



Department for
Communities

**Pensioners' Income Series Bulletin
Northern Ireland**

Quality and Methodology Information Report



Contact Point

If you have any comments or questions, or are interested in receiving information about the Pensioners' Income Series Bulletin please contact us at:

Analytical Services Unit
Department for Communities
1th Floor, The Lighthouse Building
Gasworks Business Park
Ormeau Road
Belfast, BT7 2JA
Telephone: 028 90 829129

More information is available on the DfC website at:

<https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-4>

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.

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Background

The Pensioners' Incomes (PI) series contains estimates of the levels, sources and distribution of pensioners' incomes. It also examines the position of pensioners within the income distribution of the population as a whole. Changes in the economy and to the benefit system have meant that pensioners' average weekly incomes have changed a lot over the time series. The statistics contained in the PI Series Bulletin examines these changes.

The main source of data used in the PI Series is the **Family Resources Survey (FRS)**. The 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 and was introduced to Northern Ireland (NI) for the first time. Every year approximately 2,000 households are interviewed for the FRS in NI. This includes around 600 pensioner benefit units.

Although the PI Series Bulletin (NI) is specifically of interest to the Department for Communities (DfC), other government departments and external researchers and analysts, from a wide range of disciplines, also benefit from the availability of such a data source.

The PI Series Bulletin is divided into 3 main sections:

- Section 1 looks at **income** for the different groups of pensioners.
- Section 2 looks in more detail at the various **sources of income** for pensioners.
- Section 3 looks at the **distribution of pensioners' income**.

Online access

Background information on the FRS and PI Series, as well as additional copies of all FRS related publications can be found on the DfC website: <https://www.communities-ni.gov.uk/topics/family-resources-survey>

Quality Statement

The Households Below Average Income (HBAI) dataset upon which the PI Series is based undergoes substantial checking and verification. This is carried by DfC, DWP, and by the Institute of Fiscal Studies (IFS). When producing charts and tables for the bulletin, all content is independently quality assured by different members of the PI Series team to ensure methodology is robust.

Definitions and Terminology

Pensioner units

The PI Series provides analysis on pensioner benefit units (known as pensioner units), which include:

- Single pensioners: individuals over State Pension Age (SPa).
- Pensioner couples: married or cohabiting pensioners where one or more are over SPa.
- Income related to any dependent children in pensioner units.

In 2014/15 the SPa for men was 65. For women, SPa was 62 at the beginning of the 2014/15 financial year and had risen to 62 and a half by the end of the financial year.

Age of pensioner units

For analysis of pensioner units by age, pensioner couples are categorised by the age of the Head. The Head of the pensioner unit is either the Household Reference Person (see below) if they belong to the pensioner unit, or if not it is the first person from the pensioner unit in the order that they were named in the interview.

The Household Reference Person (HRP) is the householder with the highest income, without regard to gender.

- In a single adult household, the HRP is the sole householder (i.e. the person in whose name the accommodation is owned or rented).
- If there are two or more householders, the HRP is the householder with the highest personal income from all sources. In households where there is one person under SPa and one person over SPa, it is possible that the younger person may be the HRP as they are more likely to be working, and therefore have a higher income.
- If there are two or more householders who have the same income, the HRP is the eldest householder.
- In the PI Series the category of **Recently Retired Pensioners** is used. This is an age definition and refers to pensioner units where the head is within 5 years of the

current SPa. For 2014/15 this includes women aged between 62 and 66 and men aged 65-69. Recently retired pensioner units are included in the 'Under 75' age group.

Gross Income – is income from all sources received by the pensioner unit including income from Social Security benefits (including Housing Benefit), earnings from employment or self-employment, any private pension income, and tax credits. **Net income Before Housing Costs** is gross income with direct taxes deducted. **Net income After Housing Costs** deducts housing costs which include rent and mortgage interest payments. It should be noted that while analysis of data after housing costs have been deducted, are comparable for both NI and UK, before housing costs analysis is not. This is due to the difference in the way water charges are collected.

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' standard 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. Further evidence can be obtained by looking at the estimates for adjacent years.

