

Section 4: The Distribution of Pensioners' Incomes

This section looks at the distribution of pensioners' incomes. Pensioners have been ranked by income and divided into quintiles (five equal sized groups) for the purpose of the analysis. There are two sets of tables within this section:

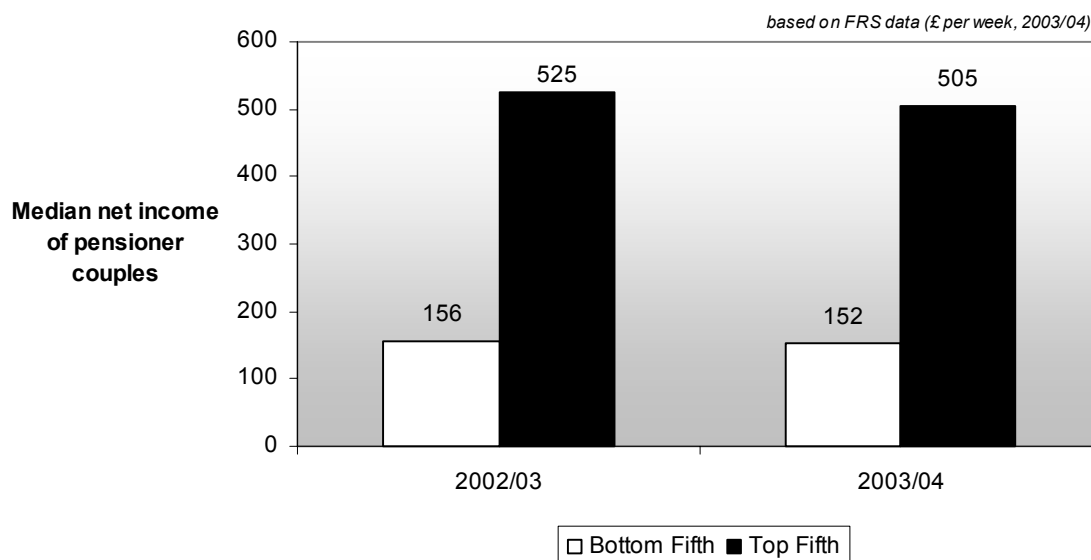
- **Tables 17 to 20** examine the distribution of incomes within the single pensioner and pensioner couples groups. In these tables incomes are not adjusted for the size of the household, so results for single pensioners and couples are shown separately.
- **Tables 21 and 22** look at the distribution of pensioners' incomes within the population as a whole. In order to rank households within these tables income has been equivalised, or in other words adjusted to take into account variations in both the composition and size of the household.

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

Median Incomes by Quintile

Figure 20 compares the median net incomes of the top and bottom fifths of pensioner couples in 2002/03 and 2003/04. The median net income of pensioner couples falling into the bottom fifth fell by £4 over that period, while the median of those in the top quintile fell by £20, hence half of pensioner couples in the top income bracket had a net income of £505 per week or less in 2003/04.

Figure 20: Net income (BHC) of pensioner couples by position in the income distribution, 2002/03 and 2003/04



Comparing 2003/04 with the previous year, pensioner couples in all but the 4th quintile, experienced a lower (by between £3 and £22 per week) median net income (before housing costs). In contrast, single pensioners in all but the second quintile experienced an increase of between £30 and £9 per week (see **Table 17**).

Table 17: The median net income of pensioner units by quintile of the net income distribution, 2002/03-2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	Quintiles of the Income Distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
2002/03						
Medians						
Net income before housing costs						
Pensioner couples	156	233	283	343	525	326
Single pensioners	81	128	158	194	259	171
Net income after housing costs						
Pensioner couples	147	214	271	335	519	313
Single pensioners	76	104	137	177	242	152
2003/04						
Medians						
Net income before housing costs						
Pensioner couples	152	210	267	351	505	340
Single pensioners	90	118	160	196	259	177
Net income after housing costs						
Pensioner couples	139	198	248	345	499	329
Single pensioners	75	107	142	184	233	159

Notes:

- (1) Estimates show medians of unequivalised net income for each quintile of the unequivalised net income distribution.
- (2) In Tables 17-20, the distribution of income is based on unequivalised net income, and has been calculated separately under the before and after housing costs measures of income. The distribution of income is also calculated separately for singles and couples, i.e. estimates for pensioner couples show income for each quintile of the pensioner couple's income distribution. For this reason, Tables 17-20 are not comparable with Tables 21 and 22 which are based on HBAI methodology.
- (3) Income quintiles have been calculated on a net income before housing costs basis.

