

Pensioners' Income Series Bulletin

Northern Ireland

2013/14

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Section 1: Introduction and Summary of Main Results

The publication

This is the sixth edition of the annual Pensioners' Income Series Bulletin. The bulletin contains estimates of the levels and trends of pensioners' incomes. The Pensioners' Income Series Bulletin is available to download at the following web page:

<https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey#toc-4>

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

The main source of data used in this bulletin is the Family Resources Survey Northern Ireland (FRS NI). The Family Resources Survey (FRS) collects information on the incomes and circumstances of private households in Northern Ireland. The FRS has been running in Great Britain since October 1992, but in 2002/03 the FRS was introduced to Northern Ireland for the first time. A total of 1,965 households were interviewed for the FRS NI 2013/14. From this, 598 pensioner benefit units were available.

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

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

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

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

Online access

Background information on the FRS and Pensioners' Income Series (PIS), as well as additional copies of all FRS related publications can be found on the DSD website: <https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey>

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Summary of main results

Income trends

- **Although there have been fluctuations in pensioners' weekly income between 2003/04 and 2013/14, the overall change in income has been minimal in real terms.** Median gross income (the central measure of all income received by the pensioner benefit unit) has increased by £6 in real terms over the time period (£405 to £411) while median income (After Housing Costs) has risen by £9 per week over the time period (£257 to £265).
- **Pensioner couples median net income after housing costs have been deducted has increased since 2003/04.** In 2013/14 median net weekly income (After Housing Costs) for pensioner couples in Northern Ireland was £383. In real terms this represents a 6 per cent increase from 2003/04 levels. For single pensioners the median net weekly income (After Housing Costs) in Northern Ireland was £203. This is a similar level in real terms to the 2003/04 levels.
- **Older pensioners had lower weekly incomes than younger pensioners.** Pensioner units where the head is 75 years old or over had a median net income of £224 (After Housing Costs) in 2013/14. This was £74 (approximately one quarter) lower than that received by pensioner units where the head is under 75 years old (£298).
- **Pensioner couples in Northern Ireland had the second lowest gross income of all regions in the United Kingdom, while single pensioners had the lowest gross income of all regions.** A three year average of weekly gross income for pensioner couples showed that in 2011/14 Northern Ireland had a gross income of £583; this compared to Wales (£562), Scotland (£653), England (£678) and the United Kingdom average (£667). Single pensioners had a weekly income of £279; this compares to Wales (£291), Scotland (£299), England (£325) and the United Kingdom average (£319).
- **Pensioner couples in Northern Ireland had the highest benefit income of all regions in the United Kingdom while single pensioners benefit income was comparable with the rest of the United Kingdom.** In 2011/14, pensioner couples in Northern Ireland had weekly benefit income of £246, £10 per week higher than the United Kingdom average (£236). Single pensioners' in Northern Ireland had benefit income of £187 equal to the United Kingdom average.

Income sources

- **More pensioners in 2011/14 were in receipt of State Pension than in 2003/06.** Ninety-eight per cent of all Northern Ireland pensioner units for the three year period 2011/14 were in receipt of state pension (United Kingdom average was 97 per cent), 3 percentage points higher than in 2003/06.
- **Almost a third of all pensioner units during the period 2011/14 derived more than half of their gross income from private sources.** Thirty-two per cent of pensioner units derived more than half their income from private sources in 2011/14 (40 per cent United Kingdom average); this is 6 percentage points higher than in 2003/06. Fifteen per cent of pensioner units were in receipt of income from earnings. Fifty-one per cent receive income from private pensions (occupational and/or personal pensions).

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Distribution of pensioners' incomes

- **The highest growth rate for median net incomes (After Housing Costs) between 2003/06 and 2011/14 was observed for pensioner couples in the bottom fifth (i.e. quintile) of the income distribution.** These pensioner couples had incomes approximately four times lower than those couples in the top fifth in 2011/14. In the United Kingdom as a whole, pensioner couples with incomes in the bottom fifth of the United Kingdom income distribution experienced greater growth in income than those in the top fifth of the distribution.
- **Older pensioner couples were more likely to have net incomes within the bottom two quintiles of the pensioners' income distribution.** Forty-six per cent of pensioner couples where the head is aged 75 or over are in the bottom two quintiles, compared to 38 per cent of pensioners where the head is aged under 75 (After Housing Costs).
- **In 2011/14, single males were more likely to be in the top quintile of the pensioners' income distribution than single females.** Twenty-six per cent of males had incomes in the top fifth while only 18 per cent of females had incomes in the top fifth of the income distribution (After Housing Costs). The same pattern is true for the United Kingdom as a whole; 22 per cent of single male pensioners are in the top fifth of the United Kingdom income distribution compared to 19 per cent of single female pensioners.

UK figures quoted above can be found here:

<https://www.gov.uk/government/collections/pensioners-incomes-series-statistics--3>

Definitions and conventions used in the Pensioners' Income Series Bulletin

The Pensioners' Income Series Bulletin is based on the Households Below Average Income (HBAI) dataset, which is itself based on the Family Resources Survey (FRS). The HBAI publication makes an adjustment for households with very high incomes as the FRS under-records information about these households. This adjustment is based on data from the Survey of Personal Incomes (SPI) from HM Revenue and Customs (HMRC), see HBAI Appendix 2 for further detail: <https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey#toc-2>.

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

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

The SPa is 65 for men born before 6th December 1953. For women born on or before 5th April 1950, SPa is 60. The SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018. Other changes are planned or have been announced from December 2018, when the State Pension age for both men and women will start to increase to reach 66 in October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028, and to 68 between 2044 and 2046. These changes are published at: <http://www.nidirect.gov.uk/index/information-and-services/pensions-and-retirement-planning/pensions-and-retirement/state-pension/calculate-your-state-pension-age.htm>. For 2013/14 data, women are over SPa based on date of birth and date of the survey interview. The SPa for women, was 61 and a half at the beginning of

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the 2013/14 financial year and had risen to 62 by the end of the financial year. For further guidance on calculating State Pension eligibility age, see: <https://www.gov.uk/calculate-state-pension>.

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

This publication presents analysis by different groups of pensioners.

Recently retired pensioner units are defined on the basis of age, rather than employment status. In previous years, this has been defined as those units where the head is less than five years over SPa, which included single women between 60 and 64, single men between 65 and 69, and pensioner couples where the head is between 65 and 69 if male, or between 60 and 64 if female. For 2013/14, women aged between 61 and 65 are included in recently retired provided they have reached SPa as defined by the criteria above. Recently retired pensioner units are included in the 'Under 75' age group.

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

Table 1.1: The number of pensioners in pensioner groups, 2013/14

	Recently Retired	Under 75	75 or over	All
All pensioner units	50,000	130,000	90,000	220,000
of which:				
Pensioner Couples	30,000	70,000	30,000	100,000
Single Pensioners	20,000	60,000	60,000	110,000
Single male pensioners	10,000	20,000	20,000	30,000
Single female pensioners	10,000	40,000	40,000	80,000

Notes:

1. Numbers rounded to the nearest 10,000

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

As the Bulletin is based on data from the FRS, which is a household survey it therefore does not reflect the situation of those pensioners in care homes.

