

• Annual

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This report examines how much money pensioners get each week, and where they get that money from. It looks at variations in income between different types of pensioners. This annual report provides an analysis of data collected during the period April 2014 to the end of March 2015. Where possible comparisons have been made to results from the start of the time series (2003/04) since changes in the economy and to the benefit system have meant that pensioners' average weekly incomes have changed notably.

## Gross weekly income for single pensioners

2003/04

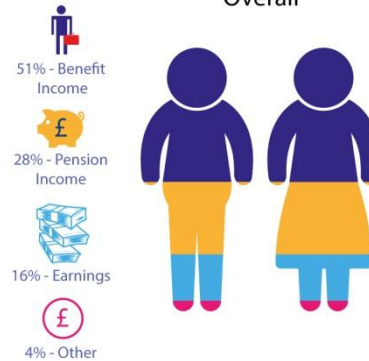
2014/15



Gross weekly income for single pensioners.

## Sources of Income for overall pensioner units

Overall

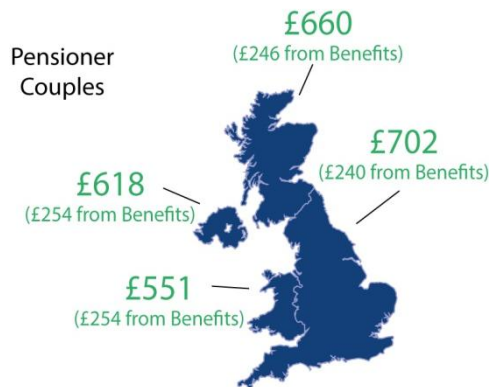


## Distribution of Income by Age



Only 14% of pensioner couples where the head was aged 75 or over are in the top quintile of the income distribution, compared to 22% of younger pensioner couples.

## Gross income across countries



## Average (Mean) state pension per week

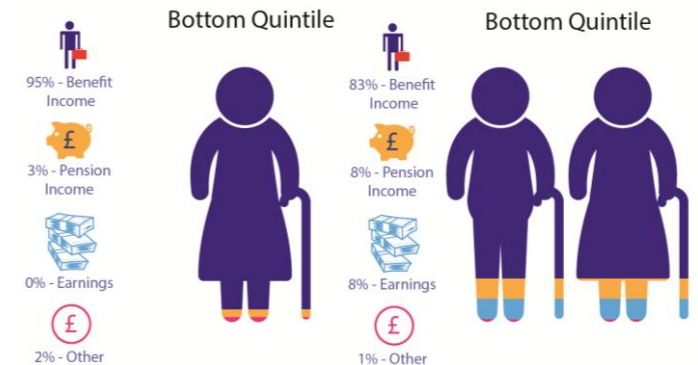
2012/15



## Pensioners' Income in Bottom Quintile

Singles

Couples

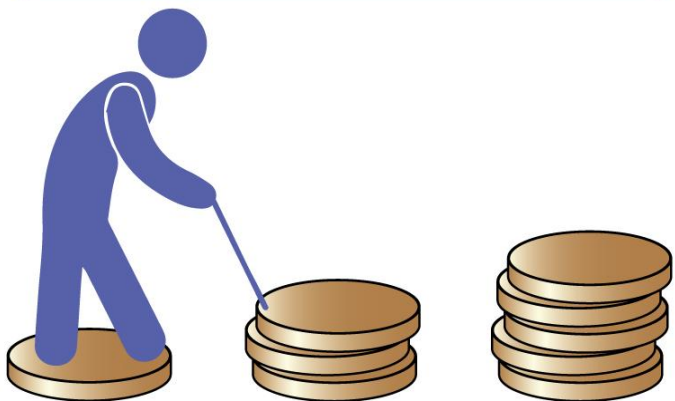


<sup>1</sup> Pension Income includes Occupational Pension and/or Personal pension income

## At a glance

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# PENSIONERS



# INCOME

## What you need to know

### Background

This is the seventh edition of the annual Pensioners' Income Series Bulletin. The bulletin contains estimates of the levels and trends of pensioners' incomes.

### Overview

This bulletin provides an introduction and summary of the main findings divided into 3 sections:

- Section 1 looks at income for groups of pensioners including singles and couples and by region;
- Section 2 looks in more detail at the various sources of income, including the proportion of pensioners who receive income from these different sources; and
- Section 3 looks at the distribution of incomes within the NI pensioner population.

### Survey Data

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. Approximately 2,000 households were interviewed for the FRS NI 2014/15. From this, 607 pensioner benefit units were available.

