

Section 3: Sources of Pensioners' Income

Benefit income (including State Pension) served as the main source of income for pensioners in 2003/04; however the importance of benefit income varied for different pensioner units. Two-thirds of all pensioner units had some private income on top of state benefits, however this comprised of four in five pensioner couples and three in five single pensioners (see **Table 7**). The corresponding proportion of recently retired pensioner units was consistently higher for both single pensioners and pensioner couples, with an average of three in four recently retired pensioners having had some private income on top of state benefits.

Table 7: The proportion of pensioner units with income on top of state benefits, 2002/03-2003/04

Results based upon data from the FRS

	2002/03	2003/04
All pensioner units		
Total	71%	67%
Pensioner couples	82%	81%
Single pensioners	64%	58%
Recently retired pensioner units		
Total	78%	74%
Pensioner couples	89%	83%
Single pensioners	65%	63%

Notes:

- (1) Recently retired single pensioner units are defined as: single women aged 60-64; single men aged 65-69, and couples in which the man is aged 65-69.
 (2) Free TV licences have been excluded from the definition of income on top of state benefits used in this table.

Whilst only 21% of pensioner units derived more than half of their gross income from private sources in 2003/04 (**Table 8**), this comprised more than double the proportion of couples (31%) as singles (14%), and was also considerably higher amongst the recently retired, at 38%.

Table 8: The proportion of pensioner units with less than 50% of income from state benefits, 2002/03-2003/04

Results based upon data from the FRS

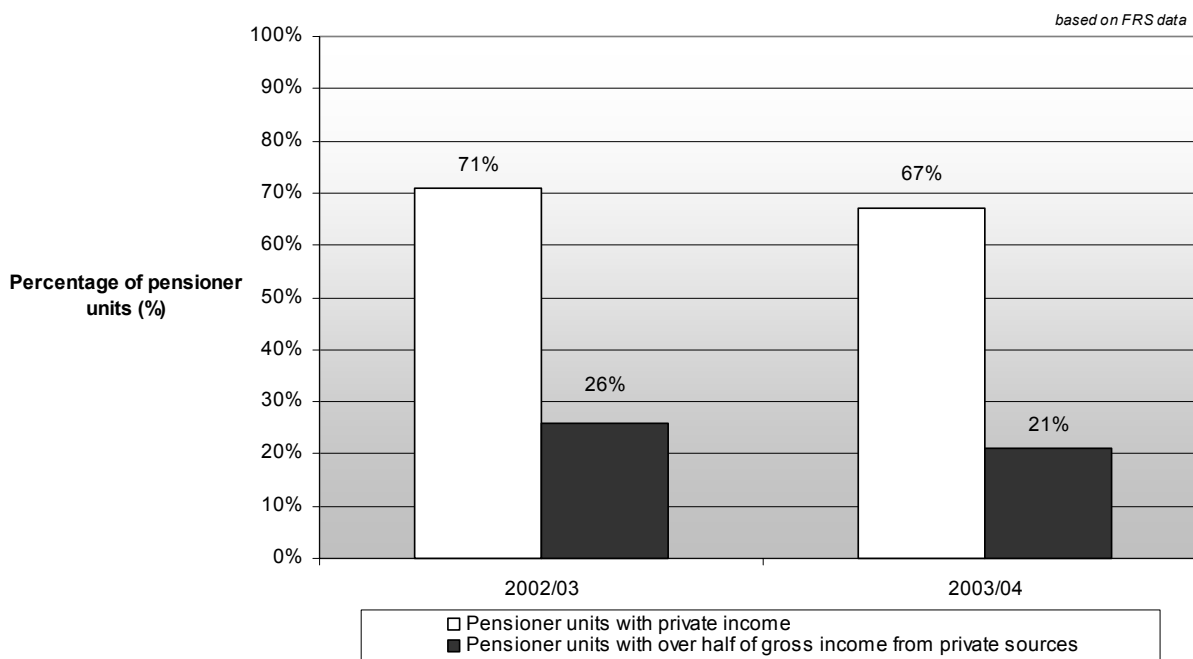
	2002/03	2003/04
All pensioner units		
Total	26%	21%
Pensioner couples	35%	31%
Single pensioners	19%	14%
Recently retired pensioner units		
Total	42%	38%
Pensioner couples	49%	49%
Single pensioners	34%	26%

Notes:

- (1) Recently retired single pensioner units are defined as: single women aged 60-64; single men aged 65-69, and couples in which the man is aged 65-69.

Choosing half of gross income as a threshold is somewhat arbitrary but does allow some analysis of trends over time. **Figure 9** shows that the overall proportion of pensioner units who derived more than half of their income from private sources fell from approximately one in four in 2002/03 to approximately one in five in 2003/04.

Figure 9: Benefit and non-benefit income, 2002/03 and 2003/04



The proportions of pensioner units in receipt of different types of state benefit, and the average amounts for those in receipt of these benefits, are examined in more detail in **Tables 9 - 11**. As these tables look at the amounts for those in receipt, which can be relatively small samples, they can be subject to relatively large sampling errors, so users should be careful about drawing conclusions about movements in data between single years.

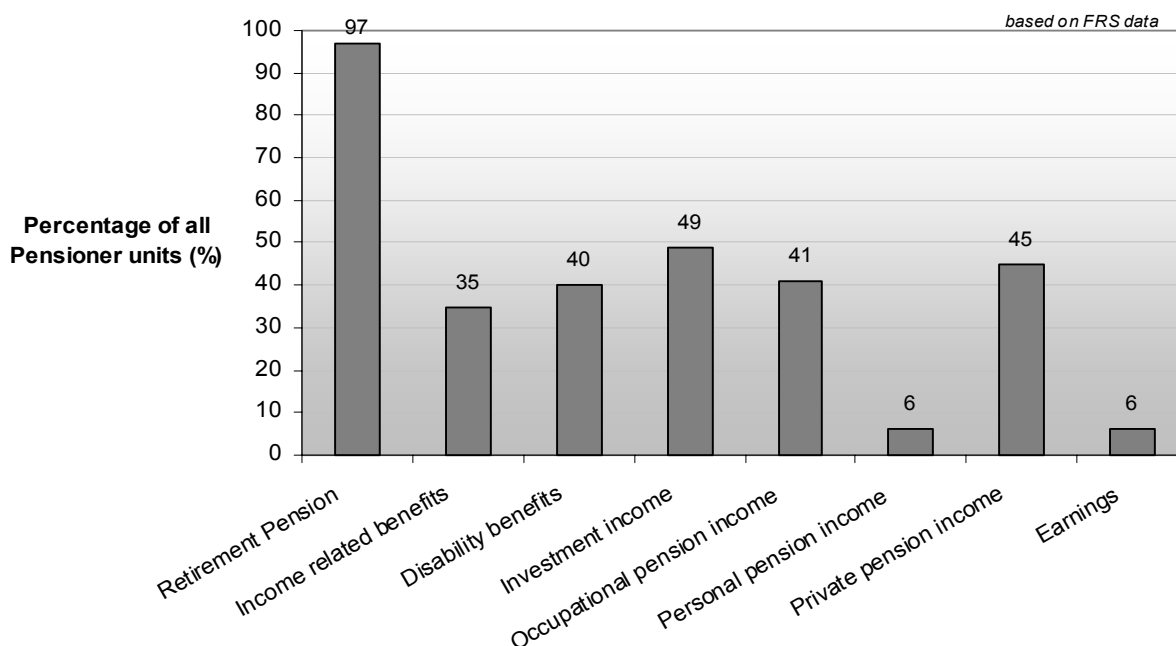
Pensioner units in receipt of different sources of income