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**

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

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

Comparing incomes - Great care should be taken when comparing groups with similar incomes, or looking at changes in income over a short-time period, since random sampling fluctuations mean that estimates should be regarded as an indication of trends only (see Appendix B). Further evidence can be obtained by looking at the estimates for adjacent years.

Throughout the Bulletin figures for incomes are presented in 2013/14 prices and rounded to the nearest pound. Where previous years’ figures are presented these have been calculated using an adjustment factor in order to make them comparable to 2013/14 prices. This adjustment accounts for the effects of inflation.

An independent review into UK price indices (Johnson Review: <http://www.statisticsauthority.gov.uk/reports---correspondence/current-reviews/range-of-prices-statistics.html>) published in January 2015 recommended adopting CPIH as the UK’s main price index. The UK Statistics Authority will publish a report outlining their decision, following a consultation that closed on 15th September 2015. Until official guidance is provided the Pensioners’ Income Series will continue to use the RPI as a measure of inflation.

Totals may not equal their components due to rounding. Estimates of less than 0.5 per cent are labelled ‘-’.

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

Further details regarding the data sources and methods used within the Pensioners’ Income Series 2013/14 can be found in Appendix A.

Other sources covering similar themes

Administrative sources:

The Department for Social Development Benefit publications and benefit publication archives <https://www.dsdni.gov.uk/topics/benefits-and-pensions-dsd-statistics-and-research/benefits-statistics> contain administrative data on the claimant numbers and actual monetary values of State Pensions by gender/age/region and Local Government District (LGD).

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Survey sources:

Households Below Average Income (HBAI): <https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey#toc-2>. The HBAI presents the number and percentage of pensioners living in poverty. The PI series includes both total income and a detailed breakdown by different income components, such as benefits and occupational pension income, which are not included in HBAI. The PI series includes the incomes of pensioner units, singles and couples, of which couples can be both at or over SPa or one at or over and one under SPa. HBAI presents household incomes and defines pensioners as all adults over SPa. The PI series is based on unequivocalised pension income, where the data is not adjusted for the size of the household, whereas in HBAI income is equivalised to take account of different sized households.

Family Resources Survey (FRS): <https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey#toc-0>. Chapter 6 of the FRS publication includes pension participation for working-age individuals. Table 6.8 (FRS NI 2013/14) shows those who are saving for retirement and the type of pension they are saving in (occupational or personal). Pension saving is broken down by economic status for employees, the self-employed and economically inactive, and by gender.

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

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

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

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

Uncertainty is larger for small groups. It is also larger for components of income which vary widely between different people. Estimates with relatively low levels of variability, such as benefit income that is pre-determined by benefit entitlement rules, will have lower levels of

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uncertainty (see **Table B1**; for standard errors and confidence intervals for estimates of pensioners' average incomes in 2013/14).

Strengths of the Pensioners' Income Series Bulletin

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

National Statistics

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

Designation can be broadly interpreted to mean that the statistics:

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

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

Section 2: Pensioners' Incomes

Introduction

This section looks at the income for different groups of pensioners by age; and for singles and couples. Tables provide data which allows comparison of income between years from 2003/04 to 2013/14.

Analysis

Table 2.1 gives the average estimate for each income component for 2003/04 and between 2011/12 and 2013/14. Pensioner units (all pensioner couples and single pensioners) in Northern Ireland received on average £411 per week in gross income in 2013/14. Between 2012/13 and 2013/14 gross income decreased in real terms by £37 (£448 to £411), which equalled an approximate 8 per cent decrease – this followed an increase, so is now at a similar level to 2011/12. Similarly, net income Before Housing Costs decreased by 6 per cent for the mean but remained unchanged for the median. Mean net income After Housing Costs decreased by 6 per cent (£362 to £340) and Median net income After Housing Costs decreased by 2 per cent (£270 to £265) between 2012/13 and 2013/14.

Figure 2.1 shows that although there have been fluctuations in pensioners' weekly income over the 11-year time series (most pronounced in mean incomes), overall the change in income has been minimal in real terms. Mean gross income has increased by £6 in real terms over the time series while median income (AHC) has risen by £8 per week over the time series. Median income is less affected by extremes in income (i.e. pensioner units with very high/very low incomes) and so is considered to be a better measure to use when looking at average incomes.

Figure 2.1: Real income of pensioners, 2003/04 - 2013/14

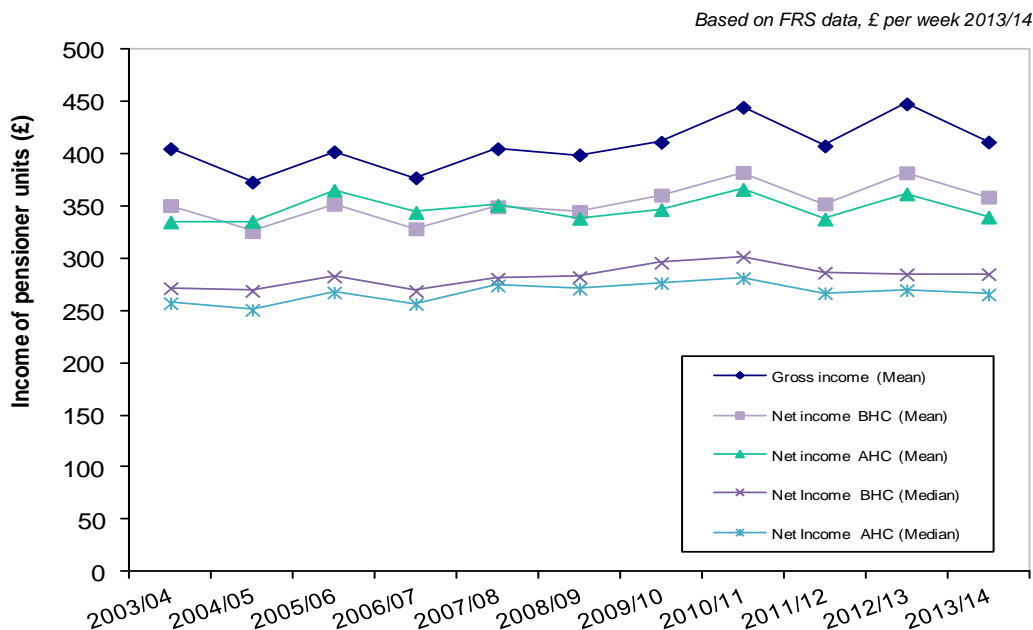


Table 2.1 also shows that mean net income (After Housing Costs) decreased for pensioner couples between 2003/04 and 2013/14 from £483 to £471 (3 percent) while mean net income for single pensioners (After Housing Costs) increased from £216 to £224 (4 percent) over the same period. Income from investment, earnings and personal pensions fell for pensioner couples between 2003/04 and 2013/14. Decreases in benefits, and other income over the same time period were observed for single pensioners.

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

- Median gross weekly NI earnings adjusted for inflation (at constant 2014 prices) decreased by 2.2 per cent from April 2013 to April 2014¹. Although the majority of pensioners do not receive income from earnings, this result is coherent with the fall in gross income from earnings in **Table 2.1**.
- For older workers (aged 50-64), the rate of moving between jobs is historically lower than the population as a whole², which suggests it is less likely for older workers to seek better pay by moving jobs and consequently makes them more prone to stagnating real wages.
- The Bank of England base rate was 0.5 per cent in 2013/14 and has remained unchanged since April 2009. This rate directly and indirectly influences many of the investment products that feed into income from investments for pensioner units (including ISAs, stocks and bonds). Since 2003/04, average investment income (mean) for those in receipt has fallen from £30 to £12 per week in real terms (see **Table 2.1**). This historically low base rate also affects housing costs through mortgage repayments, which will reduce the difference between net income BHC and AHC for pensioner units who do not own their home outright.