Owing to the volatility of single year results, due to small sample sizes, some data is presented as a three-year average. This methodology enables underlying trends to be identified, whilst smoothing out any random fluctuations.

### Income Measures

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.

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

### Statistical significance

**Statistical significance** is a technical concept that says whether a reported change is likely to have arisen only by chance due to variations in the sampling. We calculate 95% **confidence intervals** around estimates in Pensioners' Income which sets a standard that, where any change is reported as statistically significant, there is less than a 1 in 20 chance that the reported difference is due to sampling variation and there is no real underlying change. **None of the changes in this release are statistically significant unless specifically stated.**

### Additional tables and data

Supporting data tables are available at: <https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-4>

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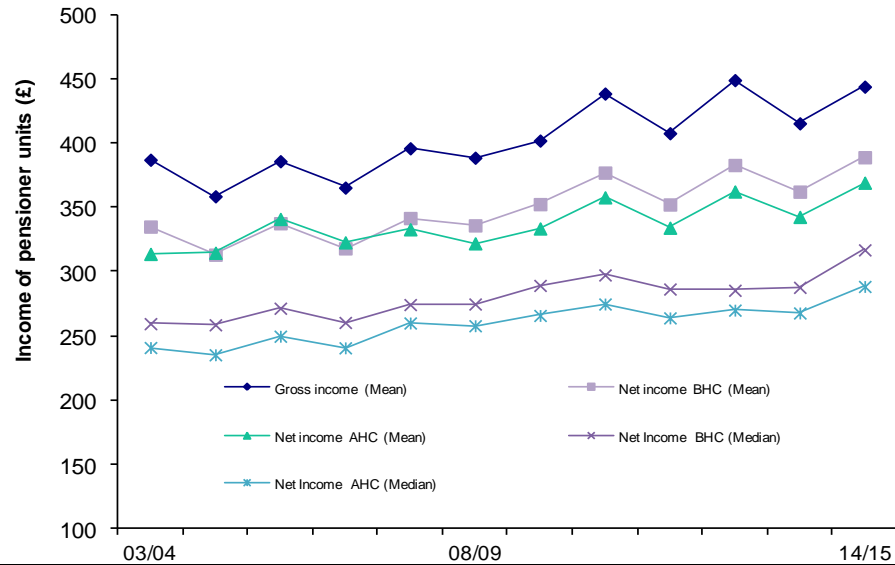
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# Pensioners' Income