Pensioners rely on a number of different sources for their income. Of these sources some have contributed more than others to the changes in income year on year.

Tables 9 to 16 show the proportion of pensioner units in receipt of the main sources of income and the mean and median amounts they received. The tables include the three broad types of benefit income: State Pension, income related benefits and disability related benefits. These three benefit types are not exhaustive – there are benefits such as Winter Fuel Payments which do not fit into any of these categories but are still included in total benefit income. The type of income received is self-reported by survey respondents and consequently can be misreported, eg some survey respondents cannot distinguish between State Pension and Pension Credit or Minimum Income Guarantee (MIG) as these benefits can be paid jointly.

Figure 10 below shows the proportion of pensioner units in receipt of different types of income in 2003/04. The most common source of income amongst pensioners was the State Pension (or other National Insurance Fund-based benefits). Almost all pensioner units (97%) received income from this source. All other sources of income were received by less than half of all pensioner units, including investment income (which was received by 49%), private pension income (45%), and occupational pension (41%). Only 6% of pensioner units received income from personal pensions, equalling the proportion deriving any income from earnings.

Figure 10: Proportion of pensioner units in receipt of selected sources of income, 2003/04

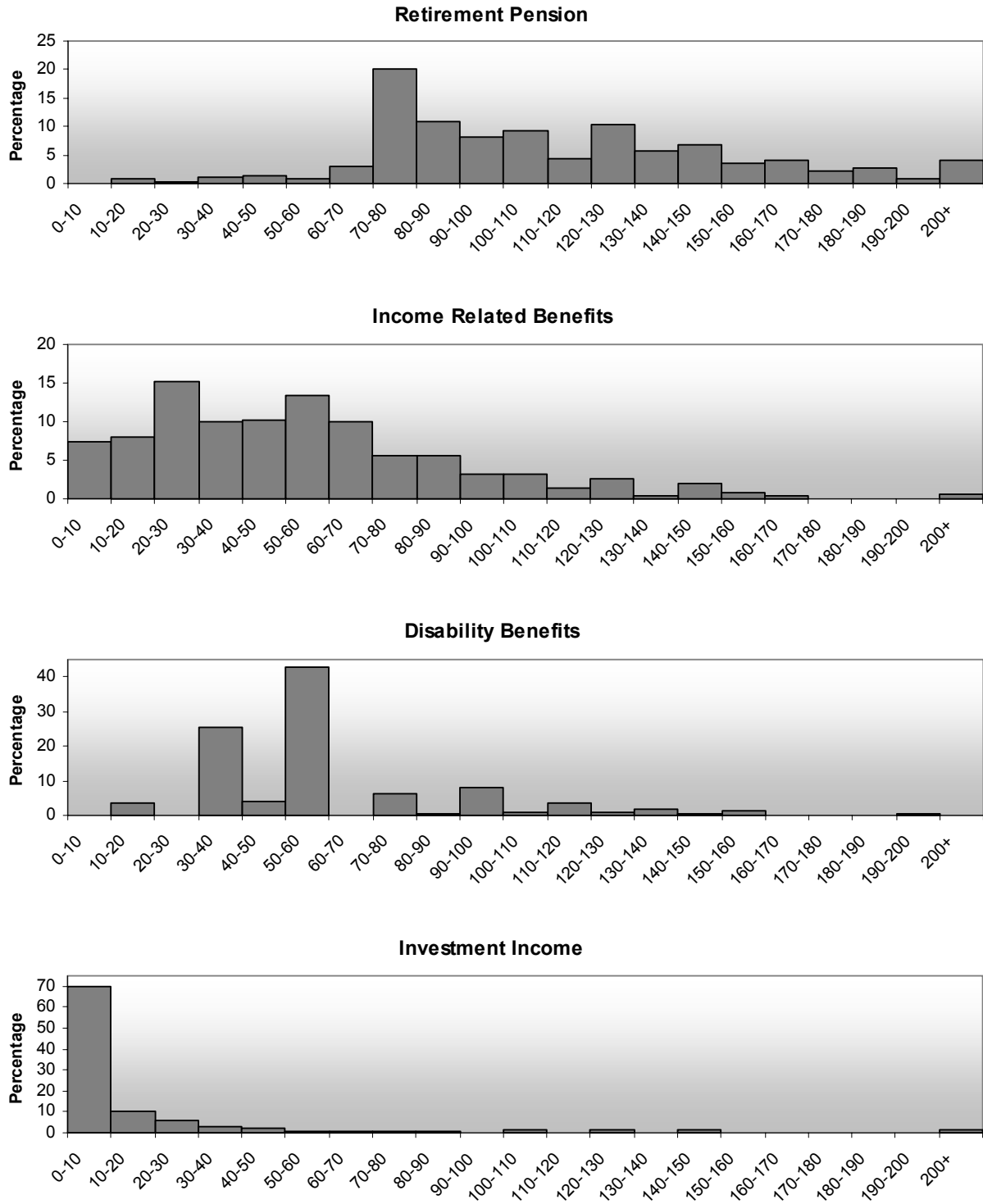


The percentage of pensioner units in receipt of income related benefits should be treated with caution due to possible misreporting; the percentage of those in receipt of disability benefit is also subject to some response bias.

