tax credits

In Chapter 3, this is further divided into:

- **State Pension** – basic and additional State Pension, Widow's Pension and Widowed Parent's Allowance
- **Income related benefits** – Pension Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants. It also includes tax credits
- **Disability benefits** – Disability Living Allowance, Attendance Allowance, Industrial Injuries Disablement Benefit and War Disablement Pension

These three benefit types are not exhaustive – there are benefits, such as Winter Fuel Payments and Carer's Allowance, which do not fit into any of these categories but are still included in total benefit income.

- **Income from occupational pensions**
- **Income from personal pensions** – personal pensions, annuities bought with lump sums from personal pensions, trades union and friendly society pensions
- **Income from private pensions** – the sum of occupational and personal
- **Income from investments**
- **Income from earnings** – including profit and loss from self-employment
- **Other income** – benefits from Friendly Societies, income from dependent children, and from November 2000 free TV licences for those aged 75 and over

Net Income

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

- income tax payments
- National Insurance contributions
- contributions to occupational and private pension schemes
- local taxes
- maintenance and child support payments

and parental contributions to children living away from home.

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

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

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

Differences between the FRS and FES

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

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

Negative Incomes

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

See the PI methodological paper no 2 for more information on negative incomes. This is available on the web at www.dwp.gov.uk/asd/pensioners_income.asp.

Households Below Average Income and the main Pensioners' Incomes Series

Tables 4.5 and 4.6 in the Pensioners' Incomes Series provide information on the position of pensioners within the overall income distribution. These tables define pensioners as adults in families where at least one member is over state pension age, consistent with the rest of the PI publication. This is different to the definition used in the Households Below Average Income (HBAI) which defines pensioners as those over state pension age.

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

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

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

Equivalisation: To allow comparison of living standards of different households, the HBAI 'equivalises' household income – that is adjusts it to take account of household size and composition. One of the main functions of the PI series is to provide information on the cash income of pensioner units, split by sources of income. This can only be done using unequivalised income. Indeed equivalisation is not necessary for most PI results, which are presented separately for pensioner couples and single pensioners. However, PI results for all pensioner units are affected by changes in the balance between couples and singles, as shown in **Tables 2.1 (Supplementary)**. To avoid unnecessary complexity, the main PI results are presented in monetary terms, at constant 2006-07 prices, rather than equivalised income.

Equivalisation Scales: HBAI has historically used the McClements equivalisation scale. Following user consultation, the 2005-06 edition of HBAI used Modified OECD equivalisation scales. The same change has been made to **Tables 4.5 and 4.6** since the 2005/06 edition of the PI series. Information on the effect of the change can be found in Appendix B of the 2005/06 edition of the PI series.

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

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

Sources of uncertainty

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

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

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

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

Estimating sampling error

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

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

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

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

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

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

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

Table B1.1 gives some examples of standard errors and confidence intervals that have been calculated for estimates of pensioners' average incomes in 2006-07. The table shows that while there is a degree of uncertainty about the estimates it does not effect the broad conclusions drawn, such as the relative importance of different types of income, or the fact that single men on average have higher incomes than single women.

Where uncertainty restricts the conclusions that can be drawn from such comparisons, users are advised to look at the results over several years for more evidence of the true pattern. For example, if group A had substantially higher income than group B in each of the four preceding years (and there is no reason to suspect that the current year should be any different), then there is more evidence that group A genuinely has a higher average income.

Comparisons over time represent a special case. Over short time periods it is likely that an income measure will not change dramatically, and so any uncertainty is likely to be large compared with the change itself. That is why users are strongly advised not to draw firm conclusions from looking at year-on-year changes. **Table B1.2** shows the growth in sources of income between 1996-97 and 2006-07 and between 2005-06 and 2006-07. Notice that the size of the confidence interval around the estimate of growth between 2005-06 and 2006-07 is large compared to the estimate itself.

The results shown in **Table B1.1** illustrate that caution should also be exercised when looking at changes over more than one year. Since FRS data is only available from 1994-95, estimates of recent growth can currently be based on a period of twelve years at most. Even over this period, uncertainty is clearly a lot greater than for point-in-time estimates. For example, the relative 95% confidence interval around average income growth of pensioner couples is a fifth of the size of the estimate itself. Recent growth estimates for smaller subgroups of pensioners are even more uncertain.

Survey design effects have been incorporated into the calculation of standard errors for most of the 2006-07 estimates. However, for some 2006-07 estimates and all 1994-95 estimates it has not proved possible to do this. For these estimates, standard errors and confidence intervals have been calculated using simple random sampling assumptions. In most cases this means that the uncertainty surrounding the estimates of recent growth, as published in **Table 2.2**, will be slightly understated.