Age and Gender in the Income Distribution

Figure 21 shows the spread of pensioners aged under 75 and those aged 75 and over across the pensioner income distribution in 2003/04. One in four pensioner couples aged under 75 compared to only one in ten of those aged 75 and over, had income in the top quintile of the distribution, before housing costs. There were higher proportions of pensioner couples aged 75 and over than those aged under 75 in all of the other net income quintiles.

Figure 21: Pensioner couples by age and position in the net income distribution, 2003/04

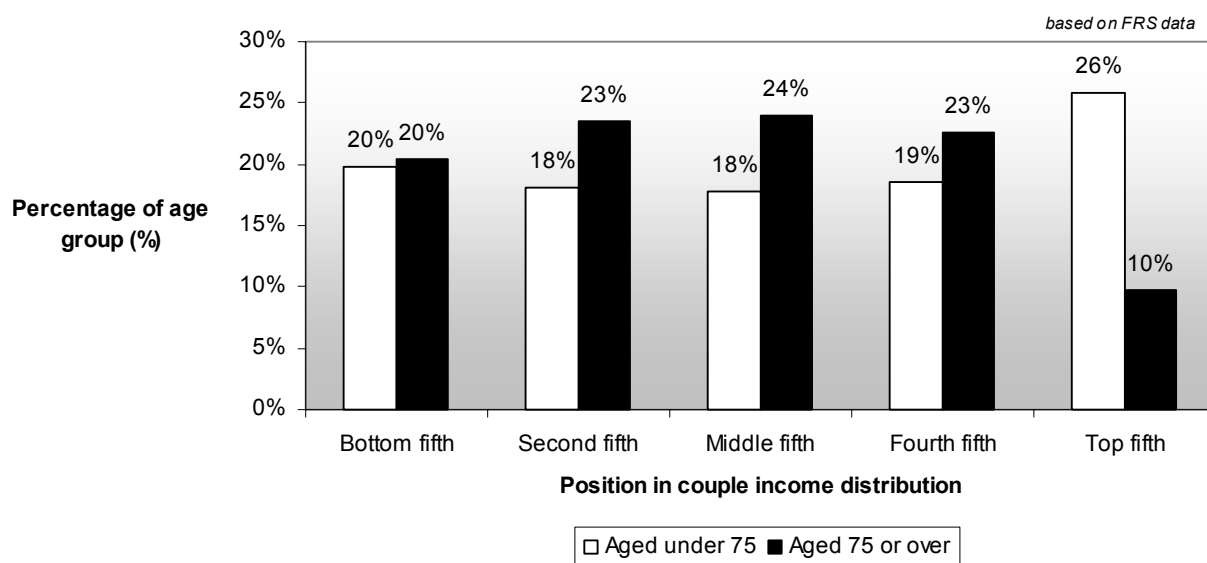


Table 18 shows the spread of different groups of pensioners across the pensioners' income distribution in 2003/04. Points of note include:

- **Older pensioner couples were less likely to be in the top fifth** of the income distribution than younger pensioners: 10% of pensioner couples aged 75 or over were in the top fifth BHC compared with 26% of recently retired pensioner couples and 26% of those where the head of household was aged under 75.
- **Single females were more likely to be in the top fifth** of the income distribution before housing costs than single males: at 21% and 17% respectively.