Figure 11 shows the distribution of income that pensioners received from various sources. These figures should be treated as broad estimates only, since the estimated proportion of pensioners in any given income band will be subject to a high degree of sampling error.

Figure 11 Part 1: Distribution of income from selected income sources for those in receipt, 2003/04

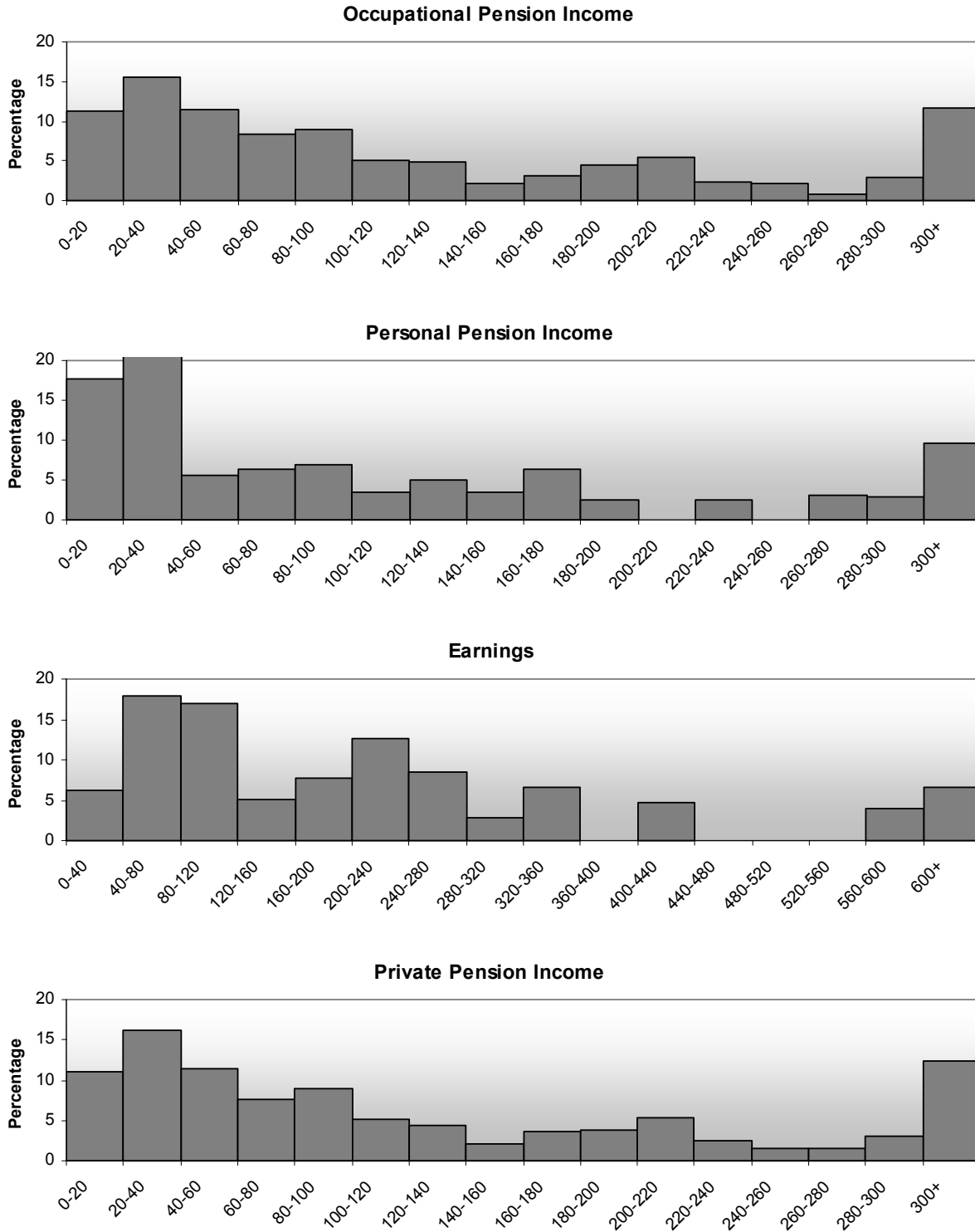
Income received from each source (£ per week 2003/04 prices, based on FRS data)



(See also Part 2 overleaf)

Figure 11 Part 2: Distribution of income from selected income sources for those in receipt, 2003/04

Income received from each source (£ per week 2003/04 prices, based on FRS data)



Notes:

- (1) Results based on survey respondents' identification of different elements of income may be subject to misreporting.
- (2) Components of Retirement Pension, Income Related Benefits and Disability Benefits are listed in the notes to Tables 8-10.
- (3) The scales used on each of the income axes in Figure 11 (parts 1 & 2) are not the same across each of the graphs.

Pensioners in receipt of State Pension

The State Pension includes both the basic State Pension and the State Second Pension (which prior to April 2002 was known as the State Earnings-Related Pension Scheme or SERPS).

Virtually all pensioner units (97%) received the State Pension (or one of the other National Insurance funded benefits) in 2003/04 (see **Table 9**). Only 91% of recently retired pensioners received State Pension, reflecting the fact that individuals can defer receiving their pension for up to five years after they reach State Pension age.

The average amount of Retirement Pension for all pensioner units in receipt was £113 per week in 2003/04 (£88 for singles and £148 for couples). Between 2002/03 and 2003/04 there was a 5% growth in the median State Pension received (**Figure 12**). There was a corresponding 4% growth in the mean State Pension over the same period.