Selected benefit uprating amounts and inflation for recent years:

- Since April 2011, the uprating of the Basic State Pension has been governed by a 'triple lock', where the increase is the highest of earnings, prices or 2.5 per cent. In April 2012, the Basic State Pension was uprated by 5.2 per cent, and in April 2013 it was uprated by 2.5 per cent. In addition, the standard minimum income guarantee in Pension Credit was increased in April 2013 by 1.9 per cent, which was equivalent to the cash rise in a full Basic State Pension, and ensured the lowest income pensioners received the full value of the increase in their Basic State Pension. Maximum levels of the Savings Credit in Pension Credit were reduced, however, by 2.6 per cent and 3.5 per cent for singles and couples respectively in April 2013.
- The inflation rate in 2013/14 was 2.9 per cent, as measured by the Retail Prices Index (RPI), and 2.3 per cent as measured by the Consumer Prices Index (CPI). All Before Housing Costs (BHC) incomes in this publication have been adjusted for inflation using a bespoke index supplied by the Office for National Statistics,

¹ ASHE: https://www.detini.gov.uk/sites/default/files/publications/deti/ni_ashe_2014_bulletin-2.pdf

² See figure 14: http://www.ons.gov.uk/ons/dcp171766_401022.pdf

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consisting of the RPI excluding Council Tax, while all After Housing Costs(AHC) have been adjusted for inflation using the RPI excluding housing.

In 2013/14, benefit income accounted for the largest proportion of gross income for pensioner units; 51 per cent (£211) for all pensioner units, 43 per cent (£243) for pensioner couples and 67 per cent (£183) for single pensioners (**Table 2.1 & Figure 2.2**). Benefit income for all pensioner units decreased in real terms between 2012/13 and 2013/14 and is at the same level as in 2003/04.

Figure 2.2: Sources of gross income, 2013/14

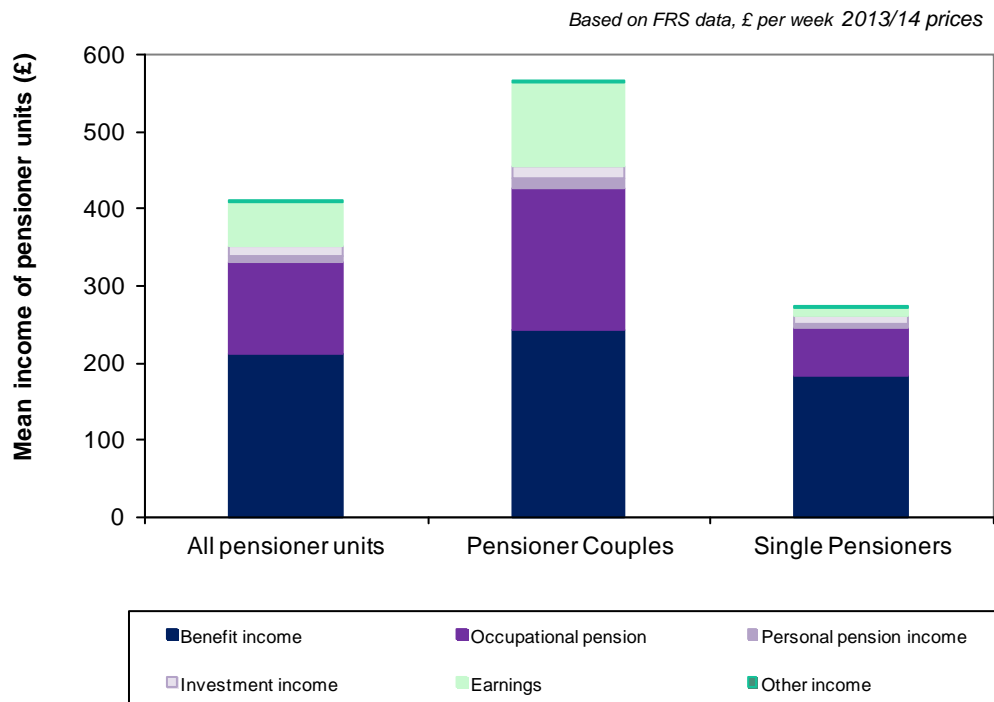


Table 2.2 gives the gross weekly income and breakdown by source of income for different age groups of pensioners. There is a considerable difference in gross incomes for pensioner units where the head is 75 and over (£342) and for those where the head is under 75 (£459). The contribution of benefits to gross income for pensioners aged 75 and over was 62 per cent in 2013/14 and for under 75's the contribution was 46 per cent. In addition, pensioner units where the head is under 75 on average have larger weekly earnings (£93) than older (75 and over) pensioners (£3).

Pensioner units where the head is 75 years old or over had a median net income of £224 After Housing Costs in 2013/14. This is £74 (one quarter) lower than that received by pensioner units where the head is under 75 years old (£298).

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

- **The 'age' effect:** older pensioners tend to have less income from earnings because they are less likely to be in work. Any pension(s) they are in receipt of are usually a proportion of what they would have earned. Also there are more single pensioners in the older age group and who as a group have lower incomes than pensioner couples.

- **The 'cohort' effect:** The rapid rise in occupational pension coverage in the 1950s and 1960s will have been more beneficial to later cohorts, and the significant and almost constant increase in real earnings over the past few decades - apart from the years following the 2008 recession - have led to increases in disposable income that can be saved in private pensions or investing (e.g. in property). Currently, 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:** Pensions generally increase by less generous uprating measures after retirement. In addition, most annuities³ purchased with occupational or personal pensions are level annuities, which do not increase over time. Income in real terms is therefore decreasing for these annuities once inflation is taken into account.

When average pensioners' income was compared by region (**Table 2.3**) it was found that pensioner couples in Northern Ireland had the second lowest gross income of all regions in the UK. A three year average of gross income shows that in 2011/14, NI pensioner couples had a mean gross income of (£583); £21 higher than Wales (the region with the lowest gross income) and £95 lower than England (the region with the highest gross income). Of this £583 (NI gross income), £246 was sourced from benefits. Regionally this was the highest level of benefit income in the UK, £10 higher than the UK average. Single pensioners had the lowest gross income of all regions in the UK. A three year average of gross income for single pensioners shows that in 2011/14, NI had a mean gross income of £279; £12 lower than Wales (the region with the second lowest gross income) and £46 lower than England (the region with the highest gross income). Of this £279 (NI gross income), £187 was sourced from benefits; this was equal to the UK average.

Notes for analysis

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

Uncertainties are larger for smaller groups. They are also larger for components of income which vary widely between different people (for example, investment income and earnings). When comparing two estimates (such as the income of two different groups of pensioners, or the change in incomes between two points in time), there is even greater uncertainty. Users are therefore advised to draw only broad conclusions about such trends when looking at the full time series of estimates in the tables and charts.

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

³ <https://www.fca.org.uk/static/documents/thematic-reviews/annuities-consumer-behaviour-review.pdf>

Estimates have been rounded to the nearest pound and percentage point. Monetary estimates are presented in 2013/14 prices and growth is presented in real terms.