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

Table 18: Age and gender of pensioners by quintile of the net income distribution, 2003/04

Results based upon data from the FRS

	Quintiles of the Income Distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income Before Housing Costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	19%	14%	19%	23%	26%	100%
Head aged under 75	20%	18%	18%	19%	26%	100%
Head aged 75 or over	20%	23%	24%	23%	10%	100%
Pensioner couples' net income After Housing Costs distribution						
All pensioner couples	20%	20%	20%	20%	20%	100%
Recently retired	19%	16%	19%	21%	26%	100%
Head aged under 75	18%	20%	18%	18%	25%	100%
Head aged 75 or over	23%	20%	23%	23%	12%	100%
Single pensioners' net income Before Housing Costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	21%	19%	23%	21%	17%	100%
Single females	20%	20%	19%	20%	21%	100%
Recently retired	22%	21%	28%	13%	16%	100%
Aged under 75	22%	20%	19%	16%	23%	100%
Aged 75 or over	18%	20%	21%	24%	17%	100%
Single pensioners' net income After Housing Costs distribution						
All single pensioners	20%	20%	20%	20%	20%	100%
Single males	16%	24%	21%	19%	20%	100%
Single females	21%	19%	20%	20%	20%	100%
Recently retired	25%	18%	20%	19%	17%	100%
Aged under 75	22%	23%	16%	18%	22%	100%
Aged 75 or over	18%	17%	24%	22%	18%	100%

Notes:

(1) In Tables 17-20, the distribution of income is based on unequivalised net income, and has been calculated separately under the before and after housing costs measures of income. The distribution of income is also calculated separately for singles and couples, i.e. estimates for pensioner couples show income for each quintile of the pensioner couple's income distribution. For this reason, Tables 17-20 are not comparable with Tables 21 and 22 which are based on HBAI methodology.

(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.

The Distribution of Different Sources of Income

Table 19 shows how different sources of income contributed to the gross incomes of pensioners in the five income quintiles. It should be noted that mean gross incomes of pensioners in all but the lowest income bracket were higher than median gross incomes, before housing costs (see **Table 17**). This was most evident in the top fifth (at a mean of £790 compared to a median of £505 for pensioner couples). A small proportion of pensioners with very high incomes have therefore skewed the results.

Income from state benefits was skewed slightly towards the top income quintiles of the distribution of pensioner couples in 2003/04 (**Figure 22a**) and even more so for single pensioners (**Figure 22b**). The bottom fifth received only a small proportion of their income from other sources, with benefits accounting for 90% and 93% of gross income for pensioner couples and single pensioners respectively, within this quintile. Occupational pension income increased rapidly across the distribution, from an average of only £9 per week for those pensioner couples with gross income in the bottom quintile to £326 for those in the top quintile.

Figure 22a: Sources of gross income of pensioner couples by position in the net income distribution, 2003/04

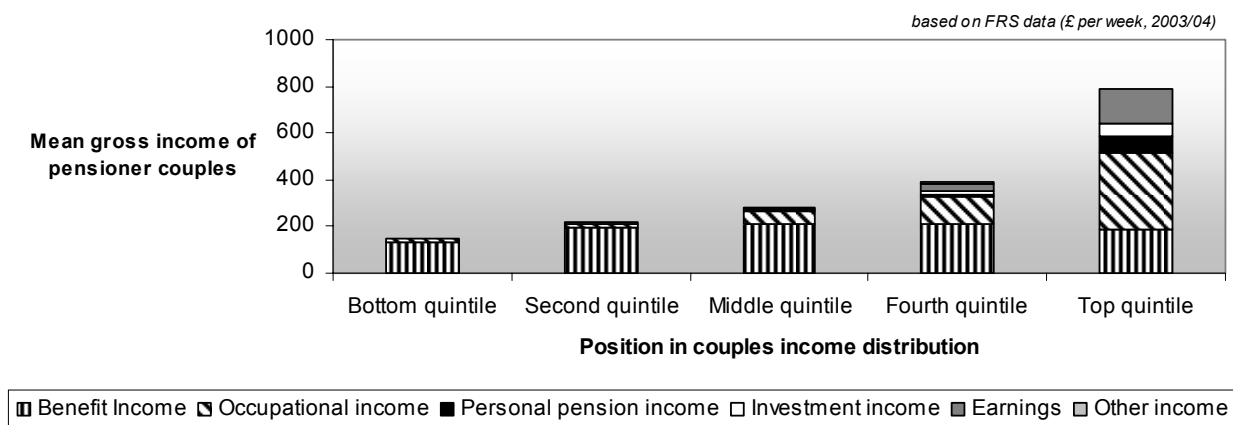


Figure 22b: Sources of gross income of single pensioners by position in the net income distribution, 2003/04