## Real income of pensioners, 2003/04 to 2014/15, Northern Ireland

Based on FRS data, £ per week, 2014/15 prices

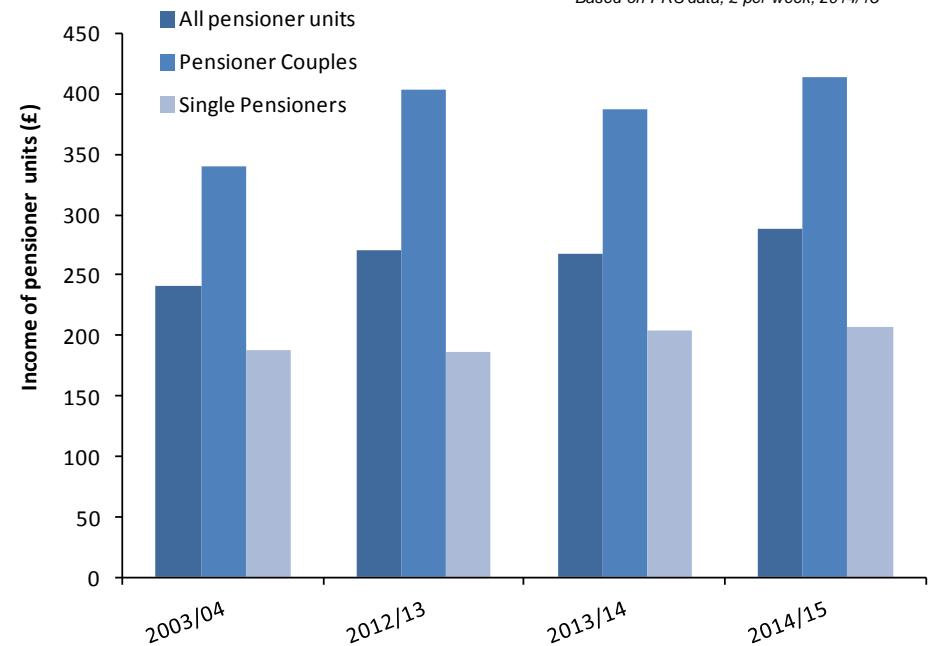


- Pensioner units (all pensioner couples and single pensioners) in Northern Ireland received on average £444 per week in gross income in 2014/15. Between 2013/14 and 2014/15 gross income increased **in real terms** by £29\* (£416 to £444), which equalled an approximate 7% increase – this followed a decrease, so is now at a similar level to 2012/13.
- Similarly, net income Before Housing Costs (BHC) increased by 7% for the mean and 10% for the median. Mean net income After Housing Costs (AHC) increased by 8% (£343 to £369) and median net income AHC increased by 8% (£268 to £289) between 2013/14 and 2014/15.
- Mean gross income (the central measure of all income received by the pensioner benefit unit) has increased by £57 (15%) in real terms over the time period 2003/04 and 2014/15 (£387 to £444).

\*figures may not sum due to rounding

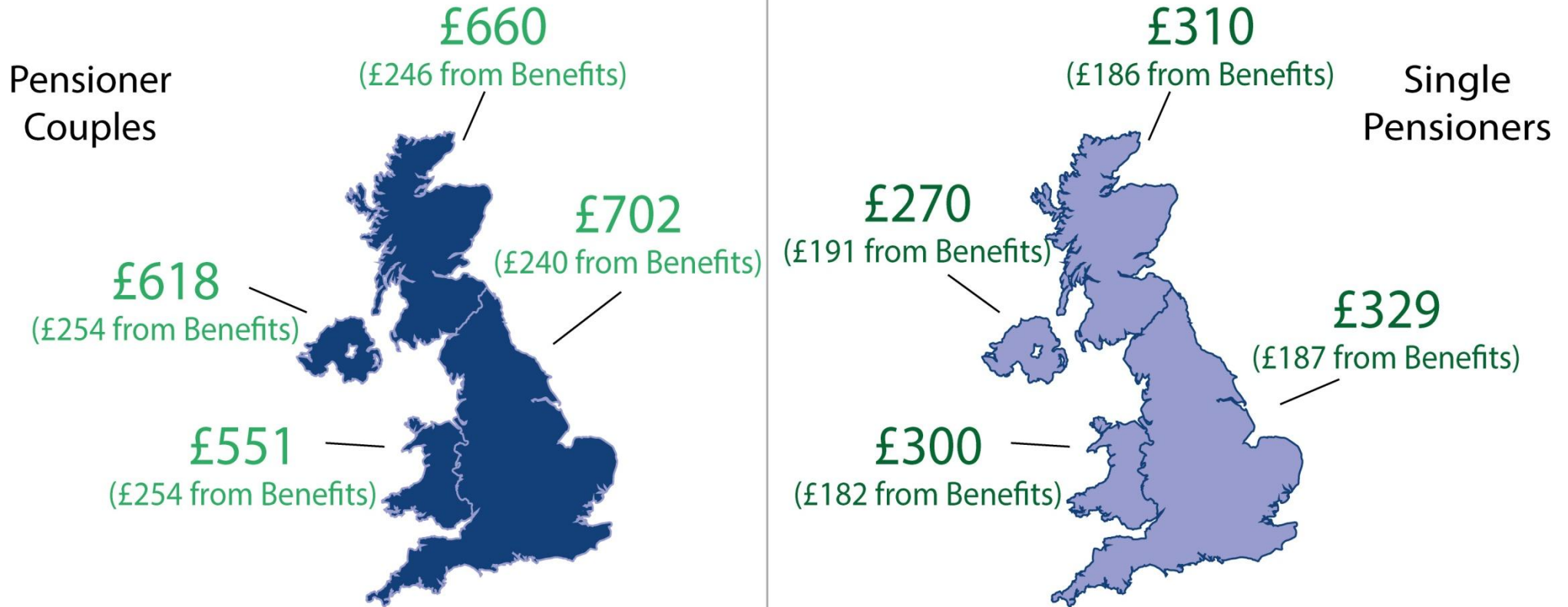
- From the chart opposite, in 2014/15 the average (median) net income (AHC) for pensioner couples was twice that of single pensioners (£414 v £207). This difference has increased over the past decade, in 2003/04 single pensioner average net income was 55% of average couple income, in 2014/15 it was 50%.
- The difference between pensioner couples and single pensioners' average income reflected differences in the kinds of income they received. For example, pensioner couples were more likely to be in receipt of private pension income (65% compared with 46%). For those who received this income, pensioner couples got on average (median) more than double the amount that single pensioners received (£202 compared to £84).
- Pensioner couples were more likely to be in receipt of earnings (23% of pensioner couples compared with 4% of single pensioners). This partly reflects the fact that a proportion of pensioner couples units include an adult who is below the SPA and therefore more likely to still be in work.