Adjusting for inflation

The PI Series uses uprating factors to adjust for inflation, by bringing values from previous years into current price terms for the most recent year of the bulletin. Up to 2013/14, The PI Series used variants of the Retail Prices Index (RPI) to adjust incomes for inflation. However, the 2014/15 PI Series bulletin has made a methodological change to use variants of Consumer Price Index when adjusting for inflation. This change follows advice from the UK National Statistician that the use of RPI should be discontinued in statistical publications. As a result some figures presented in this bulletin may not match what was previously published.

Income Measures

Gross income: In the PI Series, gross income is generally separated into six components:

1. **Income from benefits** – including tax credits;

In some instances this is further divided into:

- State Pension – Basic and Additional State Pensions, Widow's Pension and Widowed Parent's Allowance;

- Income-related benefits – Pension Credit, Housing Benefit, Social Fund Grants, Rates Relief (in NI) and Tax Credits;
- Disability benefits – Disability Living Allowance, Attendance Allowance, Employment and Support Allowance, Incapacity Benefit, Industrial Injuries Disablement Benefit, War Disablement Pension and Personal Independence Payment.

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

2. **Income from occupational pensions** – employee pensions associated with an employer and workplace;

3. **Income from personal pensions** – personal pensions, annuities bought with lump sums from personal pensions, trade union and friendly society pensions;

The sum of occupational (2) and personal pensions (3) is income from **private pensions**.

4. **Income from investments** – including interest from Individual Savings Accounts (ISAs) and other savings accounts, unit trusts, bonds, stocks and shares;

5. **Income from earnings** – including employee earnings and profit and loss from self-employment;

6. **Other income** – benefits from friendly societies, income [received for] or [received in respect of] dependent children, maintenance payments and, from November 2000, free TV licences for those aged 75 and over.

More information about the different income sources can be found in the glossary at the end of this document.

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 students living away from home.

Net income After Housing Costs (AHC) is derived by deducting a measure of housing costs from the above income measure and is also net of:

- Rent (gross of housing benefits);

- Water rates, community water charges and council water charges (not applicable in NI);
- Structural insurance premiums (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 an income-related benefit.

Capital mortgage repayments are also not deducted as a Housing Cost as this is regarded as an asset being accrued and not a cost.

Differences by age

The PI series 2014/15 finds that there are differences in average incomes between age groups. There are a number of reasons for this which should be noted when interpreting these results:

- **The 'age' effect:** Older pensioners are less likely to be in work and hence receive a smaller amount from earnings. Any pension(s) they may be in receipt of are usually a proportion of what they would have earned.
- **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 invested (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 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.

Reporting Uncertainty

Two different random samples from one population, for example the UK, are unlikely to give exactly the same survey results, which are likely to differ again from the results that would be obtained if the whole population was surveyed. The level of uncertainty around a survey estimate can be calculated and is commonly referred to as sampling error. In addition to sampling error the PI Series estimates can also be affected by other non-sampling errors. Some of these are:

- **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 the survey estimates.

- **Under-reporting:** The FRS information on benefits relies on the respondent being able to accurately report the amount of benefit they receive. This reliance leads to under-reporting in receipt for many benefits. The discrepancies between FRS and administrative data are particularly pronounced for Employment and Support Allowance, Attendance Allowance, Carer’s Allowance, Disability Living Allowance and Pension Credit.
- It is also thought that household surveys **underestimate** income from both self-employment and investments (particularly affecting the picture for pensioners), so these figures should be treated with caution.
- **Misreporting:** The type of income received is self-reported by survey respondents, and consequently can be misreported. For example, some survey respondents may not be able to distinguish between the State Pension and Pension Credit because these benefits can be paid jointly.
- **Systematic bias:** This arises in the sample 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, sex, family status, tenure and broad geographic region. Nevertheless, it is difficult to account for all possible bias, so some results are still affected.

Calculating uncertainty in the PI Series Bulletin

Confidence intervals in the PI Series have been calculated using a bootstrapping approach, using the statistical software package SAS. This has allowed confidence intervals to be calculated for a wider range of estimates.

Bootstrapping calculates the level of uncertainty around a survey estimate by exploring how that estimate would change if we were to draw many survey samples for the same time period instead of just one, this allows us to generate confidence intervals around the estimate. Bootstrapping re-samples using replacement sampling from the dataset, thus creating multiple new datasets, with some samples containing multiple copies of one case with none of another.