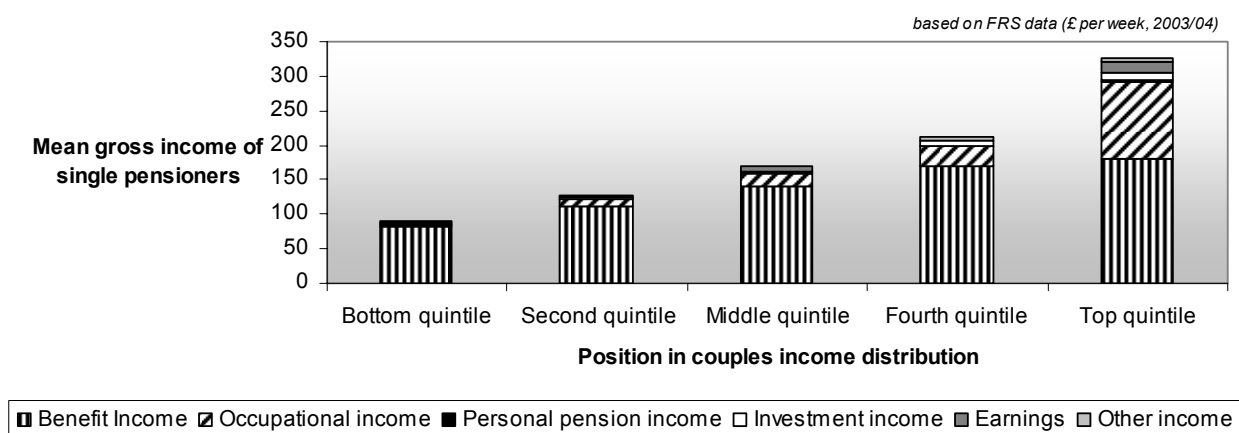


Table 19: Components of mean gross income of pensioner units by quintile of the net income distribution, 2002/03 & 2003/04

Results based upon data from the FRS

Incomes in £ per week, 2003/04 prices

	Quintiles of the Income Distribution					Overall Mean
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
2002/03 Means						
Pensioner couples						
Gross income	156	234	294	382	670	347
Of which:						
Benefit Income	139	193	203	205	184	185
Occupational income	2	30	52	119	248	90
Personal pension income	4	4	11	11	22	10
Investment income	5	2	13	23	76	24
Earnings	3	4	13	23	134	36
Other income	3	1	2	1	6	3
Single pensioners						
Gross income	81	128	161	201	303	175
Of which:						
Benefit Income	76	111	134	157	151	125
Occupational income	2	8	14	28	76	26
Personal pension income	0	1	1	1	8	2
Investment income	2	4	5	9	7	5
Earnings	0	1	4	2	49	11
Other income	1	3	3	4	11	5
2003/04 Means						
Pensioner couples						
Gross income	151	221	284	387	790	367
Of which:						
Benefit Income	136	193	209	211	190	188
Occupational income	9	16	53	120	326	105
Personal pension income	0	2	12	7	73	19
Investment income	0	1	8	17	52	16
Earnings	3	7	0	31	149	38
Other income	2	1	2	1	1	1
Single pensioners						
Gross income	90	128	170	212	325	185
Of which:						
Benefit Income	83	112	140	170	181	137
Occupational income	2	9	19	30	111	34
Personal pension income	1	0	2	0	3	1
Investment income	3	3	1	6	9	4
Earnings	0	2	7	1	16	5
Other income	1	2	1	4	4	2

Notes:

(1) Estimates of less than £0.50 or 0.5% are labelled*.

(2) In Tables 17-20, the distribution of income is based on unequivalised net income, and has been calculated separately under the before and after housing costs measures of income. The distribution of income is also calculated separately for singles and couples, i.e. estimates for pensioner couples show income for each quintile of the pensioner couple's income distribution. For this reason, Tables 17-20 are not comparable with Tables 21 and 22 which are based on HBAI methodology.

(3) Income quintiles calculated on net income before housing costs.