Figure 12: Pensioner units in receipt of State Pension, 2002/03-2003/04

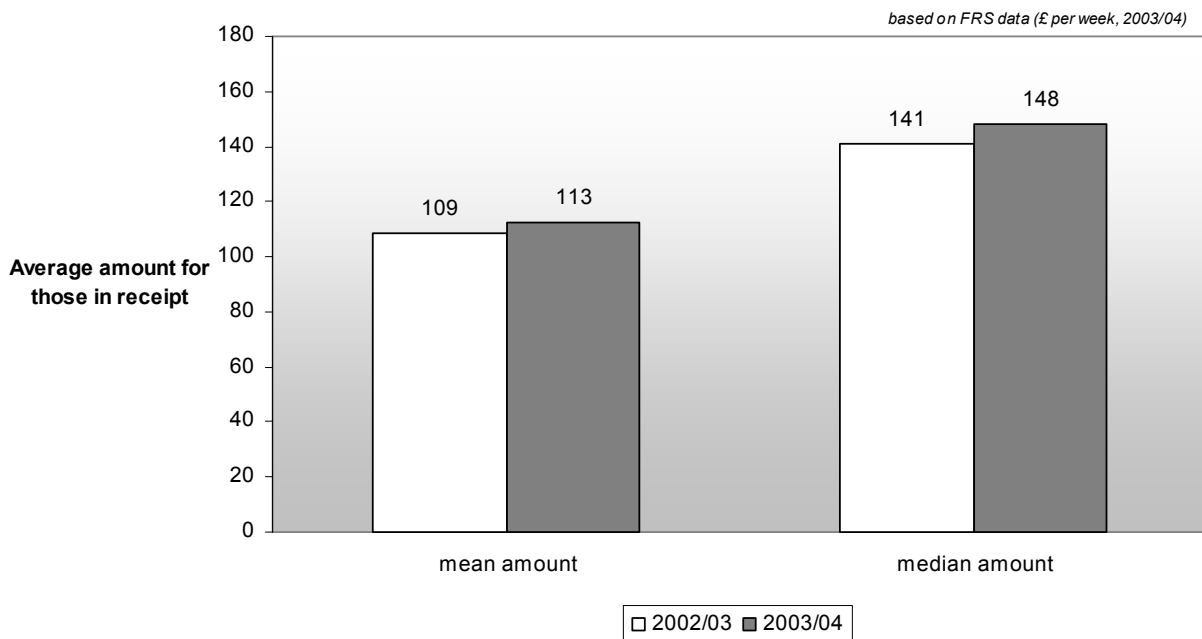


Table 9: The proportion of pensioner units with income from State Pension and the average amount of those in receipt, 2002/03-2003/04

Results based upon data from the FRS

as in £ per week, 2003/04 prices

	FRS	
	2002/03	2003/04
Proportion in receipt of state pension (%)		
All pensioner units		
Total	97%	97%
Pensioner couples	100%	99%
Single pensioners	95%	96%
Recently retired pensioner units		
Total	95%	91%
Pensioner couples	100%	97%
Single pensioners	89%	85%
Average amount of state pension for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	109	113
Pensioner couples	141	148
Single pensioners	87	88
Recently retired pensioner units		
Total	121	116
Pensioner couples	144	141
Single pensioners	91	83
Median amounts		
All pensioner units		
Total	98	103
Pensioner couples	139	142
Single pensioners	84	83
Recently retired pensioner units		
Total	119	111
Pensioner couples	141	132
Single pensioners	86	83

Notes:

- (1) Figures for Retirement Pension also include the other contributory benefits for the elderly, Widow's Benefits and Incapacity Benefit.
- (2) These results are based on survey respondents' identification of different elements of benefit income, and are therefore subject to misreporting.
- (3) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

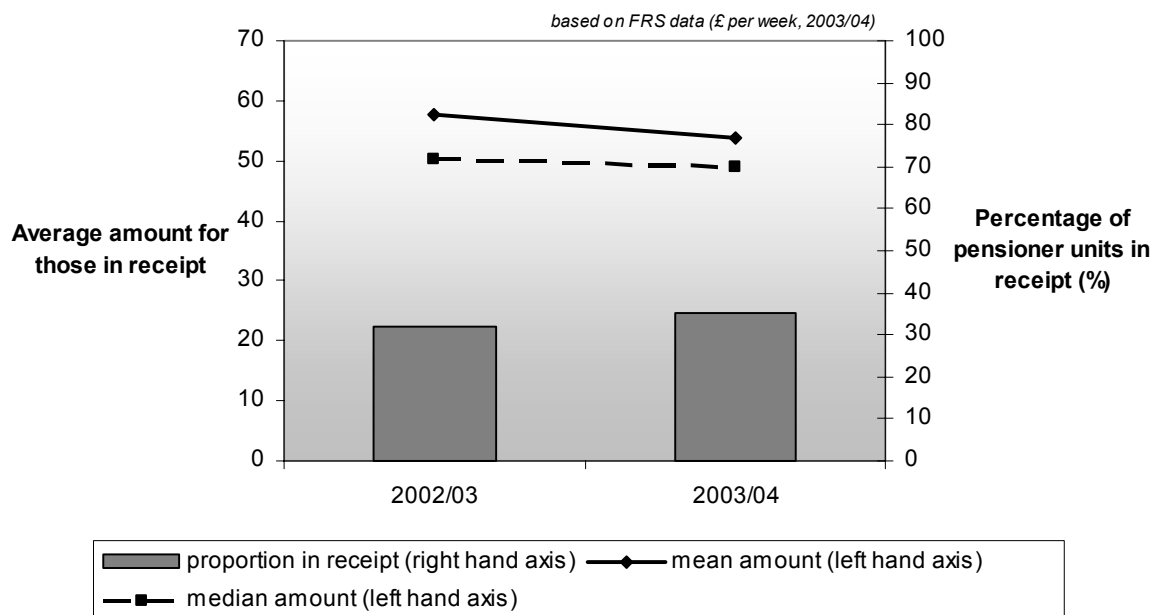
Pensioners in receipt of income related benefits

Income related benefits in 2003/04 included MIG/Pension Credit, Working Families' Tax Credit, Housing Benefit, and Social Fund Grants. These benefits were less common than the State Pension, but were nevertheless received by just over a third of all pensioner units in 2003/04 (Table 10). Receipt was considerably more common among single pensioners (44%) than pensioner couples (21%).

Pension Credit was introduced in October 2003. The FRS 2003/04 contains six months of data when Pension Credit was in operation, and six months with MIG. As a result, data for 2003/04 only partly reflects the impact of Pension Credit. For a number of reasons we would not necessarily expect to see a large effect from Pension Credit in the Pensioners' Incomes tables:

- **Gradual growth in take up:** there was a gradual growth in the take up of Pension Credit. Administrative data shows that in August 2003 there were 80,380 MIG claimants. This fell slightly to 79,960 claimants of Pension Credit in November 2003 but increased to 83,200 in February 2004. The number of claimants continued to rise after the end of the 2003/04 FRS year - full details can be found on the DSD website.
- **Other trends** may confuse the picture: increasing private pension income and increasing home ownership (relevant for housing benefit) both make pensioners less likely to be eligible for income related benefits.
- **Sample size:** the difference in the size of the sample receiving MIG in the first half of 2003/04 and Pension Credit in the second half of 2003/04 is small.