Other Sources

Administrative sources:

The Department for Communities’ Benefit publications:

<https://www.communities-ni.gov.uk/topics/benefits-statistics>

Survey sources:

Households Below Average Income (HBAI):

<https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-2>

Family Resources Survey (FRS):

<https://www.communities-ni.gov.uk/topics/family-resources-survey>

Annual Survey of Hours and Earnings:

<https://www.detini.gov.uk/articles/annual-survey-hours-and-earnings>.

Occupational Pension Scheme Survey:

<http://www.ons.gov.uk/ons/rel/fi/occupational-pension-schemes-survey/index.html>.

Glossary

Definitions below are split into separate sections:

- Household composition
- Personal characteristics
- State support
- Pension schemes
- All other definitions

Household composition

Adult

All those individuals who are aged 16 and over, unless defined as a dependent child (see **Child**); all adults in the household are interviewed as part of the FRS.

Benefit unit or Family

A single adult or a married or cohabiting couple and any dependent children; since January 2006 same-sex partners (civil partners and cohabitees) have been included in the same benefit unit. Where a total value for a benefit unit is presented, such as total benefit unit income, this includes both income from adults and income from children. Below are various types of benefit unit:

- *Pensioner couple: **Benefit units*** where either adult in the couple is over State Pension age.
- *Pensioner couple, married or civil partnered:* Benefit units headed by a couple where the **Head of the benefit unit** is over State Pension age and the couple are either married or in a civil partnership.
- *Pensioner couple, cohabiting:* Benefit units headed by a couple where the **Head of the benefit unit** is over State Pension age and the couple are neither married nor in a civil partnership.
- *Single male pensioner:* Benefit units headed by a single male adult over State Pension age.
- *Single female pensioner:* Benefit units headed by a single female adult over State Pension age.

Child

A dependent child is defined as an individual aged under 16. A person will also be defined as a child if they are 16 to 19 years old and they are:

- Not married nor in a civil partnership nor living with a partner; and
- Living with parents/a responsible adult; and
- In full-time non-advanced education or in unwaged government training.

Head of benefit unit

The Head of **benefit unit** is either the **Household Reference Person** if the Household Reference Person belongs to the benefit unit, or if not it is the first person from the benefit unit in the order that they were named in the interview.

Household

One person living alone or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area. A household will consist of one or more ***benefit units***. Where a total value for a household is presented, such as total household income, this includes both income from adults and income from children.

Household Reference Person (HRP)

The HRP is the person with the highest income, without regard to gender.

- In a single adult household, the HRP is the sole householder (i.e. the person in whose name the accommodation is owned or rented).
- If there are two or more householders, the HRP is the householder with the highest personal income from all sources.
- If there are two or more householders who have the same income, the HRP is the eldest householder.

Before April 2001, the Household Reference Person (HRP) was known as the Head of Household. Where we refer to 'Head' in tables relating to households, this is the HRP. The ***Head of benefit unit*** will not necessarily be the HRP (see Head of benefit unit).

Mixed status pensioner couples

Where one member is above State Pension Age (SPa) and the other is below, highlighting the different income profile of these pensioners compared with couples where both members are over SPa.

Pensioner benefit unit

Benefit units who are a pensioner couple, single male pensioner or single female pensioner. Pensioner benefit units may also include any dependent children, but this is uncommon.

Personal characteristics

Age

Respondent's age at last birthday (at the time of the interview).

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 State Pension age, 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 2014/15, women aged between 62 and 66 are included in recently retired, as female SPa was 62 at the start of 2014/15 – provided they have reached SPa as defined by the criteria above. Recently retired pensioner units are included in the 'Under 75' age group.

State Pension age

The State Pension age is 65 for men born before 6 April 1959. For women born on or before 5 April 1950, State Pension age is 60. From 6 April 2010, the State Pension age for women born on or after 6 April 1950 will increase gradually between April 2010 and November 2018. From December 2018, the State Pension age for both men and women will start to increase to reach 66 in October 2020.

Details of further planned changes to State Pension age can be seen at: <https://www.gov.uk/changes-state-pension>

For 2014/15 data, women are defined to be of State Pension age based on their date of birth and the date of interview. For further guidance on calculating State Pension eligibility age, see: <https://www.gov.uk/calculate-state-pension>.

Working

All respondents with an employment status of full/part-time employed or full/part-time self-employed.

Working Age

Adults (see **Adult** and **Child**) under **State Pension age**.