Detailed tables

Contents and points to note when interpreting tables

Table 2.1 and **Table 2.2** show the gross and net average incomes of pensioner units for 2003/04 and from 2011/12 to 2013/14. Table 2.1 provides a breakdown for all pensioner units, pensioner couples and single pensioners. Table 2.2 provides a breakdown for recently retired pensioner units, pensioner units where the head is under 75, and pensioner units where the head is 75 or over. Net income is shown both Before and After Housing Costs.

Table 2.3 shows the average gross and benefit income as well as net income Before and After Housing Costs by region. The table is based on three years of data from 2011/12, 2012/13 and 2013/14, and the income values have been up-rated to 2013/14 prices.

Changes to tables between 2012/13 and 2013/14

Prior to 6 April 2010, women reached the State Pension age at 60. From 6 April 2010, the qualifying age for women has been gradually increasing. FRS data contained in this report was collected throughout the financial year 2013/14, during which the State Pension age for women increased from 61 years and 5 months to 62 years 0 months. The changes do not impact on the State Pension age of men, currently 65.

Section 2: Pensioners' Incomes

Table 2.1: The average incomes of pensioner units, 2003/04 - 2013/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 prices

	FRS				As a % of gross income in 2013/14
	2003/04	2011/12	2012/13	2013/14	
All pensioner units					
Gross Income (mean)	405	408	448	411	100
of which:					
Benefit income	211	211	221	211	51
Occupational pension	82	98	97	120	29
Personal pension income	11	12	16	9	2
Investment income	30	24	14	12	3
Earnings	69	61	100	56	14
Other income	3	2	1	3	1
Net Income BHC					
Mean	351	352	382	359	87
Median	272	286	285	285	
Net Income AHC					
Mean	335	338	362	340	83
Median	257	267	270	265	
Pensioner Couples					
Gross Income (mean)	591	512	667	568	100
of which:					
Benefit income	237	239	255	243	43
Occupational pension	125	122	156	184	32
Personal pension income	22	21	31	14	2
Investment income	60	40	24	14	2
Earnings	145	90	199	110	19
Other income	3	1	1	3	1
Net Income BHC					
Mean	493	441	550	486	86
Median	377	383	426	397	
Net Income AHC					
Mean	483	427	532	471	83
Median	363	378	402	383	
Single Pensioners					
Gross Income (mean)	255	308	257	274	100
of which:					
Benefit income	190	184	192	183	67
Occupational pension	47	75	45	63	23
Personal pension income	2	4	2	5	2
Investment income	6	10	4	11	4
Earnings	7	33	12	9	3
Other income	3	2	1	2	1
Net Income BHC					
Mean	236	267	235	247	90
Median	221	220	216	223	
Net Income AHC					
Mean	216	248	213	224	82
Median	201	199	186	203	

Notes:

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

Section 2: Pensioners' Incomes

Table 2.2: The average incomes of pensioner units by age, 2003/04 - 2013/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 prices

	FRS				As a % of gross income in 2013/14
	2003/04	2011/12	2012/13	2013/14	
Recently retired pensioner units					
Gross Income (mean)	464	473	508	445	100
of which:					
Benefit income	202	222	230	218	49
Occupational pension	105	94	110	141	32
Personal pension income	26	19	9	14	3
Investment income	34	8	11	11	2
Earnings	95	130	147	56	13
Other income	3	1	0	5	1
Net Income BHC					
Mean	398	403	429	392	88
Median	278	322	307	346	
Net Income AHC					
Mean	387	388	406	372	84
Median	278	313	288	314	
Pensioner units where head is under 75					
Gross Income (mean)	456	439	535	459	100
of which:					
Benefit income	203	208	224	210	46
Occupational pension	95	88	108	129	28
Personal pension income	14	14	18	9	2
Investment income	36	30	19	15	3
Earnings	106	98	166	93	20
Other income	2	1	0	3	1
Net Income BHC					
Mean	384	374	445	396	86
Median	281	303	336	324	
Net Income AHC					
Mean	369	359	422	376	82
Median	266	286	318	298	
Pensioner units where head is 75 or over					
Gross Income (mean)	326	361	323	342	100
of which:					
Benefit income	223	215	218	213	62
Occupational pension	60	113	80	106	31
Personal pension income	6	10	12	9	3
Investment income	21	16	6	8	2
Earnings	11	5	4	3	1
Other income	5	3	3	3	1
Net Income BHC					
Mean	298	320	292	304	89
Median	263	263	231	249	
Net Income AHC					
Mean	282	306	276	287	84
Median	236	245	215	224	

Notes:

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

Section 2: Pensioners' Incomes

Table 2.3: Average income by region, 2011/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 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	678	235	552	522	325	187	280	241
Wales	562	243	479	455	291	185	256	226
Scotland	653	243	543	518	299	188	265	234
Great Britain	669	236	547	518	320	187	277	240
Northern Ireland	583	246	493	478	279	187	250	228
United Kingdom	667	236	545	517	319	187	276	239

Notes:

1. Data based on the mean of three years of results for 2011/12, 2012/13 and 2013/14 FRS updated to 2013/14 prices

Supplementary Tables

Data for Figure 2.1:

Table S2.1: Real income of pensioners, 2003/04 - 2013/14

Based on FRS data *Incomes in £ per week, 2013/14 prices*

	Year										
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
All pensioner units											
Gross income (Mean)	405	373	402	377	405	399	411	445	408	448	411
Net income BHC (Mean)	351	326	352	328	350	345	361	382	352	382	359
Net income AHC (Mean)	335	336	365	344	351	338	347	366	338	362	340
Net income BHC (Median)	272	269	283	269	281	282	296	302	286	285	285
Net income AHC (Median)	257	251	267	256	274	271	276	281	267	270	265

Section 3: Sources of Pensioners' Incomes

Introduction

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

Analysis

Table 3.1 shows that during the period 2011/14, almost three quarters (71 per cent) of all pensioner units received income on top of state benefits (83 per cent of pensioner couples and 60 per cent of single pensioners), this compares to 67 per cent of all pensioners during the period 2003/06 (79 per cent for pensioner couples and 58 per cent for single pensioners).

Figure 3.1 and **Table S3.1** show that almost a third (32 per cent) of all pensioner units during the period 2011/14 derived more than half of their gross income from private sources. This is 6 percentage points higher than in 2003/06.