The Importance of Different Sources of Income in Different Quintiles

The analysis of income receipt in **Table 20** shows the proportion of pensioner units within each quintile who received a given source of income.

In general, pensioners towards the bottom of the income distribution were less likely to receive income from investments, occupational pensions, personal pensions (although this was not the case for single pensioners) or earnings, than those towards the top of the distribution. The proportion of pensioner couples with occupational pension income in the before housing costs distribution ranged from 27% in the bottom fifth to 76% in the top fifth.

Three in ten pensioner couples within the top income quintile (before housing costs) had income from a personal pension, in contrast to one in fifty single pensioners within the same income bracket.

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

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

It should be noted that Housing Benefit is included as income on a before housing costs basis but rents are not deducted from income. Pensioners who receive this income related benefit will thus appear better off than those pensioners who do not have rent to pay and so are not entitled to housing benefit.

Table 20: The proportion of pensioner units with selected sources of income by quintile of the net income distribution, 2003/04

Results based upon data from the FRS

	Quintiles of the Income Distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
Pensioner couples' net income Before Housing						
Costs distribution						
Proportion of each quintile in receipt of:						
State Retirement Pension	97%	100%	100%	100%	98%	99%
Income related benefits	10%	36%	33%	19%	7%	21%
Disability benefits	17%	43%	52%	48%	31%	38%
Investment income	45%	50%	55%	71%	79%	60%
Occupational pension	27%	43%	55%	75%	76%	55%
Personal Pension	0%	5%	15%	2%	30%	10%
Earnings	6%	8%	0%	21%	24%	12%
Pensioner couples' net income After Housing						
Costs distribution						
Proportion of each quintile in receipt of:						
State Retirement Pension	97%	100%	100%	100%	98%	99%
Income related benefits	21%	36%	28%	13%	8%	21%
Disability benefits	17%	51%	42%	57%	25%	38%
Investment income	49%	39%	63%	68%	79%	60%
Occupational pension	25%	41%	59%	72%	78%	55%
Personal Pension	0%	6%	12%	5%	30%	11%
Earnings	6%	8%	2%	21%	22%	12%
Single pensioners' net income Before Housing						
Costs distribution						
Proportion of each quintile in receipt of:						
State Retirement Pension	92%	99%	92%	100%	99%	96%
Income related benefits	28%	32%	53%	60%	46%	44%
Disability benefits	6%	28%	50%	70%	49%	40%
Investment income	44%	46%	27%	35%	55%	41%
Occupational pension	8%	27%	31%	42%	54%	32%
Personal Pension	3%	1%	4%	1%	2%	2%
Earnings	0%	2%	5%	1%	5%	3%
Single pensioners' net income After Housing						
Costs distribution						
Proportion of each quintile in receipt of:						
State Retirement Pension	93%	95%	96%	99%	99%	96%
Income related benefits	34%	47%	47%	55%	36%	44%
Disability benefits	4%	18%	66%	70%	45%	40%
Investment income	46%	37%	29%	34%	60%	41%
Occupational pension	12%	17%	31%	39%	61%	32%
Personal Pension	3%	1%	3%	2%	2%	2%
Earnings	0%	1%	5%	2%	5%	3%

Notes:

- (1) In Tables 17-19, the distribution of income is based on unequivalised net income, and has been calculated separately under the before and after housing costs measures of income. The distribution of income is also calculated separately for singles and couples, i.e. estimates for pensioner couples show income for each quintile of the pensioner couples' income distribution. For this reason, Tables 17-19 are not comparable with Tables 20 and 21.
- (2) Definitions of the benefit categories are given in the footnotes to Tables 8-10. These results are based on survey respondents' identification of different elements of benefit income, and are therefore subject to misreporting.