Based on FRS data, £ per week, 2014/15



Single pensioners in NI over a three year average (2012-15) had the lowest gross income across the 4 countries

## Average Weekly Income, UK 2012/15



Over a three year average (2012-15) pensioner couples in NI had the second lowest gross income across the four UK countries (£618), £70 lower than the UK average.

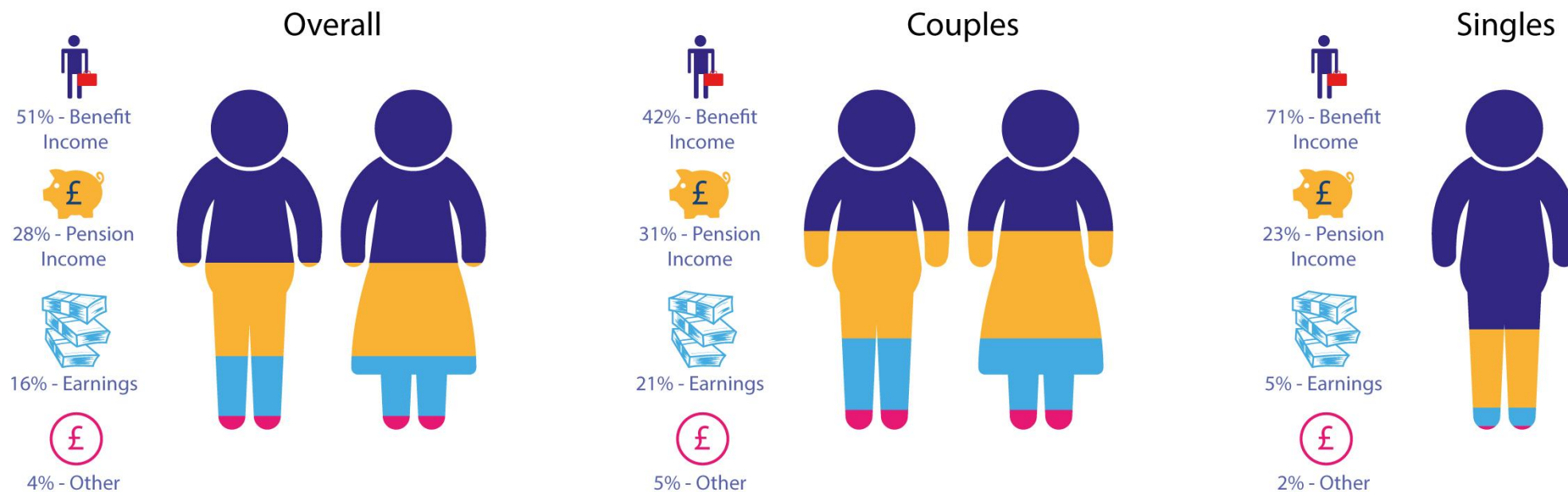
Of the £618 gross income, pensioner couples in NI had the second largest proportion made up from benefit income (41%, 46% in Wales), six percentage points higher than the UK average (35%).

Single pensioners in NI over a three year average (2012-15) had the lowest gross income across the 4 UK countries at £270, £54 lower than the UK average.

However, of the £270 gross income, NI had the highest amount made up of benefit income at £191, £4 higher than the UK average.