Figure 13: Pensioner units in receipt of income related benefits, 2002/03-2003/04



Despite a 9% (or 3 percentage points) increase in the proportion of pensioner units in receipt of income related benefits between 2002/03 and 2003/04, the average amount of this income dropped by 7% (or 4 percentage points) over the same period.

Table 10: The proportion of pensioner units with income from income related benefits and the average amount of those in receipt, 2002/03-2003/04

	Values in £ per week, 2003/04 prices	
	FRS	
	2002/03	2003/04
Proportion in receipt of income related benefits (%)		
All pensioner units		
Total	32%	35%
Pensioner couples	18%	21%
Single pensioners	41%	44%
Recently retired pensioner units		
Total	23%	27%
Pensioner couples	17%	16%
Single pensioners	29%	39%
Average amount of income related benefits for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	58	54
Pensioner couples	66	44
Single pensioners	56	57
Recently retired pensioner units		
Total	54	55
Pensioner couples	51	52
Single pensioners	56	57
Median amounts		
All pensioner units		
Total	50	49
Pensioner couples	57	42
Single pensioners	49	51
Recently retired pensioner units		
Total	37	49
Pensioner couples	34	48
Single pensioners	37	49

Notes:

- (1) Income related benefits refer to Minimum Income Guarantee, Working Families' Tax Credit, Housing Benefit, Council Tax Benefit and Social Fund Grants.
- (2) These results are based on survey respondents' identification of different elements of benefit therefore subject to misreporting.
- (3) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

Pensioners in receipt of disability benefits

This income category covers a wide range of benefits. Those most commonly received by pensioners in 2003/04 were Attendance Allowance and Disability Living Allowance. The payment of disability benefits such as these at one of a number of rates, explains the shape of the distribution of incomes from disability benefits seen in **Figure 11**. The first two peaks in the distribution represent receipt at the two levels for singles, and the other two much lower peaks represent the incomes from disability benefits of pensioner couples where both partners are eligible.

Two-fifths of all pensioner units received some form of disability benefit in 2003/04. **Figure 14** shows that this represents an increase of 11% (or 4 percentage points) on 2002/03. Disability benefits receipt was less common among recently retired pensioners, at just over one in four, although this rose to approximately one in three for single recently retired pensioners (see **Table 11**).

For pensioner units in receipt of these benefits, the average amount dropped from £66 in 2002/03 to £61 per week in 2003/04, whilst the median amount remained constant at £57.

As a group, recently retired pensioners received higher amounts of disability benefits, at £69, although this ranged from £54 for single recently retired pensioners to £88 for recently retired pensioner couples.

Figure 14: Pensioner units in receipt of disability benefits, 2002/03-2003/04

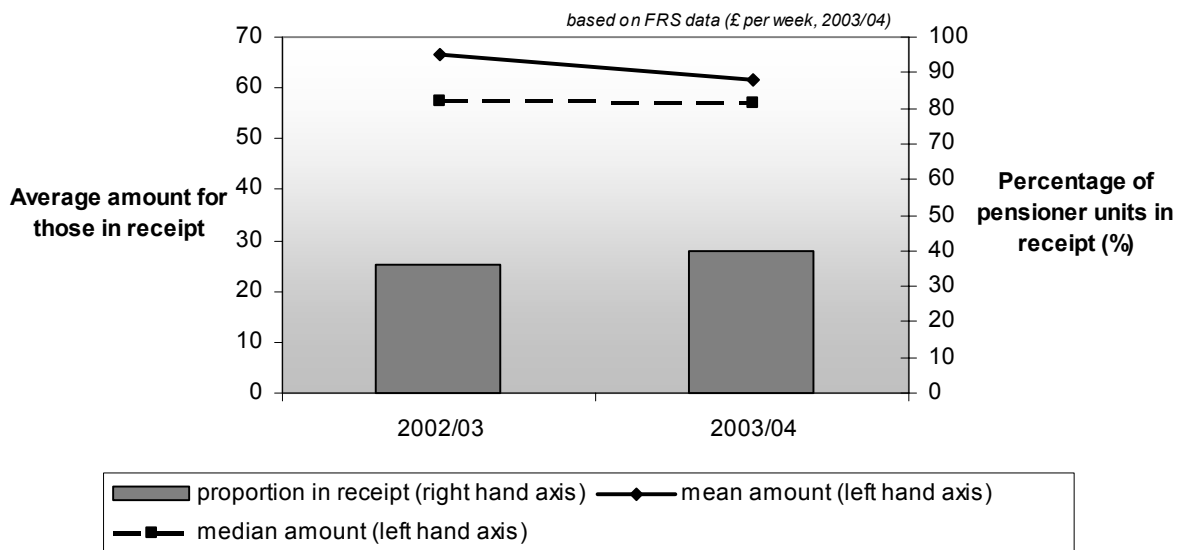


Table 11: The proportion of pensioner units with income from disability benefits and the average amount of those in receipt, 2002/03-2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	FRS	
	2002/03	2003/04
Proportion in receipt of disability benefits (%)		
All pensioner units		
Total	36%	40%
Pensioner couples	41%	39%
Single pensioners	34%	40%
Recently retired pensioner units		
Total	29%	27%
Pensioner couples	32%	23%
Single pensioners	25%	32%
Average amount of disability benefits for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	66	61
Pensioner couples	79	72
Single pensioners	57	55
Recently retired pensioner units		
Total	73	69
Pensioner couples	80	88
Single pensioners	63	54
Median amounts		
All pensioner units		
Total	57	57
Pensioner couples	77	57
Single pensioners	57	57
Recently retired pensioner units		
Total	58	57
Pensioner couples	79	58
Single pensioners	57	55

Notes:

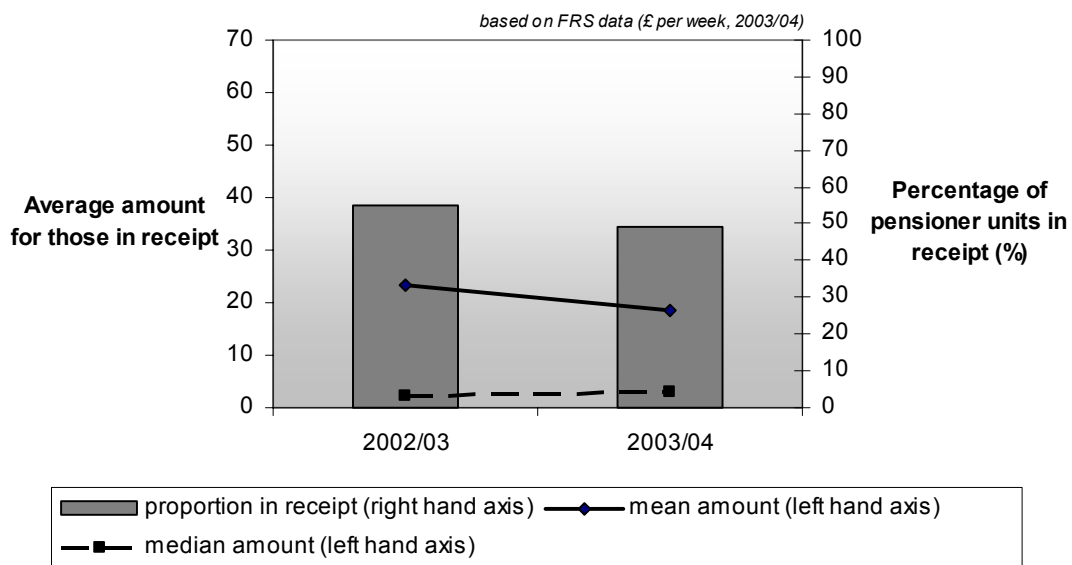
- (1) Disability benefits refer to War Disablement Pension, Attendance Allowance, Invalid Care Allowance, Industrial Injuries Disablement Pension, Severe Disablement Allowance, Disability Living Allowance (Mobility and Care Components), Disabled Person's Tax Credit and Statutory Sick Pay.
- (2) These results are based on survey respondents' identification of different elements of benefit income, and are therefore subject to misreporting.
- (3) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

Pensioners in receipt of investment income

Investment income was the second most common source of income, received by 49% of all pensioner units in 2003/04 (**Table 12**). As **Figure 11** has shown, 70% of those pensioners in receipt of this income received only a maximum of £10 per week from it, whilst less than one in ten pensioners received more than £50 per week.

The average amount of investment income for all pensioner units in receipt was £18 whilst the median amount was only £3. This represented a drop of £5 in the average amount of investment income received by all pensioner units since 2002/03, and a £10 drop in the average for the recently retired pensioner mean (see **Figure 15**).

Figure 15: Pensioner units in receipt of investment income, 2002/03-2003/04



Section 4 gives more detail on the distribution of incomes and investment income by quintile.

Table 12: The proportion of pensioner units with investment income and the average amount of those in receipt, 2002/03-2003/04

	<i>Incomes in £ per week, 2003/04 prices</i>	
	FRS	
	2002/03	2003/04
Proportion in receipt of investment income (%)		
All pensioner units		
Total	55%	49%
Pensioner couples	65%	60%
Single pensioners	48%	41%
Recently retired pensioner units		
Total	55%	49%
Pensioner couples	65%	60%
Single pensioners	43%	37%
Average amount of investment income for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	23	18
Pensioner couples	37	27
Single pensioners	11	10
Recently retired pensioner units		
Total	29	19
Pensioner couples	35	22
Single pensioners	18	14
Median amounts		
All pensioner units		
Total	2	3
Pensioner couples	5	5
Single pensioners	2	1
Recently retired pensioner units		
Total	4	4
Pensioner couples	5	5
Single pensioners	3	1

Notes:

- (1) *Investment income is based on respondents' own assessment and may be subject to under-reporting. In particular, FRS-based results have been found to be lower than FES-based estimates.*
- (2) *Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.*

Pensioners in receipt of occupational pension income

Occupational pensions provided income for 41% of pensioner units in 2003/04, compared to 42% in 2002/03 (**Figure 16**). Whilst there was very little difference in 2003/04 between recently retired pensioner units and all pensioner units as a whole, there was a 6 percentage point difference between the proportion of all single pensioners in receipt of occupational pension income (at 32%), compared to recently retired single pensioners (at 26%).

The latest estimates based on FRS data show that the 41% of pensioner units who received occupational pension income, did so at an average of £151 per week (**Table 13**). Recently retired pensioners had a much higher average income from this source at £168, however this was mostly due to the large difference found between the averages for all single pensioner units in receipt (at £106) and those single pensioner units in receipt who were recently retired (at £153).

There was a large variation in the median income from occupational pension, at £87 for all pensioner units in receipt compared to £136 for recently retired pensioner units in receipt, with the pensioner couple units having had larger incomes from this type of pension than the single pensioner units for both groups.

Figure 16: Pensioner units in receipt of occupational pension income, 2002/03-2003/04

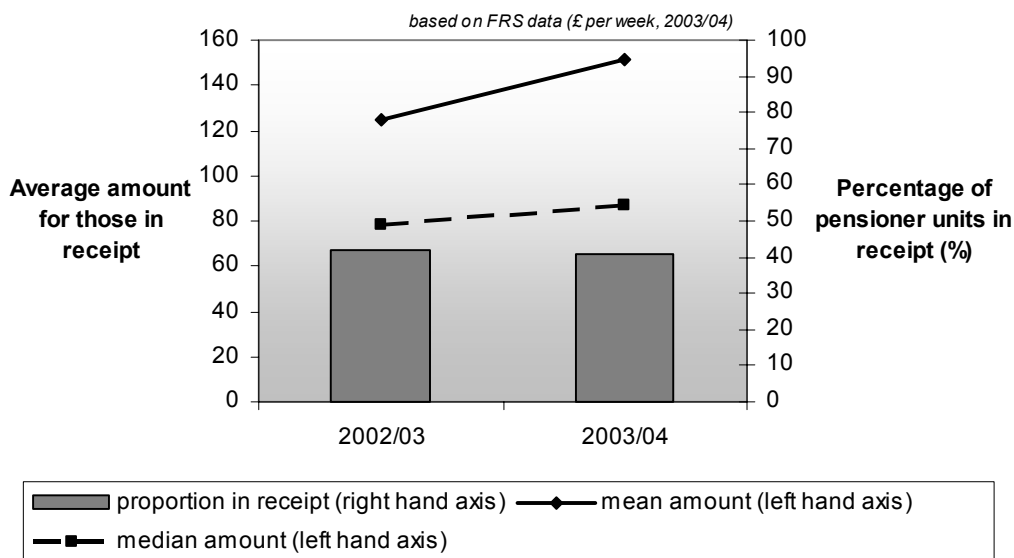


Table 13: The proportion of pensioner units with occupational pension income and the average amount of those in receipt, 2002/03-2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	FRS	
	2002/03	2003/04
Proportion in receipt of occupational pension income (%)		
All pensioner units		
Total	42%	41%
Pensioner couples	52%	55%
Single pensioners	35%	32%
Recently retired pensioner units		
Total	49%	42%
Pensioner couples	61%	55%
Single pensioners	35%	26%
Average amount of occupational pension income for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	125	151
Pensioner couples	177	191
Single pensioners	76	106
Recently retired pensioner units		
Total	157	168
Pensioner couples	183	174
Single pensioners	103	153
Median amounts		
All pensioner units		
Total	78	87
Pensioner couples	137	118
Single pensioners	49	71
Recently retired pensioner units		
Total	124	136
Pensioner couples	136	140
Single pensioners	89	99