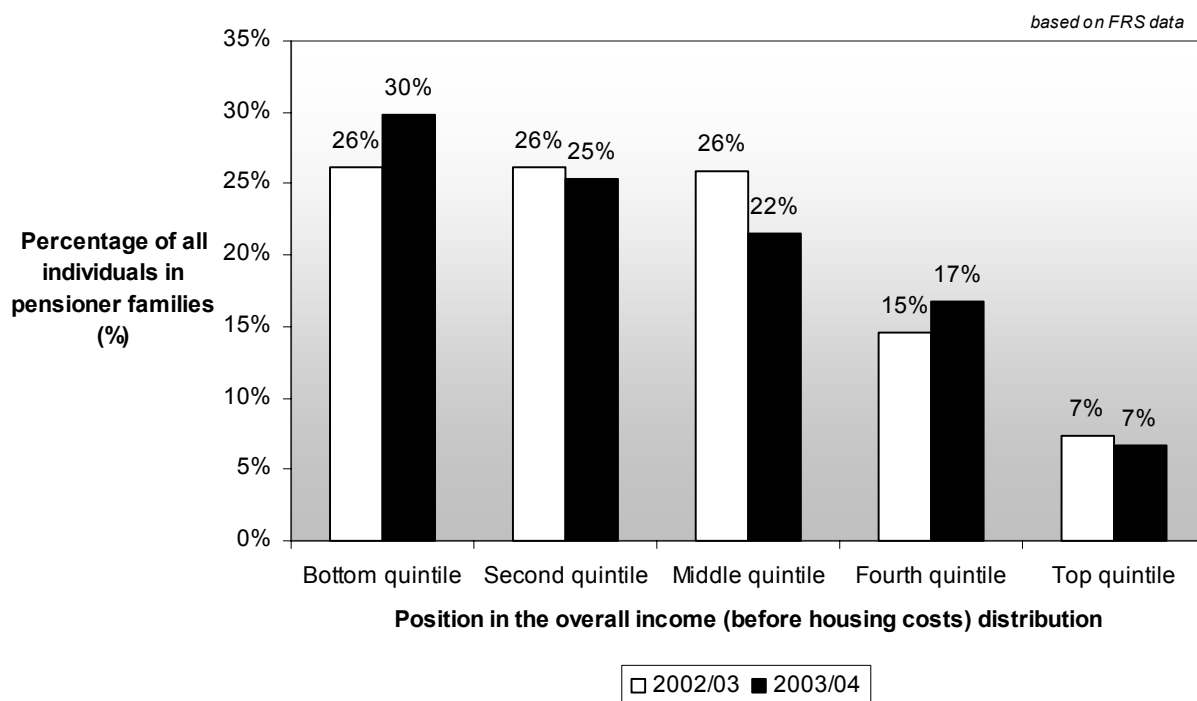
Pensioners in the Overall Net Income Distribution

Tables 21 and 22 show the position of individuals within the overall household income distribution. Before dividing households into quintiles, household income is equivalised, meaning that it is adjusted to take account of the size and composition of the household. The tables show pensioners ranked by their equivalised household income.

In these tables pensioners are defined as those adults in pensioner units where the head is over state pension age (including those below state pension age but living with a partner over state pension age). As a result of these methodological differences **Tables 21 and 22** are not comparable with the other tables in this publication.

The proportion of pensioners in each fifth of the income distribution in 2002/03 and 2003/04 is shown in **Figure 23**. In 2002/03, 26% of all pensioners were in the bottom fifth of the income distribution before housing costs. By 2003/04 this proportion had risen to 30%. At the top of the income distribution, there was little change between 2002/03 and 2003/04.

Figure 23: Pensioners' position in the overall net income distribution, 2002/03 & 2003/04



In 2003/04, the proportion of pensioner couples with income within the top fifth of the net income distribution was found to have been three times that of single pensioners in the same income bracket, at 9% compared to only 3% (**Table 21**).

Table 21: The proportion of individuals in pensioner families in each quintile of the overall population net income distribution, 2002/03 & 2003/04

Results based upon data from the FRS

	Quintiles of the Income Distribution					All
	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	
2002/03						
All pensioners						
Before housing costs	26%	26%	26%	15%	7%	100%
After Housing costs	16%	28%	27%	18%	11%	100%
Pensioner couples						
Before housing costs	27%	24%	24%	14%	11%	100%
After Housing costs	15%	29%	26%	17%	12%	100%
Single pensioners						
Before housing costs	25%	29%	28%	15%	3%	100%
After Housing costs	16%	27%	28%	20%	9%	100%
2003/04						
All pensioners						
Before housing costs	30%	25%	22%	17%	7%	100%
After Housing costs	20%	30%	20%	21%	10%	100%
Pensioner couples						
Before housing costs	29%	26%	19%	17%	9%	100%
After Housing costs	21%	30%	19%	18%	12%	100%
Single pensioners						
Before housing costs	31%	25%	24%	16%	3%	100%
After Housing costs	18%	30%	22%	23%	6%	100%