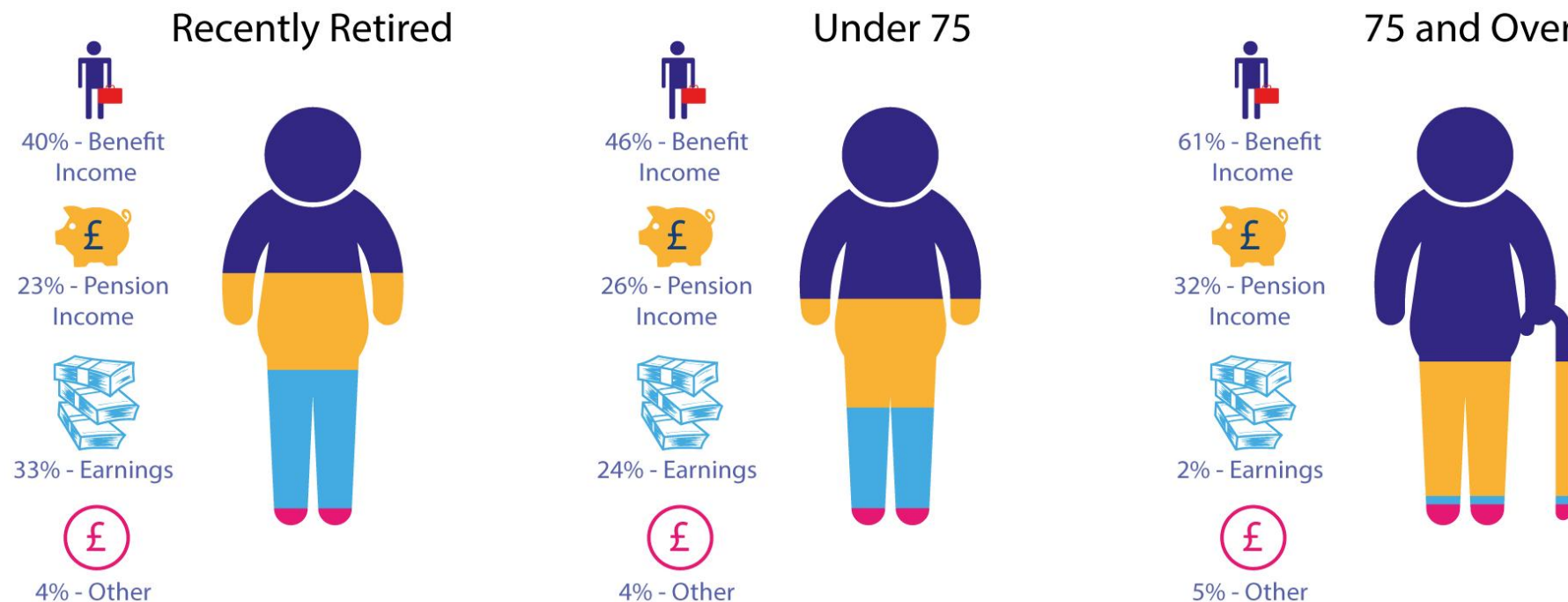
# Sources of Pensioners' Income

Benefit income accounted for the largest proportion of gross income for pensioner units



- In 2014/15, benefit income (which includes but is not limited to state pension and state pension credit) accounted for the largest proportion of gross income for pensioner units;
  - 51% (£227) for all pensioner units;
  - this figure rises to 71% when looking at single pensioners (£195); however
  - only accounts for 42% (£260) for pensioner couples (**Table 2.1 & Figure 2.2**).
- The next largest proportion of gross income for pensioners was pension income. When combining both Occupational pension and personal pension income this accounted for
  - 28% of gross income for pensioner units;
  - with a high of 31% for pensioner couples; and
  - 23% for single pensioners.
- There are notable differences in the proportion of income that comes from earnings across the pensioner unit types.
  - Earnings made up over one quintile (21%) of pensioner couples gross income;
  - compared to only 5% for single pensioners (16% for all pensioner units).
  - This reflects, in part, the fact that a proportion of pensioner couples includes one person who is still under SPA, and more likely to still be in work.

# The contribution of benefits to gross income for pensioners increases with age



- The figures above give the 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 aged 75 and over (£387) and for those where the head is under 75 (£486) and for those recently retired (£527).
- The contribution of benefits to gross income for pensioners rose with age from 40% of recently retired pensioners to 46% of pensioners where the head is under 75 to 61% of pensioners where the head is aged 75 and over.
- Conversely the contribution of earnings to gross income fell from one third (33%) of recently retired pensioner units to approximately a quarter (24%) of pensioner units where the head is under 75 to 2% where the pensioner unit head is 75 or over.

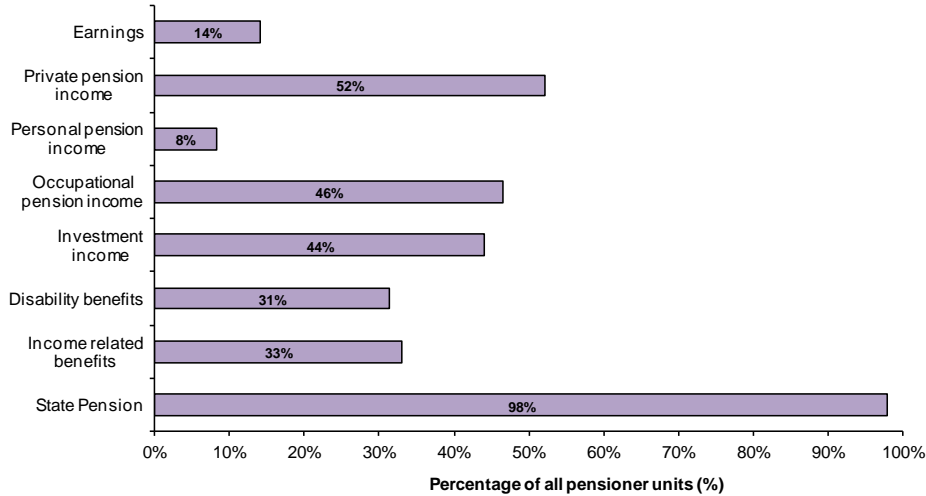
The differences in income composition between the age groups may be partly due to:

- **The 'age' effect:** older pensioners tend to have less income from earnings because they are less likely to be in work.
- **The 'cohort' effect:** younger pensioners were more likely to have benefited from the peak of occupational scheme savings in the late 1960s.
- **The length of time since retirement:** pensions generally increase by less generous uprating measures after retirement. In addition, most annuities 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.

# The most common source of income for pensioner units is state pension

## Proportion of pensioner units in receipt of selected sources of income, 2012/15, Northern Ireland

Based on FRS data



- The chart opposite shows the proportion of pensioner units receiving income from various sources in 2012/15.
- As expected the most common source of income for pensioner units is state pension; with 98% of pensioner units claiming this.
- Fifty two per cent of pensioner units receive income from private pensions; 46% receive income from occupational pension income while only 8% have income from a personal pension.
- In 2012/15, 31% of pensioner units were in receipt of disability benefits and 14% were in receipt of earnings from employment.

### State Pension, 2012/15, Northern Ireland



2012/15

MEAN

17%

2003/06

- The mean amount of reported state pension for all pensioners per week during the period 2012/15 was £167 (£130 for singles and £207 for couples). This was an increase of 17% from the period 2003/06 in real terms.

2012/15

MEDIAN

16%

2003/06

- There was also a 16% increase in the median amount received by all pensioners over the same period (£129 to £150). 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.

### Occupational Pension, 2012/15, Northern Ireland



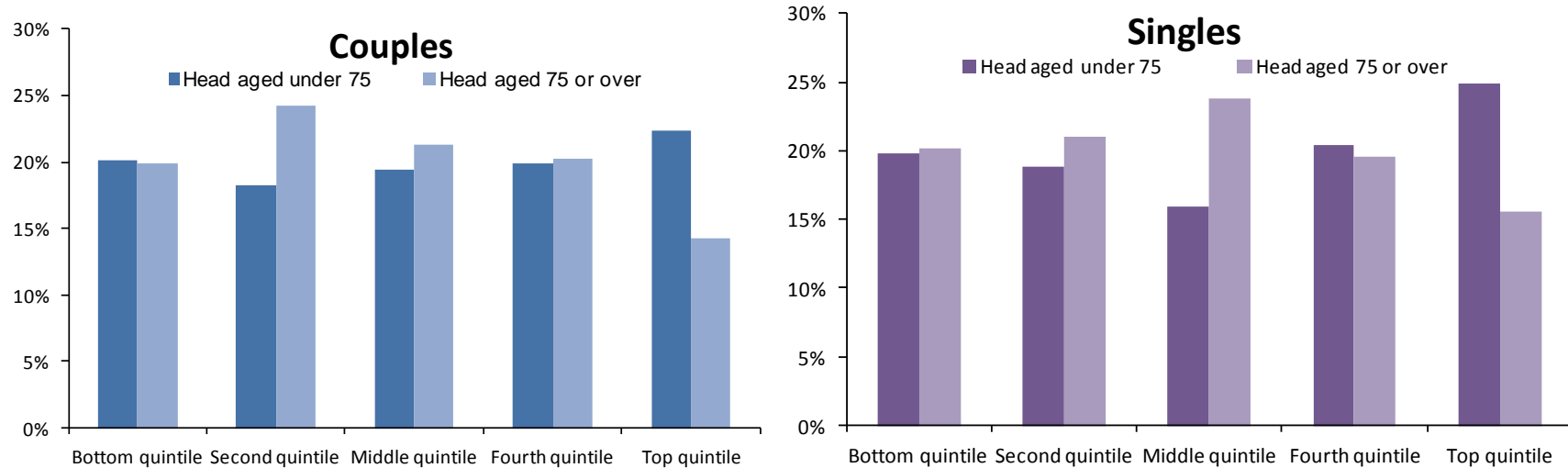
- Receipt of occupational pensions has become increasingly common, reflecting the rapid increase in coverage of these schemes in the 1950s and 1960s.
- Occupational pensions provided income for 46% of pensioner units in 2012/15 this is a 7 percentage point rise from 2003/06. The mean amount of occupational pensions received by pensioner units in 2012/15 (£239) has increased by approximately 29% since 2003/06 (£185) in real terms.