Figure 3.1: Pensioner units with income on top of state benefits, 2003/06 & 2011/14

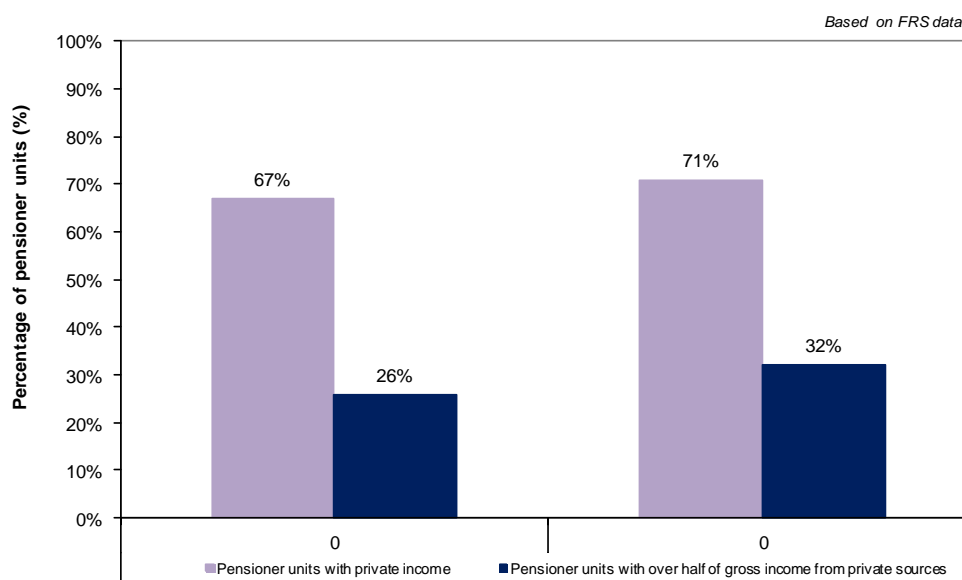


Figure 3.2 and **Table S3.2** show the proportion of pensioner units receiving income from various sources in 2011/14. As expected the most common source of income for pensioner units is state pension; with 98 per cent of pensioner units claiming this. Fifty one per cent of pensioner units receive income from private pensions; 45 per cent receive income from occupational pension income while only 9 per cent of pensioner units have

Section 3: Sources of Pensioners' Incomes

income from a personal pension. In 2011/14, 31 per cent of pensioner units were in receipt of disability benefits and 15 per cent were in receipt of earnings from employment.

Figure 3.2: Proportion of pensioner units in receipt of selected sources of income, 2011/14

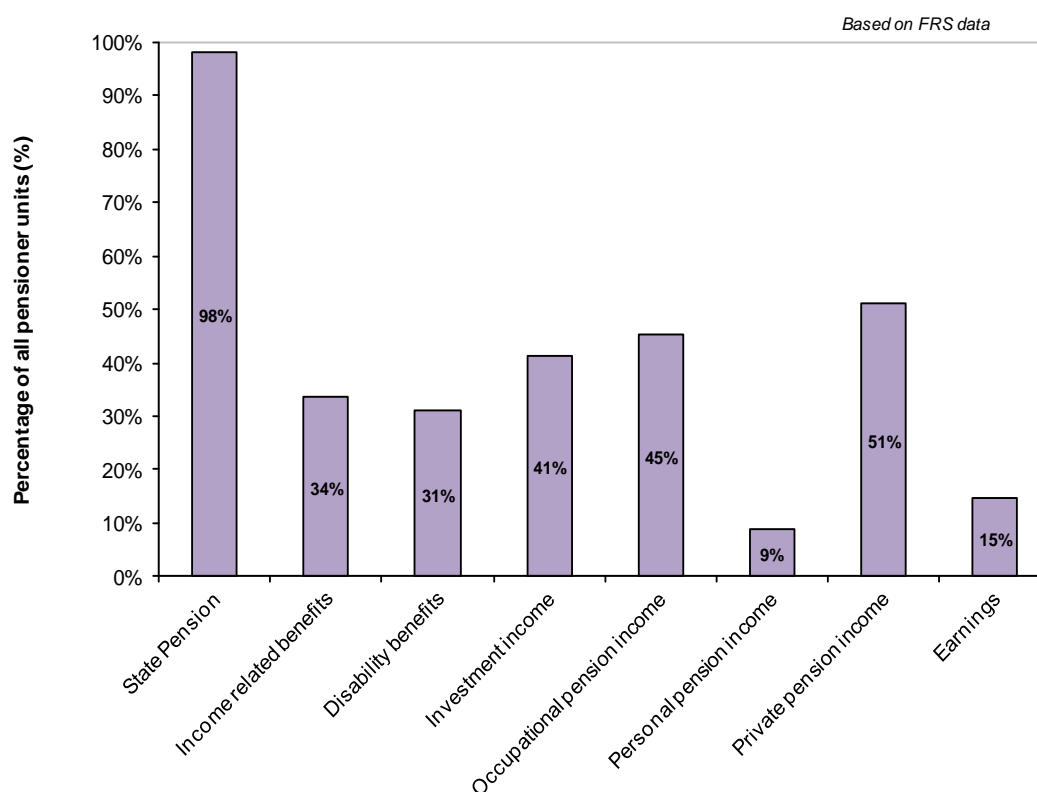


Table 3.2 shows the proportion of pensioners in receipt of State Pension and the average amount they receive. The State Pension includes the Basic State Pension and Additional State Pension. Nearly all pensioner units (98 per cent) claim State Pension.

The mean amount of reported state pension for all pensioners per week during the period 2011/14 was £160 (£128 for singles and £197 for couples). This was an increase of 10 per cent from the period 2003/06 in real terms. There was also a 7 per cent increase in the median amount received by all pensioners over the same period (£135 to £145). The main factor behind the growth of the State Pension is the maturing of Additional State Pension component. Each cohort of retirees since 1978 has had the opportunity to make contributions over a longer period.

Receipt of occupational pensions has become increasingly common, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s. Occupational pensions provided income for 45 per cent of pensioner units in 2011/14 this is a 6 percentage point rise from 2003/06 (see **Table 3.3**). The mean amount of occupational pensions received by pensioner units in 2011/14 (£232) has increased by approximately 20 per cent since 2003/06 (£193) in real terms.

Section 3: Sources of Pensioners' Incomes

The pensioner units with the highest income from occupational pensions were recently retired pensioner couples (£285 in 2011/14). Mean income received from occupational pensions for all pensioner units increased by 20 per cent between 2003/06 and 2011/14; median income from occupational pensions increased by 22 per cent over the same period. Median income from occupational pensions was lower than mean incomes from occupational pensions for all groups of pensioners suggesting that there are a small amount of extreme values at either end of the distribution. Chapter 4 will look further at the income distribution of pensioners.

Notes for analysis

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

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

Income figures have been rounded to the nearest pound and are presented in 2013/14 prices.

Detailed tables

Contents and points to note when interpreting tables

Table 3.1 shows the proportion of pensioner units (all and recently retired) with incomes on top of state benefits for the years 2003/04 to 2005/06 combined, and the years 2011/12 to 2013/14 combined.

Table 3.2 shows the proportion of pensioner units with income from State Pension and the average amount of those in receipt for the years 2003/04 to 2005/06 combined, and the years 2011/12 to 2013/14 combined.

Table 3.3 shows the proportion of pensioners who received income from occupational pensions and the average amount received by those in receipt of occupational pensions for the years 2003/04 to 2005/06 combined and the years 2011/12 to 2013/14 combined.

Changes to tables between 2012/13 and 2013/14

Prior to 6 April 2010, women reached the State Pension age at 60. From 6 April 2010, the qualifying age for women has been gradually increasing. FRS data contained in this report was collected throughout the financial year 2013/14, during which the State Pension age for women increased from 61 years and 5 months to 62 years 0 months. The changes do not impact on the State Pension age of men, currently 65.