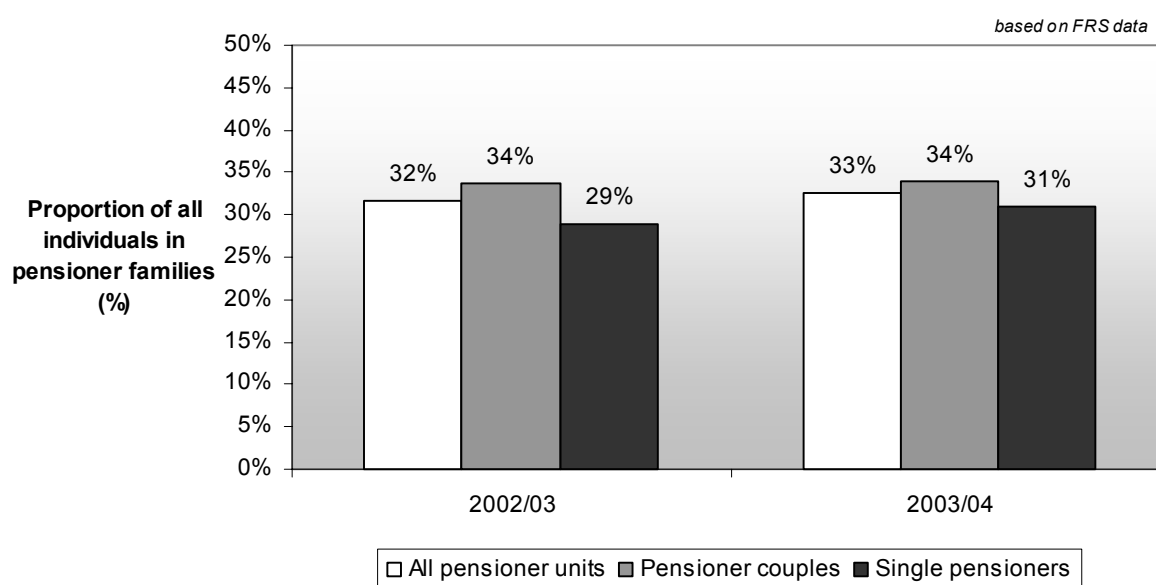
Notes:

- (1) Tables 20 and 21 are based on household income and so are not comparable with figures in Tables 17-19. Comparisons between single pensioners and pensioner couples are sensitive to the precise way in which incomes are equalised. The table includes all individuals in benefit units headed by pensioners. (See Appendix B for further explanation.)
- (2) The Distribution is calculated separately under the before and after housing costs measures.

The Proportion of Pensioners in the Top Half of the Income Distribution

Since 2002/03 the proportion of pensioners in the top half of the overall population income distribution before housing costs has increased by one percentage point for all pensioner units (**Figure 24**). According to this measure, approximately a third (33%) of all pensioners were in the top half in 2003/04; 34% of individuals in pensioner couples and 31% of single pensioners.

Figure 24: Proportion of individuals in pensioner families in the top half of the overall population net income (before housing costs) distribution, 2002/03 and 2003/04



Pensioners were more likely to own their own home outright than the rest of the population, and so the proportion of pensioners in the top half of the distribution was found to have been higher on the after housing costs measure, at 42% for all pensioner units (**Table 22**).

Table 22: The proportion of individuals in pensioner families in the top half of the overall population net income distribution, 2002/03 & 2003/04

Quintiles based on equivalised household

Results based upon data from the FRS

	2002/03	2003/04
Net income before housing costs		
All pensioner units	32%	33%
Pensioner couples	34%	34%
Single pensioners	29%	31%
Net income after housing costs		
All pensioner units	42%	42%
Pensioner couples	43%	41%
Single pensioners	42%	43%

