

PENSIONS POLICY INSTITUTE

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THE UNDER-PENSIONED:
ETHNIC MINORITIES

The Under-pensioned: Ethnic minorities

Introduction	2
Summary of conclusions	3
Chapter 1: Ethnic minorities in the UK	4
Chapter 2: The causes of low pension income	7
Chapter 3: The future under-pensioned	23
Acknowledgements and contact details	25
References	26

Ethnic Minorities: Introduction

*The Under-pensioned*¹ identified a range of factors that are likely to lead to low pension income. It concluded that

- For most people pension income is likely to be lower than that of the 'stereotype' person typically used in policy planning
- Low earnings is the most important cause of low pension income
- Any time not spent in full-time work reduces pension income
- Low or irregular private pension contributions reduce pension income
- Retiring later can improve pension incomes
- Living to older ages reduces pension income
- Disadvantage is cumulative
- The current pension system will not resolve the under-pensioned problem

This report is one in a series of four looking at the particular characteristics of under-pensioned groups, linked to the factors identified in *The Under-pensioned*. The other reports cover women, disabled people and non-standard workers.

Chapter 1 of this report outlines the size and demographics of ethnic minority communities.

Chapter 2 identifies the specific characteristics of ethnic minority groups linked to the causes of low pension income identified in *The Under-pensioned*, and looks at the cumulative impact.

Chapter 3 examines how recent changes in the UK pension system will change the relative risk of low pension income for these groups.

Summary of conclusions

Ethnic minorities represent 7.9% of the UK population – 4.6 million people.

The UK's ethnic minority population comprises a number of diverse groups. Ethnic minority groups have a younger age structure than the rest of the population, and the ethnic minority population is growing.

Low earnings and time not spent in full-time work reduce pension income.

People in ethnic minority groups, and in particular women, are less likely to be employed, more likely to be unemployed, and more likely to live in workless households. Of those in work, ethnic minority groups are more likely to work part-time or be self-employed, and have lower earnings than their white counterparts, although there are significant differences between ethnic minority groups. Ethnic minority women have lower earnings, although the difference between men and women is less than in the white population.

Low or irregular private pension contributions reduces pension income.

People in ethnic minority groups are less likely to have private pension provision. This is partly as a consequence of labour market experience, and partly due to cultural and institutional barriers.

Retiring earlier can reduce pension incomes. People from ethnic minority groups are more likely to report ill-health in old age. People from ethnic minorities are more likely to live with relatives, but this varies significantly between different groups, and may be diminishing. Most ethnic minority individuals aged between 50 and state pension age are inactive, or early retired.

Disadvantage is cumulative. An illustrative ethnic minority individual receives a total pension income much lower than the policy stereotype. Lower earnings and time not in full-time work result in lower SERPS benefits and private pensions. Irregular private pension contributions also result in reduced private pension income. Time not in work has the largest impact, reducing private pension income and entitlement to the Basic State Pension and SERPS.

Recent reforms to the current system will not resolve these problems.

Although marginally smaller, the gap in pension incomes will continue to exist in the future. Increases in S2P offset the direct and indirect impact of lower earnings. PC partially offsets fewer private pension contributions, and time not spent in work. **The close link to labour market participation in the current pension system means that many people from ethnic minorities will receive low pension incomes in the future.**

Chapter 1: Ethnic minorities in the UK

There are many different ethnic minority groups. Ethnic minority pensioners are more likely to have low retirement income. The ethnic minority population is younger than the population as a whole, and likely to grow in future.