## Distribution of Pensioners' Income

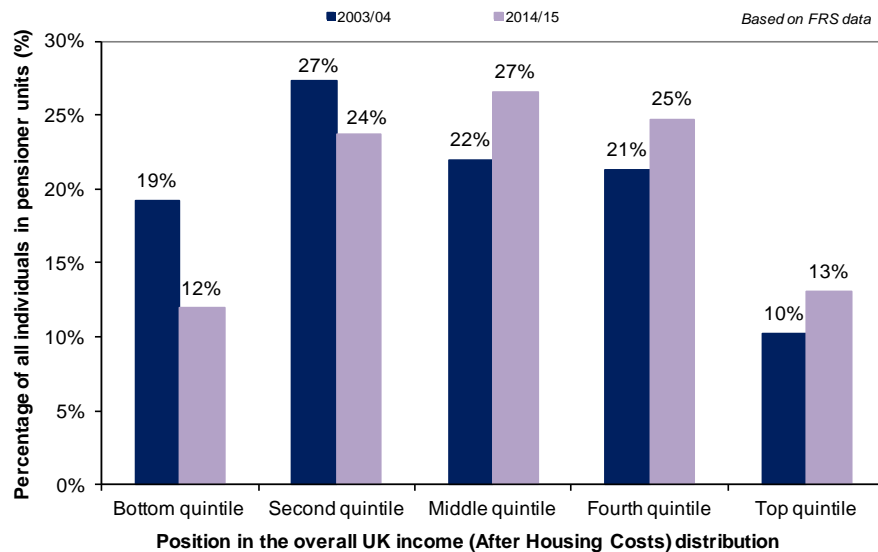
This section looks at the distribution of pensioners' income within both the Northern Ireland pensioner income distribution and the overall income distribution for the United Kingdom. Pensioners have been ranked by income and divided into quintiles (five equal sized groups) for the purpose of analysis.

### Age of pensioners by quintile of the pensioners' net income distribution (AHC), 2012/15, Northern Ireland



- Older pensioner couples are more likely to have net incomes within the bottom two quintiles of the pensioner income distribution (AHC). Forty-four per cent of pensioner couples where the head is aged 75 or over are in the bottom two quintiles, compared to 38% of pensioners where the head is aged under 75.
- Only 14% of pensioner couples (16% of singles) where the head is aged 75 or over have incomes falling within the top quintile, while 20% of recently retired pensioner couples (27% of singles), and 22% of couples (25% of singles) where the head is aged under 75 have incomes in this quintile.

### Pensioner's position in the overall net UK income (AHC) distribution, 2003/04 & 2014/15

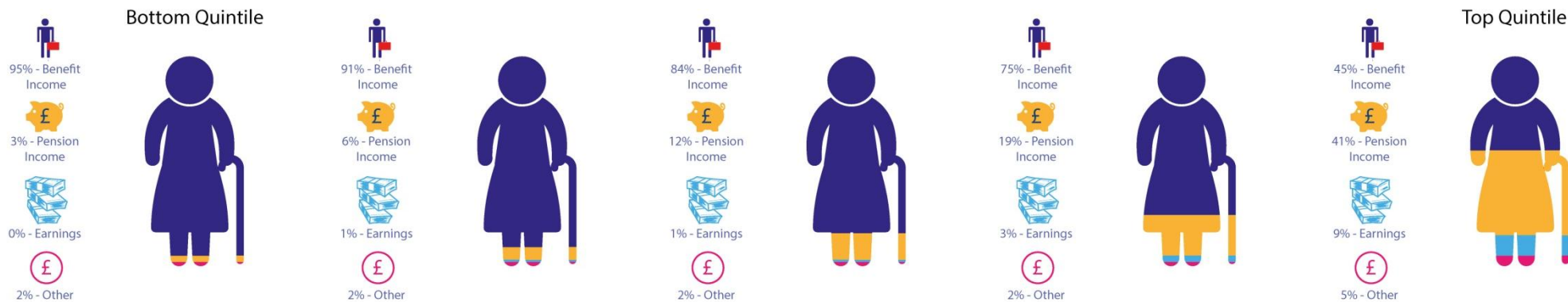


- The figure opposite shows that there are a larger proportion of pensioners in the top three quintiles in 2014/15 than there were in 2003/04.
- The proportion of individuals living in pensioner units in the bottom quintile of the overall UK population income distribution (AHC) in 2014/15 was 12%, which has decreased from the 2003/04 level of 19%.
- The proportion in the middle quintile in 2014/15 was 27%, which is an increase from the 2003/04 level of 22%.
- The proportion in the top two quintiles in 2014/15 was 38%, an increase from the 2003/04 level of 32%.
- When considering changes in incomes over time it is more appropriate to use the After Housing Costs measure as over two thirds of pensioner households own their own home (Family Resources Survey, Northern Ireland 2014/15) and so tend to have relatively low housing costs.