Section 3: Sources of Pensioners' Incomes

Table 3.1: The proportion of pensioner units with income on top of state benefits, 2003/06 & 2011/14

Results based upon data from the FRS

	2003/06	2011/14
All pensioner units		
Total	67%	71%
Pensioner couples	79%	83%
Single pensioners	58%	60%
Recently retired pensioner units		
Total	71%	74%
Pensioner couples	81%	83%
Single pensioners	59%	59%

Section 3: Sources of Pensioners' Incomes

Table 3.2: The proportion of pensioner units with income from State Pension and the average amount of those in receipt, 2003/06 & 2011/14

	<i>Incomes in £ per week, 2013/14 prices</i>	
	FRS	
	2003/06	2011/14
Results based upon data from the FRS		
Proportion in receipt of state pension (%)		
All pensioner units		
Total	95%	98%
Pensioner couples	93%	98%
Single pensioners	97%	99%
Recently retired pensioner units		
Total	92%	98%
Pensioner couples	93%	99%
Single pensioners	89%	96%
Average amount of state pension for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	149	160
Pensioner couples	182	197
Single pensioners	124	128
Recently retired pensioner units		
Total	157	173
Pensioner couples	187	208
Single pensioners	116	123
Median amounts		
All pensioner units		
Total	135	145
Pensioner couples	187	204
Single pensioners	119	124
Recently retired pensioner units		
Total	143	160
Pensioner couples	188	221
Single pensioners	117	121

Section 3: Sources of Pensioners' Incomes

Table 3.3: The proportion of pensioner units with occupational pension income and the average amount of those in receipt, 2003/06 & 2011/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 prices

	FRS	
	2003/06	2011/14
Proportion in receipt of occupational pension income (%)		
All pensioner units		
Total	39%	45%
Pensioner couples	49%	54%
Single pensioners	32%	37%
Recently retired pensioner units		
Total	43%	47%
Pensioner couples	53%	58%
Single pensioners	30%	32%
Average amount of occupational pension income for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	193	232
Pensioner couples	238	285
Single pensioners	137	162
Recently retired pensioner units		
Total	227	244
Pensioner couples	241	265
Single pensioners	182	190
Median amounts		
All pensioner units		
Total	121	148
Pensioner couples	163	188
Single pensioners	88	103
Recently retired pensioner units		
Total	148	173
Pensioner couples	160	189
Single pensioners	128	135

Supplementary tables

Data for Figure 3.1:

Table S3.1: Pensioner units with income on top of state benefits, 2003/06 & 2011/14

Percentage of pensioner units, based on data from the FRS

	2003/06	2011/14
Pensioner units with private income	67%	71%
Pensioner units with over half of gross income from private sources	26%	32%

Data for Figure 3.2:

Table S3.2: Proportion of pensioner units in receipt of selected sources of income, 2011/14

Results based on FRS data

Income source	2011/14
State Pension	98%
Income related benefits	34%
Disability benefits	31%
Investment income	41%
Occupational pension income	45%
Personal pension income	9%
Private pension income ¹	51%
Earnings	15%

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

Section 4: Distribution of Pensioners' Incomes

Introduction

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

Analysis

Table 4.1 shows that for pensioner couples in 2011/14, the median net income of the top quintile of the pensioners' income distribution was almost four times the income of the bottom quintile both Before Housing Costs (£799 and £215 respectively) and After Housing Costs (£792 to £204 respectively). For single pensioners median net income of the top quintile was around three times that of the bottom quintile both Before Housing Costs (£381 to £126 respectively) and After Housing Costs (£355 to £109 respectively). This is similar to the pattern observed in 2003/06.

Median net incomes increased in real terms for both pensioner couples and single pensioners between 2003/06 and 2011/14 across all quintiles, apart from single pensioners in the second and third quintiles (AHC); income in these quintiles fell by £8 and £17 respectively. The largest percentage growth in income between 2003/06 and 2011/14 was observed for pensioner couples in the bottom fifth of the income distribution (AHC); income for this group increased by 15 per cent (£177 to £204). Single pensioners' incomes have not grown to the same extent as those of pensioner couples.

Notable are those single pensioners and pensioner couples with incomes in the bottom quintile. Median incomes of these groups were below the 'Guaranteed Income'⁴ thresholds for the three year period concerned (2011-2014) for single pensioners and pensioner couples.

Table 4.2 shows the proportions of different groups of pensioners within each quintile of the pensioners' income distribution in 2011/14. Over two thirds of pensioners own their own home (Family Resources Survey, 2013/14) and so tend to have relatively low housing costs. Net income After Housing Costs, rather than Before Housing Costs, better reflects homeowners living standards compared to non-homeowners. Therefore only After Housing Cost income is discussed in the remainder of this section.

⁴ Guaranteed Income rates 2011-2013: <https://www.2011.benefit.rates>
<https://www.2012.benefit.rates>
<https://www.2013.benefit.rates>

Section 4: Distribution of Pensioners' Incomes

Older pensioner couples are more likely to have net incomes within the bottom two quintiles of the pensioners' income distribution. 46 per cent of pensioner couples where the head is aged 75 or over are in the bottom two quintiles, compared to 38 per cent of pensioners where the head is aged under 75. Only 14 per cent of pensioner couples where the head is aged 75 or over have incomes falling within the top quintile, while 21 per cent of recently retired pensioner couples, and 22 per cent of those where the head is aged under 75 have incomes in this quintile.

Single males are more likely to be in the top quintile of the pensioners' income distribution than single females (26 per cent and 18 per cent respectively).

Single pensioners aged under 75 are more likely to be in the top quintile of pensioners' income distribution than single pensioners aged 75 or over (23 per cent and 17 per cent).

Table 4.3 shows how different sources of income contribute to the gross incomes of pensioners in the different quintiles of the net income (AHC) distribution. The majority of pensioners' income in the bottom quintile came from benefits, 84 per cent of income for pensioner couples and 94 per cent of income for single pensioners.

In 2011/14 earnings increased across all quintiles from the bottom fifth to the top fifth moving up the distribution for pensioner couples and single pensioners. The most well off pensioner couples (i.e. those in the top fifth of the income distribution) earned on average £454 (almost six times) more per week than the most well off single pensioners (£78). The pensioner couples in the bottom fifth of the income distribution earned £15 pounds more than single pensioners in the bottom fifth. Earnings made up the largest proportion of mean gross income for pensioner couples in the top fifth of the income distribution (35 per cent). Single pensioners in the top fifth of the income distribution received 15 per cent of gross income from earnings.

In 2011/14 occupational pension income increased across all quintiles for pensioner couples and single pensioners, with the greatest increase observed for those pensioners in the top quintile.

For pensioner couples benefit income peaked at £287 for those in the middle quintile. For single pensioners benefit income increased over the first four quintiles (£134 to £221 then decreased in the top quintile to £205).

Refer to the notes for analysis section when interpreting tables 4.4 and 4.5 and Figure 4.1.