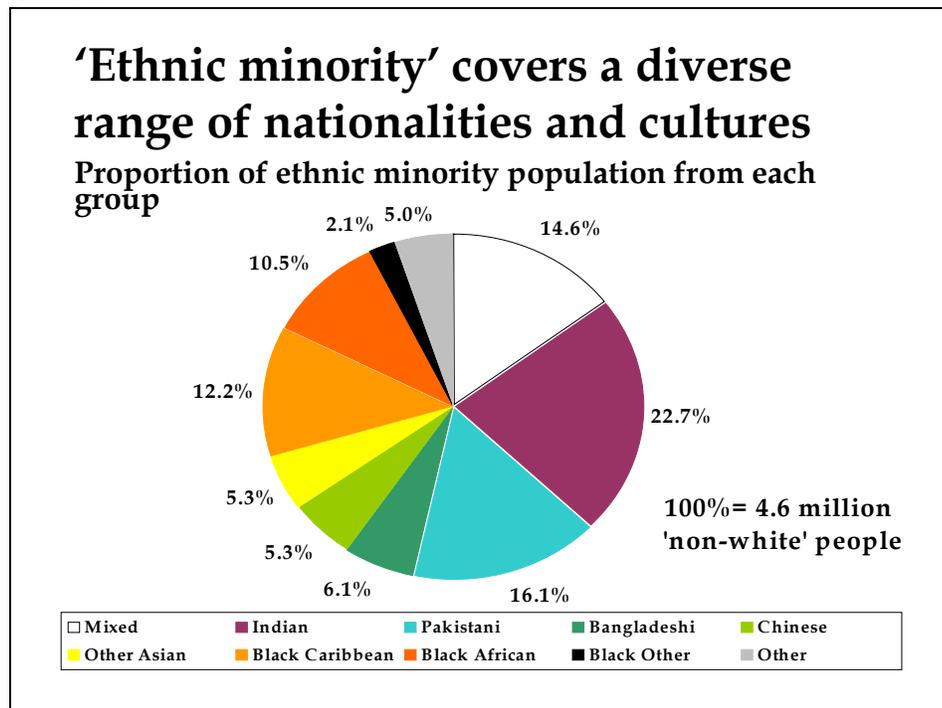
In this paper, 'ethnic minority' is generally taken to mean non-white, rather than non-British. Many people from ethnic minorities are British citizens under this definition, and many white people are not British citizens – for example there is a relatively large Irish population. However, this definition is that most often used in surveys, and so most information is only available on this basis.

Survey information may also be less likely to be fully representative of the ethnic minority population than data covering the population as a whole².

There are many different ethnic minority groups

Ethnic minorities represent 7.9% of the UK population – 4.6 million people³. Many studies, and data sources, treat ethnic minorities as a single group. However, there are a number of different nationalities and cultures within this broad grouping. Around half are Asian/Asian British (mainly Indian or Pakistani), while a further quarter are Black / Black British (Chart 1).

Chart 1⁴



² Becker and Bryman (eds) (forthcoming 2004)

³ ONS (2003 C)

⁴ ONS (2003 C)

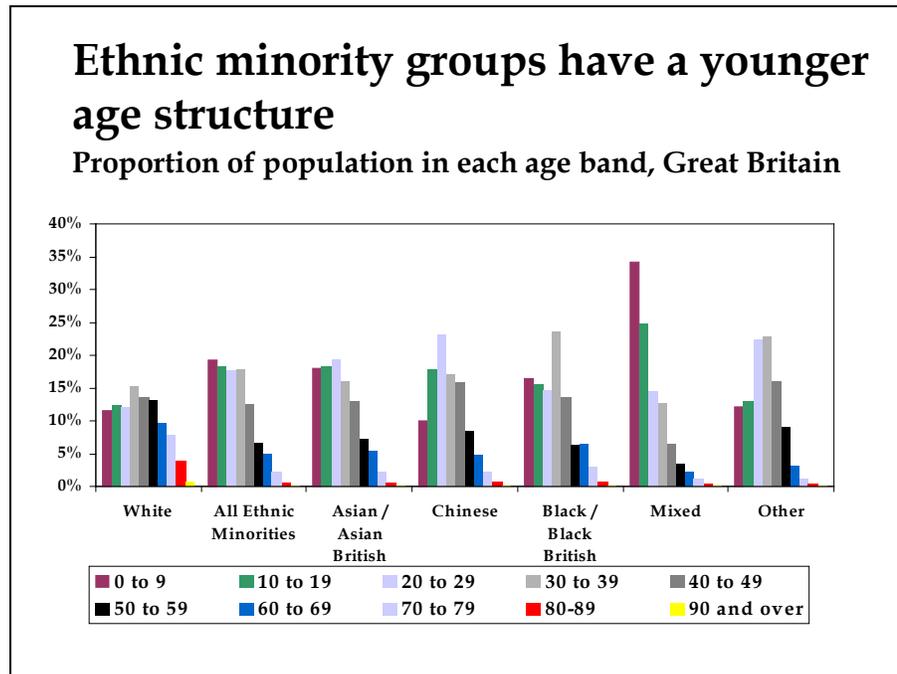
These different groups have different characteristics. Ideally, any analysis of ethnic minority groups would look at each component group separately. However, most available data sources are not sufficiently large or detailed to allow analysis at this level for all groups.