State support

An individual is in receipt of state support if they receive either a **Benefit** (including the Basic State Pension) or a payable **Tax Credit**.

Benefits

The government pays money to individuals in order to support them financially under various circumstances. Most of these benefits are administered by DfC. The exceptions are *Housing Benefit* and *Rates relief*, which are administered by Northern Ireland Housing Executive and Land & Property Services respectively. **Tax Credits** are not treated as benefits, but both Tax Credits and benefits are included in the term *State Support*.

Benefits are often divided into *income-related benefits* and *non-income-related benefits*. Entitlement to income-related benefits is dependent on the recipient's income and savings. Entitlement to non-income-related benefits is dependent on the recipient's circumstances (age, level of disability, for example), but not on income and savings. A list of benefits divided into income-related and non-income-related is presented on the next page.

Disability-related benefits is the term used to describe all the benefits paid on the grounds of disability. These are Personal Independence Payment (not introduced in NI during 2014/15), Disability Living Allowance, Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance, Attendance Allowance, War Disablement Pension, Industrial Injuries Disablement Benefit and Northern Ireland Disability Rate Rebate.

For more information about specific benefits see: <https://www.gov.uk/browse/benefits>

Tax Credits

Working Tax Credits and Child Tax Credits are paid by HM Revenue & Customs.

For more information see: <http://www.hmrc.gov.uk/TAXCREDITS/>

Income-related benefits

Council Tax Reduction (GB)

Employment and Support Allowance (income-related element)

Extended Payments (Council Tax Reduction and Housing Benefit)

Housing Benefit

In Work Credit

Income Support

Job Grant

Jobseeker's Allowance (income-based element)

Northern Ireland Other Rate Rebate

Northern Ireland Rate Rebate through energy efficient homes

Northern Ireland Rate Relief for full-time students, trainees, under 18s and those leaving care

Maternity Allowance

Pension Credit

Rates Relief (NI)

Return to Work Credit

Social Fund – Community Care Grant

Social Fund – Funeral Grant

Social Fund – Sure Start Maternity Grant

Universal Credit

Widow's Pension/Bereavement Allowance

Widow's/Bereavement Payment

Widowed Mother's/Parent's Allowance

Winter Fuel Payments

Non-income-related benefits

Armed Forces Compensation Scheme

Attendance Allowance

Carer's Allowance

Child Benefit

Disability Living Allowance (both mobility and care components)

Employment and Support Allowance (contributory element)

Guardian's Allowance

Health in Pregnancy Grant

Incapacity Benefit

Industrial Injuries Disablement Benefit

Jobseeker's Allowance (contributory element)

Northern Ireland Disability Rate Rebate

Northern Ireland Lone Pensioner Rate Rebate

Personal Independence Payment (Daily Living and Mobility components)

Severe Disablement Allowance

State Pension

Statutory Maternity/Paternity/Adoption Pay

Statutory Sick Pay

Pension schemes

Automatic Enrolment

Automatic enrolment requires all employers to enrol their eligible workers into a workplace pension scheme if they are not already in one. The staged timetable began in October 2012 for larger firms, with enrolment for all employers to be complete by February 2018. In order to preserve individual responsibility for the decision to save, workers can opt out of the scheme. To be eligible for automatic enrolment, the jobholder must be at least 22 years old, under *State Pension age*, earn above the earnings trigger for automatic enrolment, and work or usually work in the UK. For more information see <https://www.gov.uk/workplace-pensions>

Occupational pension

An occupational pension scheme is an arrangement an employer makes to give their employees a pension when they retire. Employees may become a member of an employer's pension scheme on a voluntary basis. Until 6th April 2016 Defined Benefit occupational pension schemes could be contracted in to or out of the *State Second Pension*. This was abolished with the introduction of the New State Pension. The contracting out of Defined Contribution occupational pension schemes was abolished in 2012.

Personal pension

A pension provided through a contract between an individual and the pension provider. The pension which is produced will be based upon the level of contributions, investment returns and annuity rates. A personal pension can be either employer provided or privately purchased. Different forms of personal pension include:

- *Group Personal Pension*: some employers who do not offer an occupational pension scheme may arrange for a pension provider to offer their employees a personal pension instead. The employer may have negotiated special terms with the provider which means that administration charges are lower than those for individual personal pensions. Although they are sometimes referred to as company pensions, they are not run by employers and should not be confused with occupational pensions, which have different tax, benefit and contribution rules.
- *Group Stakeholder Pension*: like Group Personal Pensions, an employer can make an arrangement with a pension provider and offer their employees a Group Stakeholder Pension (see *Stakeholder Pension*).
- *Stakeholder pension*: enable those without earnings, such as non-earning partners, carers, pensioners and students, to pay into a pension scheme. Almost anybody up to the age of 75 may take out a stakeholder pension and it is not necessary to make regular contributions. For more information, see: <https://www.gov.uk/personal-pensions-your-rights>.