Notes:

- (1) Estimates of the percentage of pensioner units in receipt of occupational pension income are based on respondents' own assessment and may be subject to under-reporting.
- (2) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

Pensioners in receipt of personal pension income

Personal pensions provided income to a relatively small group of pensioners in both 2002/03 and 2003/04, at 6% in both years (**Figure 17**). In 2003/04 this translated to one in ten of all those pensioners in couples and only one in twenty of all single pensioners. There was only a one percent difference between pensioner couples and single pensioners in the recently retired pensioners group, at 7% and 6% respectively.

The average amount of income from personal pensions for those in receipt was £148 per week in 2003/04, although half of all recipients had £76 per week or less. Those in receipt who were recently retired had approximately twice the average amount of personal pension income at £297 per week, whilst recently retired pensioner couples in receipt had the highest income from this source at £469 per week. In contrast, single pensioners in receipt had income from this source that fell well below the averages, regardless of whether they were recently retired or not. At least half of all single pensioners in receipt had personal pension income of £28 or less per week.

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

Figure 17: Pensioner units in receipt of personal pension income, 2002/03-2003/04

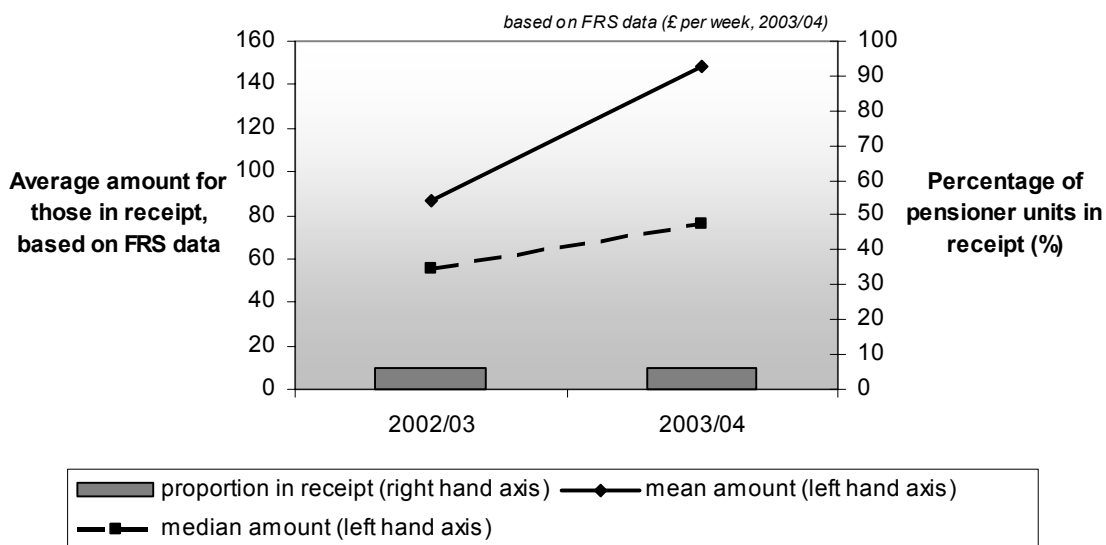


Table 14: The proportion of pensioner units with personal pension income and the average amount of those in receipt, 2002/03-2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	FRS	
	2002/03	2003/04
Proportion in receipt of personal pension income (%)		
All pensioner units		
Total	6%	6%
Pensioner couples	12%	10%
Single pensioners	3%	2%
Recently retired pensioner units		
Total	10%	7%
Pensioner couples	17%	7%
Single pensioners	3%	6%
Average amount of personal pension income for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	87	148
Pensioner couples	87	180
Single pensioners	89	57
Recently retired pensioner units		
Total	92	297
Pensioner couples	97	469
Single pensioners	54	62
Median amounts		
All pensioner units		
Total	55	76
Pensioner couples	47	89
Single pensioners	56	28
Recently retired pensioner units		
Total	55	143
Pensioner couples	60	274
Single pensioners	55	32

Notes:

(1) Personal pensions refer to personal pensions, annuities bought with lump sums from personal pensions, trade union and friendly society pensions.

(2) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

Pensioners in receipt of private pension income

Private pension income is the sum of occupational and personal pension income. Given the relative importance of the two, the results are dominated by occupational pensions. There was a slight fall (of 2 percentage points) in the proportion of pensioners receiving income from private pensions between 2002/03 and 2003/04 (**Figure 18**).

In 2003/04, 45% of pensioner units were in receipt of private pension income, with couples more likely to be in receipt than single pensioners at 62% compared to 34% (**Table 15**). The pattern for recently retired pensioners was very similar to that of all pensioner units.

The average amount of income from private pensions for pensioner units in receipt increased from £123 in 2002/03 to £156 in 2003/04, however this latter figure was much higher for pensioner couples (at £200), and lower for single pensioners (at £103). Despite these averages, half of all private pension income recipients only derived £87 per week or less from this source.

Recently retired pensioner units in receipt of private pension income on average received more income from this source compared to older pensioner units, with half of all recently retired pensioners in receipt of private pension income recipients having derived £138 per week or less from this source.