Although much of this chapter is necessarily based on all ethnic minority groups combined⁵, variations for different groups are shown where they appear significant.

Ethnic minority groups have a younger age structure than the rest of the population, and the ethnic minority population is growing

Half of people in ethnic minority groups are aged under 30, and 80% are aged less than 50 (Chart 2). Only a small proportion of people in ethnic minorities are aged 65 or older. However, this is likely to increase significantly in the next 20 to 30 years.

Chart 2⁶



This younger age structure, with more people at younger ages (and fertility rates higher than the rest of the population) suggest that the ethnic minority population will grow in future – perhaps to as much as 10% of the total population in the middle of the 21st century⁷.

⁵ Generally surveys representative of the UK or GB as a whole contain only a small number of cases from each ethnic minority group. It is only by combining the groups that the sample is large enough to study any ethnic minority characteristics.

⁶ PPI analysis of 2001 Census data from the Office for National Statistics for England, Wales, and Scotland.

⁷ Owen et al (2000)

This is reflected in the working age population. The number of people aged between 16 and state pension age from an ethnic minority group is expected to increase from 2.4 million to 2.9 million between 1999 and 2009 – an increase of 11%, compared to a population increase of 1% for white people of the same age⁸.

Chapter 2: The causes of low pension income

Low earnings and time not spent in full-time work reduce pension income

People in ethnic minority groups are less likely to be employed, more likely to be unemployed, and more likely to live in workless households. Of those in work, ethnic minority groups are more likely to work part-time or be self-employed, and have lower earnings than their white counterparts, although there are significant differences between ethnic minority groups.

There are a number of different reasons why people in ethnic minority groups are more likely to be unemployed, or to have low earnings. Some – but not all – ethnic minority groups obtain lower educational qualifications on average⁹. Ethnic minority communities are often concentrated in areas of the country with higher unemployment and lower earnings than the rest of the country¹⁰. There may be cultural or language barriers to overcome. The younger age distribution of ethnic minority groups may also tend to accentuate disadvantage, with lower earnings and higher unemployment more common at younger ages¹¹.

There is evidence that even controlling for these factors, people from ethnic minority groups are more likely to suffer from lower earnings and higher unemployment¹².

The cause of labour market disadvantage is not considered in this analysis. The major consideration in looking at the impact on pension income is the extent of the disadvantage. If some of the causes were to be overcome, future disadvantage may be reduced, but it is difficult to predict if, or when, this might happen. Some analysis suggests that rather than improving, inequality may widen further in the next 20 years¹³.

One particular problem facing current older generations of people from ethnic minority groups who are above, or approaching, state pension age, is that they are unlikely to have spent all of their working lives in the UK. Although large-scale immigration from the Caribbean began soon after World War II, peaking in the mid-1950s, immigration from India and Pakistan grew throughout the 1960s, with immigration by other Asian groups in the early 1970s¹⁴. A man aged 65 today who came to the UK in 1970 will have spent a maximum of 33 years working in the UK by the time he reaches state pension age – even before labour market disadvantage is taken into account. 44 qualifying years are needed for a full Basic State Pension. Those already retired are likely to have had even shorter working lives in the UK, and so qualify for lower amounts of Basic State Pension.