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

Section 4: Distribution of Pensioners' Incomes

Figure 4.1: Pensioners' position in the overall net UK income (AHC) distribution, 2003/04 & 2013/14

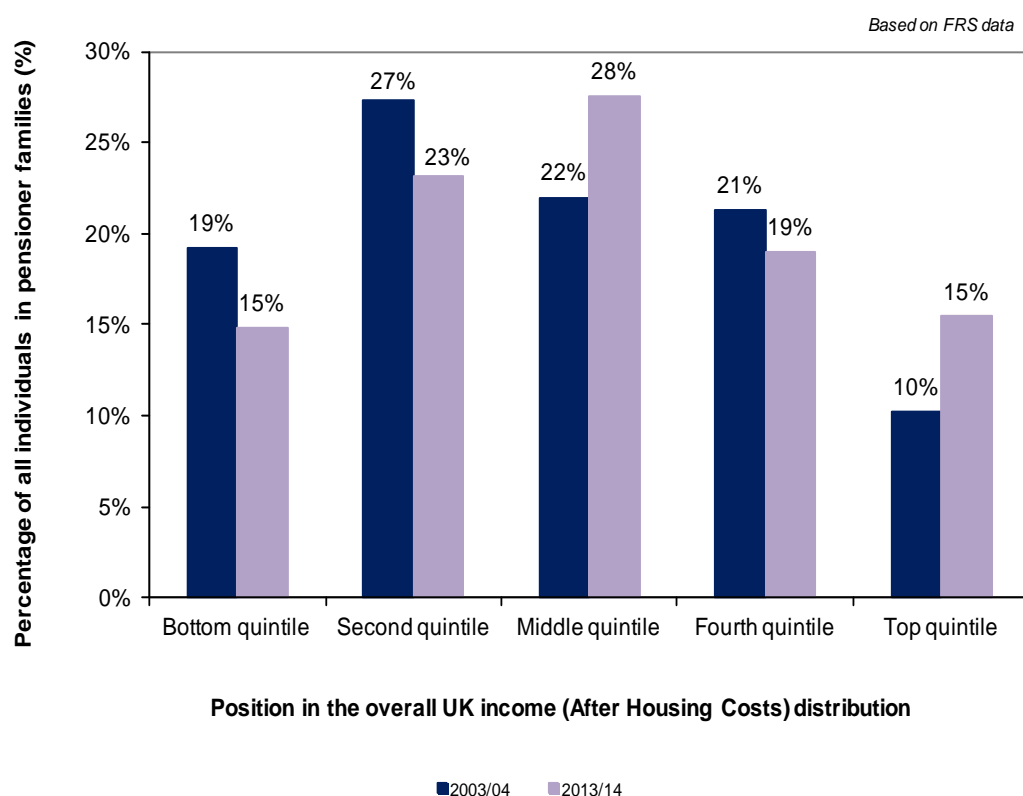


Figure 4.1 (and **Table 4.4**) shows that there is a larger proportion of pensioners in the top three quintiles in 2013/14 than there were in 2003/04. The proportion of individuals living in pensioner families in the bottom quintile of the overall UK population income distribution (AHC) in 2013/14 was 15 per cent, which has decreased from the 2003/04 level of 19 per cent. The proportion in the middle quintile in 2013/14 was 28 per cent, which is an increase from the 2003/04 level of 22 per cent. The proportion in the top quintile in 2013/14 was 15 per cent, an increase from the 2003/04 level of 10 per cent.

Table 4.5 shows that a higher percentage of pensioners in 2013/14 are in the top half of the overall UK population income distribution than in 2003/04. Forty-seven per cent of all pensioners are in the top half of the overall UK income distribution in 2013/14 compared to 44 per cent in 2003/04. Fifty per cent of pensioner couples were in the top half of the overall income distribution in 2013/14, which is 5 percentage points higher than 2003/04 levels. The fact that pensioners are more likely to own their own home (Family Resources Survey, 2013/14) may be partly responsible for high levels of pensioners in the top quintiles.

There has been a small decrease in the proportion of single pensioners in the top half of the overall population distribution between 2003/04 and 2013/14 with levels in 2013/14 (42 per cent) being 1 percentage point lower than in 2003/04.

Notes for analysis

When considering changes in incomes over time it is more appropriate to use the After Housing Costs measure as over two thirds of pensioner households own their own home

Section 4: Distribution of Pensioners' Incomes

(Family Resources Survey, Northern Ireland 2013/14) and so tend to have relatively low housing costs.

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

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

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

Figures are rounded to the nearest pound and are presented in 2013/14 prices.

Detailed tables

Contents and points to note when interpreting tables

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

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

Changes to tables between 2012/13 and 2013/14

Prior to 6 April 2010, women reached the State Pension age at 60. From 6 April 2010, the qualifying age for women has been gradually increasing. FRS data contained in this report was collected throughout the financial year 2013/14, during which the State Pension age for women increased from 61 years and 5 months to 62 years 0 months. The changes do not impact on the State Pension age of men, currently 65.

Section 4: Distribution of Pensioners' Incomes

Table 4.1: Net income of pensioner units by quintile of the pensioners' net income distribution, 2003/06 & 2011/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 prices

	Quintiles of the Income Distribution					Overall Mean
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
2003/06						
Medians						
Net income Before Housing Costs						
Pensioner couples	196	289	360	502	735	466
Single pensioners	121	163	215	270	361	243
Net income After Housing Costs						
Pensioner couples	177	270	352	488	721	462
Single pensioners	105	164	212	247	325	226
2011/14						
Medians						
Net income Before Housing Costs						
Pensioner couples	215	315	402	519	799	492
Single pensioners	126	176	220	273	381	250
Net income After Housing Costs						
Pensioner couples	204	300	387	511	792	478
Single pensioners	109	156	195	251	355	228

Notes:

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

Section 4: Distribution of Pensioners' Incomes

Table 4.2: Age and gender of pensioners by quintile of the pensioners' net income distribution, 2011/14

Results based upon data from the FRS

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

Notes:

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

Section 4: Distribution of Pensioners' Incomes

Table 4.3: Components of mean gross income of pensioners by quintile of the pensioners' net income distribution (AHC), 2003/06 & 2011/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 prices

	Quintiles of the Income Distribution					Overall Mean (NI)
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
2003/06 Means						
Pensioner couples						
Gross income	217	328	418	580	1266	562
Of which:						
Benefit Income	180	261	282	285	228	247
Occupational pension income	13	28	80	149	330	120
Personal pension income	6	8	18	14	74	24
Investment income	3	4	10	20	182	44
Earnings	14	25	27	111	446	125
Other income	1	1	2	1	6	2
Single pensioners						
Gross income	136	185	234	299	525	276
Of which:						
Benefit Income	125	170	202	242	232	194
Occupational pension income	5	8	21	40	150	45
Personal pension income	2	1	1	7	9	4
Investment income	3	3	3	6	57	14
Earnings	0	2	5	2	67	15
Other income	2	2	3	2	10	4
2011/14 Means						
Pensioner couples						
Gross income	234	342	442	602	1291	582
Of which:						
Benefit Income	196	263	287	255	227	246
Occupational pension income	14	47	74	197	436	154
Personal pension income	4	8	14	24	60	22
Investment income	2	2	7	9	110	26
Earnings	17	19	58	116	454	133
Other income	1	2	2	1	4	2
Single pensioners						
Gross income	143	195	230	293	537	279
Of which:						
Benefit Income	134	178	194	221	205	186
Occupational pension income	4	10	27	54	211	61
Personal pension income	1	1	0	4	13	4
Investment income	1	3	2	7	28	8
Earnings	2	2	4	5	78	18
Other income	1	1	3	1	3	2

Notes:

1. Quintiles based on NI pensioner net income distribution

2. Quintiles are calculated separately for NI pensioner couples and NI single pensioners

Section 4: Distribution of Pensioners' Incomes

Table 4.4: The proportion of individuals in pensioner families in each quintile of the overall UK population net income distribution, 2003/04 & 2013/14