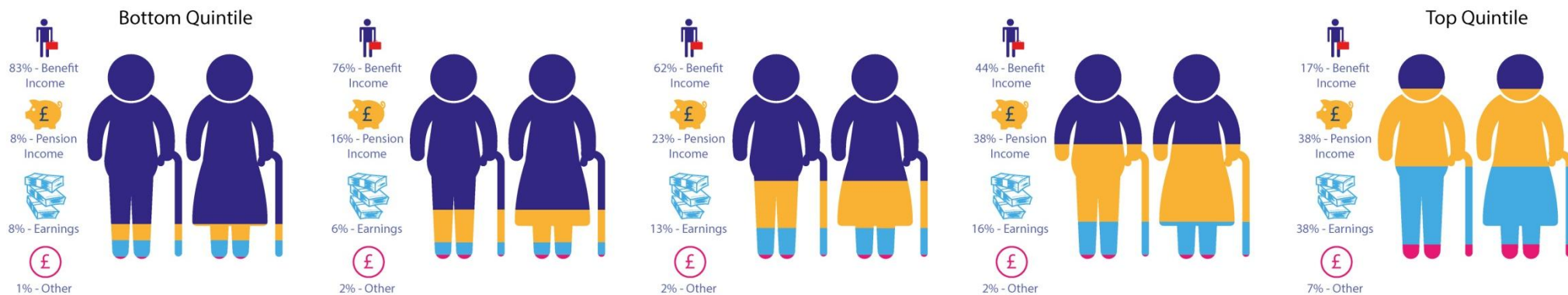


# Sources of pensioners' incomes differed depending on their position in the income distribution

Percentage of gross income from different sources for couples and singles in each quintile of the NI net income distribution (AHC), 2012/13 – 2014/15



- The figures above and below show 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 income for those pensioners in the bottom quintile came from benefits, 83% of income for pensioner couples and 95% of income for single pensioners.
- Earnings increased across almost all quintiles from the bottom quintile (except 2<sup>nd</sup> quintile for couples) to the top quintile for pensioner couples and single pensioners. The most well off pensioner couples (i.e. those in the top quintile) earned on average £534 per week. This is almost thirteen times more than the most well off single pensioners (£43 per week).
- The pensioner couples in the bottom quintile earned £19 pounds more than single pensioners in the bottom quintile. Earnings made up the largest proportion of mean gross income for pensioner couples in the top quintile (38%). Single pensioners in the top quintile of the income distribution received 9% of gross income from earnings.
- Pension income increased across all quintiles for pensioner couples and single pensioners, with the greatest increase observed for those single pensioners in the top quintile.
- For pensioner couples benefit income peaked at £285 for those in the middle quintile. For single pensioners benefit income increased over the first four quintiles (£140 to £223 then decreased in the top quintile to £214).



# About these statistics

## National Statistics

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

## Where to find out more

Supporting data tables and our FRS Quality and Methodology Information Report, giving further detail on how we estimate the measures reported here are available via the following link: <https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-4>

## Other FRS Publications

### *Northern Ireland poverty bulletin*

<https://www.communities-ni.gov.uk/publications/northern-ireland-poverty-bulletin-2014-2015>

### *Northern Ireland households below average income*

<https://www.communities-ni.gov.uk/publications/households-below-average-income-northern-ireland-201415>

### *Family Resources Survey urban rural report - Northern Ireland*

<https://www.communities-ni.gov.uk/publications/urban-rural-report-northern-ireland-2013-2014>

### *Family Resource Survey - Northern Ireland*

<https://www.communities-ni.gov.uk/publications/family-resources-survey-report-2014-2015>

## How do we measure income?

The income measure used in PI is weekly unequivalised income, calculated for both **Before Housing Costs (BHC)** and **After Housing Costs (AHC)**. BHC income comprises total income from all sources for all members of the pensioner unit. **After Housing Costs** deducts housing costs which include rent and mortgage interest payments

### Gross Income

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

- **Income from benefits** – Including tax credits;
- **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.

### 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.

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.