Figure 18: Pensioner units in receipt of private pension income, 2002/03-2003/04

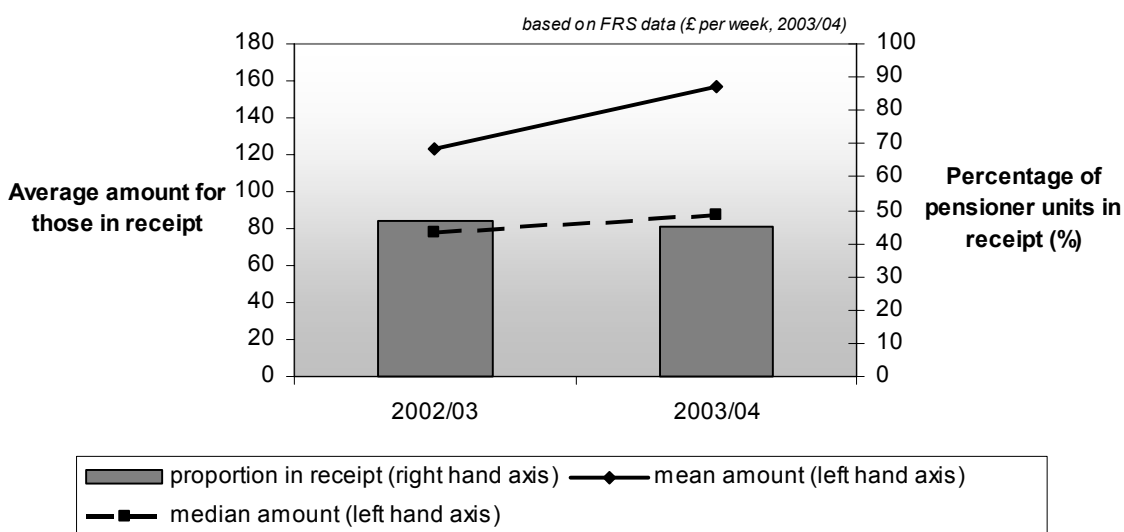


Table 15: The proportion of pensioner units with private pension income and the average amount of those in receipt, 2002/03-2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	FRS	
	2002/03	2003/04
Proportion in receipt of private pension income (%)		
All pensioner units		
Total	47%	45%
Pensioner couples	62%	62%
Single pensioners	37%	34%
Recently retired pensioner units		
Total	57%	47%
Pensioner couples	74%	60%
Single pensioners	37%	32%
Average amount of private pension income for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	123	156
Pensioner couples	167	200
Single pensioners	77	103
Recently retired pensioner units		
Total	150	189
Pensioner couples	171	214
Single pensioners	100	136
Median amounts		
All pensioner units		
Total	78	87
Pensioner couples	124	118
Single pensioners	50	70
Recently retired pensioner units		
Total	113	138
Pensioner couples	124	179
Single pensioners	89	81

Notes:

(1) Private pension income refers to the sum of occupational and personal pension income.

(2) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

Pensioners in receipt of income from earnings

Income from earnings refers to gross earnings from employment and self employment. There were relatively small numbers who reported earnings in each year, and there was also a high sampling variation. Pensioner couples in this report include couples where the woman is below State Pension Age (SPA) but the man is over. As such, some of the results include earnings from women under SPA. The effects of these mixed status couples, particularly to earnings are explored further in **Section 5, Tables 23 and 24**.

In 2003/04, only 6% of pensioner units were in receipt of income from earnings, with couples more likely to be in receipt than single pensioners, at 12% and 3% respectively (**Table 16**). Recently retired pensioner units were much more likely to have income from earnings compared to all pensioner units, with 22% of the former group having reported having earnings as a source of income.

The average amount of income from earnings in 2003/04 for those pensioner units in receipt was £296 per week, representing a rise of £40 on the previous year (**Figure 19**). Half of all pensioner units in receipt of earnings averaged no more than £167 per week from this source.

Figure 19: Pensioner units in receipt of income from earnings, 2002/03-2003/04

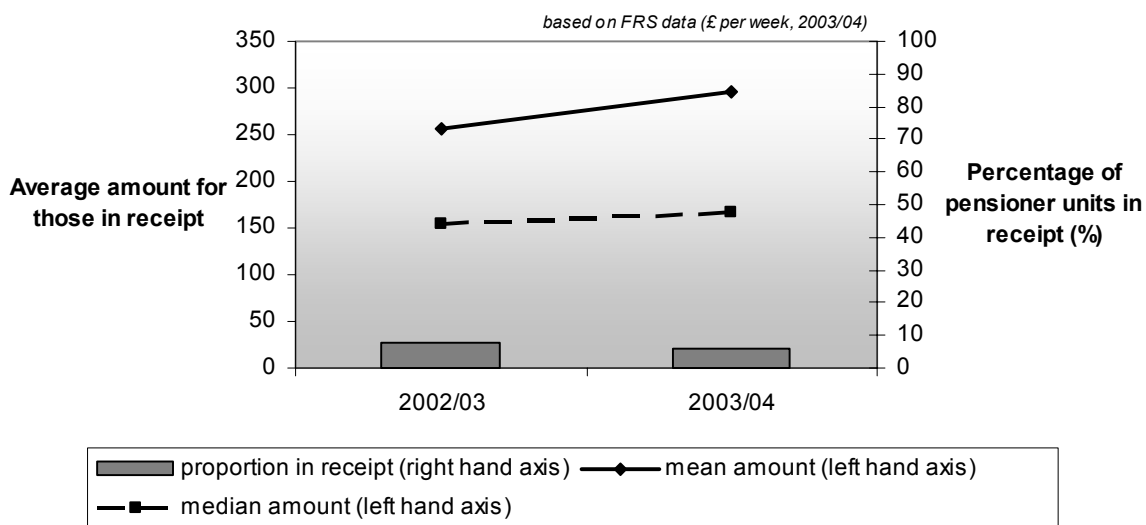


Table 16: The proportion of pensioner units with income from earnings and the average amount of those in receipt, 2002/03-2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	FRS	
	2002/03	2003/04
Proportion in receipt of income from earnings (%)		
All pensioner units		
Total	8%	6%
Pensioner couples	13%	12%
Single pensioners	5%	3%
Recently retired pensioner units		
Total	20%	22%
Pensioner couples	24%	30%
Single pensioners	16%	12%
Average amount of income from earnings for those in receipt (£pw)		
Mean amounts		
All pensioner units		
Total	256	296
Pensioner couples	283	326
Single pensioners	215	205
Recently retired pensioner units		
Total	357	319
Pensioner couples	392	366
Single pensioners	295	179
Median amounts		
All pensioner units		
Total	154	167
Pensioner couples	138	167
Single pensioners	221	173
Recently retired pensioner units		
Total	296	173
Pensioner couples	287	167
Single pensioners	310	173

Notes:

(1) Earnings refers to earnings from employment and self-employment.

(2) Recently retired pensioner units are defined as: single women aged 60-64; single men aged 65-69; and couples in which the man is aged 65-69.