Quintiles based on equivalised household income

Results based upon data from the FRS

	Quintiles of the Income Distribution					All
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	
2003/04						
All pensioners						
Before Housing Costs	29%	25%	22%	17%	7%	100%
After Housing Costs	19%	27%	22%	21%	10%	100%
Pensioner couples						
Before Housing Costs	27%	25%	20%	18%	10%	100%
After Housing Costs	19%	26%	20%	21%	13%	100%
Single pensioners						
Before Housing Costs	32%	26%	24%	16%	3%	100%
After Housing Costs	19%	29%	25%	22%	6%	100%
2013/14						
All pensioners						
Before Housing Costs	26%	26%	22%	14%	12%	100%
After Housing Costs	15%	23%	28%	19%	15%	100%
Pensioner couples						
Before Housing Costs	25%	22%	23%	14%	16%	100%
After Housing Costs	15%	21%	26%	19%	19%	100%
Single pensioners						
Before Housing Costs	28%	33%	20%	14%	4%	100%
After Housing Costs	15%	26%	30%	19%	9%	100%

Notes:

1. Quintiles based on overall UK population net income distribution

2. Quintiles are calculated separately under the Before and After Housing Costs measures

Section 4: Distribution of Pensioners' Incomes

Table 4.5: The proportion of individuals in pensioner families in the top half of the overall UK population net income distribution, 2003/04 - 2013/14

Quintiles based on equivalised household income

Results based upon data from the FRS

	2003/04	2011/12	2012/13	2013/14
Net income Before Housing Costs				
All pensioner units	34%	34%	41%	35%
Pensioner couples	38%	36%	49%	40%
Single pensioners	29%	30%	28%	26%
Net income After Housing Costs				
All pensioner units	44%	45%	51%	47%
Pensioner couples	45%	48%	56%	50%
Single pensioners	43%	41%	41%	42%

Notes:

1. Quintiles based on overall UK population net income distribution
2. Quintiles are calculated separately under the Before and After Housing Costs measures

Appendices

Appendix A: Glossary of Technical Terms

Definitions of Gross and Net Income

Gross Income

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

- **Income from benefits** – Including tax credits
In section 3, this is further divided into:
 - **State Pension;**
 - **Income-related benefits** – Pension Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants. It also includes tax credits
 - **Disability benefits** – Disability Living Allowance, Attendance Allowance, Industrial Injuries Disablement Benefit and War Disablement Pension

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

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

Definition of head of pensioner unit

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

Equivalisation

To allow comparison of living standards of different households, the HBAI 'equivalises' household income, adjusting it to take account of household size and composition. One of the main functions of the PIS is to provide information on the cash income of pensioner units, split by sources of income. This can only be done using unequivalised income. Indeed equivalisation is not necessary for most PIS results, which are presented separately for pensioner couples and single pensioners. However, PIS results for all pensioner units are affected by changes in the balance between couples and singles. To avoid unnecessary complexity, the main PIS results are presented in monetary terms, at constant 2013/14 prices, rather than equivalised income. Tables containing results which have been equivalised will be clearly annotated.

Households or pensioner unit

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

Net Income

Net income before housing costs (BHC) is gross income less: income tax payments; National Insurance contributions; contributions to occupational and private pension schemes; local taxes (i.e. Council Tax/Domestic Rates); maintenance and child support payments; student loan repayments; and parental contributions to children living away from home. Net income after housing costs (AHC) are also net of: rent; structural insurance (for owner occupiers); mortgage interest payments (net of any tax relief); and ground rent and service charges. Income from Housing Benefit is included within gross income as a social security benefit.

Negative Incomes

Negative incomes are not thought to be indicative of standards of living. Pensioner units with negative net income before housing costs have their gross income, components of income, and their net income before housing costs, set to zero. Net income after housing costs is set to zero minus housing costs, and so for a small number of cases will be negative. See the PIS methodological paper no 2 for more information on negative incomes. This is available on the DWP website at:

http://webarchive.nationalarchives.gov.uk/20130513214236/http://statistics.dwp.gov.uk/asd/asd6/2_Negative_Incomes.pdf.

Quintiles

These are income values which divide the whole population, when ranked by household income, into five equal-sized groups - the lowest quintile describes individuals with incomes in the bottom 20 per cent of the income distribution. This helps to compare different groups of the population.

Quintiles are often used as a standard shorthand term for quintile group.

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

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

Sources of uncertainty

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

Under-reporting: The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. As a result it under-reports receipt for most of the benefits. The discrepancies between FRS and administrative data are particularly pronounced for Attendance Allowance and Pension Credit. More information on under-reporting can be found at <https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey> in the Methodology section of the current year's NI FRS.

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

Random Sampling errors occur in a survey because survey estimates are based on a subset of the population and this subset will not be identical to the remaining population who have not been interviewed. More information on sampling errors can be found at <https://www.dsdni.gov.uk/topics/dsd-statistics-and-research/family-resources-survey> in the Methodology section of the current year's FRS.

Because of the above sources of uncertainty, the PIS 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 PIS estimates. However, the PIS offers a view across all income sources for which administrative data is more limited. The presence of uncertainty in sampling estimates means that caution should be exercised in drawing conclusions using two similar results where the difference may be due to the errors or biases mentioned above.

Estimating sampling error

The sampling error around an estimate can be measured by the size of its 'standard error'. The standard error of an estimate is typically calculated under the assumption of simple random

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

sampling (i.e. where every member of the population has an equal and independent chance of selection). This is the sampling method used for the NI FRS.

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

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

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

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

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

Table B.1 gives some examples of standard errors and confidence intervals that have been calculated for estimates of pensioners' average incomes. They show that while there is a degree of uncertainty about the estimates it does not affect the broad conclusions drawn, such as the relative importance of different types of income. This is the first year a bootstrapping approach has been used to produce confidence intervals. The primary advantage of using bootstrapping is that it can be used to generate confidence intervals around non-linear estimates such as median incomes where simpler methods cannot be used. It also naturally produces asymmetric confidence intervals where these are appropriate, including in the case of small sample sizes and income-related measures. For further information on bootstrapping in the FRS based analysis see the FRS paper available here: <http://socialwelfare.bl.uk/subject-areas/services-client-groups/families/departmentforworkandpensions/167221uncertainty-family-resources-survey-based-analysis.pdf>.

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

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

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

Table B1: Uncertainty surrounding selected estimates in the Pensioners' Income Series, 2013/14

Results based upon data from the FRS

Incomes in £ per week, 2013/14 prices

	Estimate £pw	Standard Error	95% confidence interval		
			Interval Width +/-	Relative Width	Interval Range
All Pensioner Units					
Gross Income	411	18	34	8%	[377,451]
Of which:					
Benefit income	211	4	8	4%	[203,219]
Occupational pension	120	13	25	21%	[95,147]
Personal pension income	9	2	4	46%	[5,15]
Investment income	12	3	5	43%	[7,20]
Earnings	56	9	17	31%	[39,76]
Mean net income					
Before housing costs	359	13	26	7%	[333,387]
After housing costs	340	13	26	8%	[314,367]
Subgroups of pensioners					
Mean net income BHC					
Pensioner couples	486	23	46	9%	[440,540]
Single pensioners	247	7	14	6%	[233,263]
Recently retired head	392	21	41	10%	[351,432]
Head under 75 years	396	17	33	8%	[363,432]
Head 75 years or over	304	17	34	11%	[270,345]

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