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

Table B1.1: Uncertainty surrounding selected estimates in the Pensioners' Incomes Series, 2006-07

<i>Incomes in £ per week, 2006-07 prices</i>					
	Estimate £pw	Standard error	95% confidence interval		
			Interval width +/-	Relative width	Interval range
All pensioner units					
Gross income	365	6	11	3%	[354, 376]
<i>of which</i>					
Benefit income	159	1	2	1%	[158, 161]
Occupational pension	92	2	4	4%	[88, 96]
Personal pension income	13	1	2	14%	[11, 14]
Investment income	37	2	4	10%	[33, 41]
Earnings	61	3	6	11%	[55, 68]
Mean net income					
Before housing costs	303	4	8	2%	[296, 311]
After housing costs	233	4	7	3%	[225, 240]
Subgroups of pensioners					
Mean net income BHC					
Pensioner couples	413	7	14	3%	[399, 426]
Single pensioners	213	3	6	3%	[207, 219]
Recently retired head	353	11	22	6%	[331, 374]
Head aged under 75	345	6	11	3%	[334, 356]
Head aged 75 or over	248	4	8	3%	[240, 256]
Single male pensioners	229	6	11	5%	[218, 240]
Single female pensioners	208	3	7	3%	[201, 215]
Recent growth					
<i>(% increase 1994-05-2006-07)</i>					
Mean net income BHC					
All pensioner units	36%	2	5	13%	[31%, 41%]
Pensioner couples	32%	3	6	19%	[26%, 38%]
Single pensioners	36%	2	5	13%	[31%, 41%]

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

Table B1.2: Recent growth in average incomes of pensioner units, 1996-97-2006-07

	<i>Incomes in £ per week, 2006-07 prices</i>						
	1996-97	2005-06	2006-07	% growth 1996-97- 2006-07	% growth 2005-06- 2006-07	95% confidence interval 1996-97-2006-07	95% confidence interval 2005-06-2006-07
All pensioner units							
Gross income	275	362	365	33%	1%	28% to 38%	-3% to 5%
<i>of which</i>							
Benefit income	131	164	159	21%	-3%	20% to 23%	-4% to -2%
Occupational pension	70	90	92	30%	2%	23% to 37%	-3% to 8%
Personal pension income	3	12	13	319%	4%	229% to 410%	-16% to 23%
Investment income	31	33	37	18%	12%	2% to 33%	-4% to 28%
Earnings	37	60	61	63%	3%	41% to 86%	-12% to 18%
Other income	1	4	3	118%	-19%	47% to 188%	-35% to -3%
Net income BHC							
Mean	235	303	303	29%	0%	25% to 33%	-3% to 4%
Median	182	237	233	28%	-2%	24% to 32%	-4% to 1%
Net income AHC							
Mean	195	276	277	43%	1%	38% to 47%	-3% to 4%
Median	142	210	207	46%	-1%	41% to 51%	-4% to 1%
Pensioner couples							
Gross income	394	505	508	29%	1%	22% to 35%	-5% to 6%
<i>of which</i>							
Benefit income	150	183	175	17%	-4%	14% to 19%	-6% to -2%
Occupational pension	110	133	138	25%	4%	17% to 34%	-3% to 11%
Personal pension income	6	21	21	270%	2%	179% to 361%	-20% to 24%
Investment income	49	51	56	13%	9%	-6% to 31%	-10% to 29%
Earnings	78	114	115	48%	1%	27% to 70%	-15% to 18%
Other income	2	4	3	65%	-33%	-27% to 157%	-53% to -13%
Net income BHC							
Mean	332	412	413	24%	0%	19% to 30%	-5% to 5%
Median	260	328	329	27%	0%	24% to 30%	-2% to 3%
Net income AHC							
Mean	287	387	390	36%	1%	30% to 42%	-4% to 6%
Median	219	302	307	40%	2%	36% to 44%	-2% to 5%
Single pensioners							
Gross income	185	245	247	34%	1%	28% to 39%	-3% to 5%
<i>of which</i>							
Benefit income	117	149	146	25%	-2%	23% to 27%	-3% to 0%
Occupational pension	41	54	54	33%	-1%	22% to 44%	-9% to 8%
Personal pension income	1	5	6	480%	9%	174% to 786%	-30% to 48%
Investment income	18	18	22	21%	19%	-4% to 46%	-6% to 44%
Earnings	7	15	16	136%	11%	67% to 206%	-14% to 36%
Other income	1	3	3	179%	-5%	98% to 259%	-29% to 19%
Net income BHC							
Mean	162	213	213	31%	0%	27% to 36%	-3% to 4%
Median	140	185	184	31%	-1%	29% to 34%	-3% to 1%
Net income AHC							
Mean	125	184	185	48%	0%	42% to 53%	-3% to 4%
Median	95	151	149	58%	-1%	53% to 62%	-4% to 1%