Private pension

Private pensions include occupational pensions (also known as Employer-Sponsored pensions) and Personal pensions (including Stakeholder pensions). People can have several different private pensions at once. In previous years only one of these pensions could be contracted out. The contracting out of Defined Benefit occupational schemes was abolished in April 2016 with the introduction of the New State Pensions. The contracting out of Defined Contribution pension schemes was abolished in 2012.

All other definitions

Confidence interval

A measure of *sampling error*. A confidence interval is a range around an estimate which states how likely it is that the real value that the survey is trying to measure lies within that range. A wider confidence interval indicates a greater uncertainty around the estimate. Generally, a smaller sample size will lead to estimates that have a wider confidence interval than estimates from larger sample sizes. This is because a smaller sample is less likely than a larger sample to reflect the characteristics of the total population and therefore there will be more uncertainty around the estimate derived from the sample. Note that a confidence interval ignores any systematic errors which may be present in the survey and analysis processes.

Equivalisation

Income measures used in HBAI take into account variations in the size and composition of the households in which people live. This process is called equivalisation.

Equivalisation reflects the fact that a family of several people needs a higher income than a single individual in order for them to enjoy a comparable standard of living.

Equivalence scales conventionally take a couple with no children as the reference point. Consider a single person, a couple with no children, and a couple with two children aged fourteen and ten, all having unadjusted weekly household incomes of £200 (BHC). The process of equivalisation, as conducted in HBAI, gives an equivalised income of £299 to the single person, £200 to the couple with no children, but only £131 to the couple with children. Equivalisation is not used in the Pensioners' Income Series

Housing costs

Housing costs are made up of: rent (gross of housing benefit); water rates, community water charges and council water charges; mortgage interest payments (net of tax relief); structural insurance premiums (for owner occupiers); and ground rent and service charges.

Net incomes in the Pensioners' Incomes Series report are presented either on a BHC or AHC basis, the definitions of which are:

- Before Housing Costs (BHC): Net income before the housing cost aspects listed above are taken away.
- After Housing Costs (AHC): Net income after the housing cost aspects listed above are taken away.

Capital mortgage repayments are not deducted as a Housing Cost as this is regarded as an asset being accrued and not a cost.

In a multi-benefit unit household, housing costs are ascribed to the first benefit unit (the benefit unit with the Household Reference Person). This means that for a minority of pensioner units, housing costs will not be attributed to them.

Income distribution

The spread of incomes across the population.

Net income

Net income is gross income with direct taxes including Council Tax payments deducted. Net income may be presented on a Before Housing Costs or After Housing Costs basis. See *Housing costs* for more detail.

Sampling error

The uncertainty in the estimates which arises from taking a random sample of the household population. The likely size of this error for a particular statistic can be identified and expressed as a confidence interval.

Sources of pensioner income

- State Pension: State pension income includes basic and additional state pension. To qualify for State Pension you must have reached State Pension age (see *State Pension age*).
- Income-related benefit: Income from income-related benefits (see *Benefits*).
- Disability benefit: Income from disability benefits (see *Benefits*).
- Investment income: Income from interest, Individual Savings Allowance (ISAs) and other savings accounts, such as unit trusts, bonds, stocks and shares.
- Occupational pension: Income from any occupational pension (see *Pension Schemes*).
- Personal pension: Income from any personal pension (see *Pension Schemes*).
- Private pension: Income from any private pension (see *Pension Schemes*).
- Earnings: Income from earnings refers to gross earnings from employment and self-employment. Wages and salaries for a respondent currently working, income from wages and salaries is equal to: gross pay before any deductions, less any refunds of income tax, any motoring and mileage expenses, any refunds for items of household expenditure and any Statutory Sick Pay or Statutory Maternity Pay, plus bonuses received over the last 12 months (converted to a weekly amount).