⁹ ONS (2003 LFSQS)

¹⁰ ONS 2001/2 Annual Local Area Labour Force Survey

¹¹ ONS (August 2003 LMT) and (2002 NES)

¹² Strategy Unit (2003)

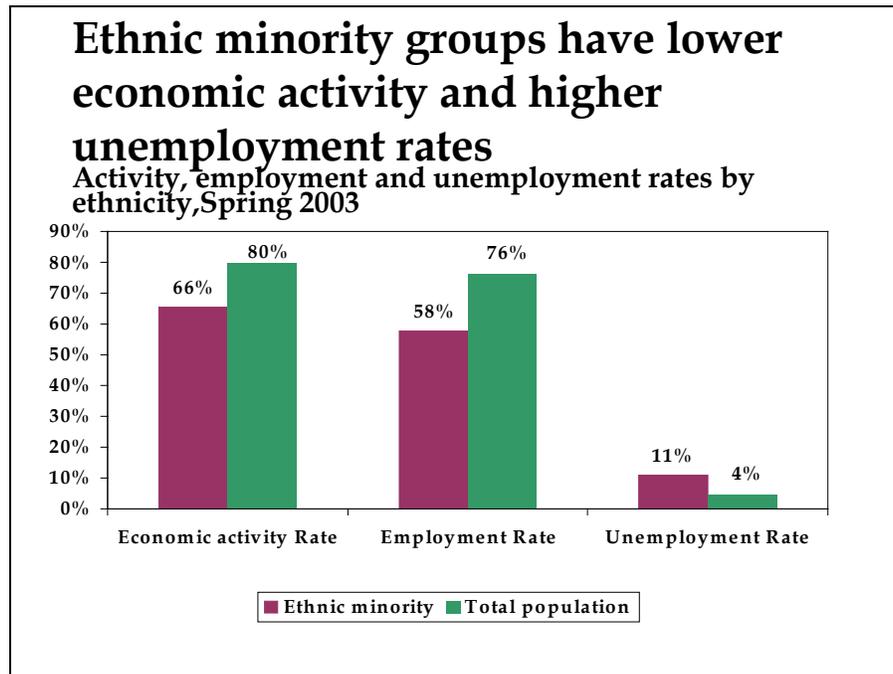
¹³ PIU (2001)

¹⁴ Barker and Drake (1982)

People in ethnic minority groups are less likely to be employed than the white population

The 'economic activity' rate (which includes people working and looking for work) for people of working age in ethnic minority groups is 66%, considerably lower than for their white counterparts, at 80%. The employment rate (proportion of people of working age in work) is lower for ethnic minority groups, and the unemployment rate (the proportion of people who are looking for work who are unemployed) is higher, compared to the population as a whole (Chart 3).

Chart 3¹⁵



As with the white population, there is a significant difference in labour market participation between men and women within ethnic minority groups. Only 55% of women from ethnic minority groups are economically active, compared to 74% of white women. For Asian or Asian British women the rate is only 50%¹⁶. This may be partially explained by the larger size of ethnic minority families – women from ethnic minority have, on average, more children than white women¹⁷. Reduced availability of childcare in areas where ethnic minorities are concentrated may also be a barrier to working for many ethnic minority women¹⁸.

¹⁵ ONS (2003 LFSQS). The unemployment rate is calculated as a proportion of all those economically active (16+), whereas employment rates are based on all those economically active and of working age (16 - 59/64)

¹⁶ ONS (2003 LFSQS)

¹⁷ Berthoud (2001)

¹⁸ Strategy Unit (2003)

Ethnic minority women are also much more likely to be unemployed. 11% of ethnic minority women looking for work are unemployed, compared to less than 4% of white women.

As well as being more likely to be unemployed, people in ethnic minority groups are likely to remain unemployed for longer. Unemployed Caribbean and Pakistani / Bangladeshi men spent an average of 24 months unemployed in each spell out of work, compared to an average of 9 months for unemployed white men¹⁹.

As a consequence of low economic activity and high unemployment rates, ethnic minority households are more likely to be without anyone in employment. Mixed (35%), Black African (34%) and Pakistani/Bangladeshi (27%) households had the highest rate of worklessness, although Indian households (12%) had a lower rate than White (16%)²⁰.

One particular aspect of high unemployment and worklessness among ethnic minority groups is geographical concentration. Ethnic minority communities tend to be in areas of high general unemployment, and particularly in urban areas. Nearly half of all individuals from ethnic communities live in the Greater London region, and there are other large communities in the West Midlands, the North West and Merseyside and Yorkshire and Humberside²¹. All of these areas have higher unemployment rates than the average in Great Britain²².

¹⁹ Modood et al (1997)

²⁰ ONS (2003 LMS)

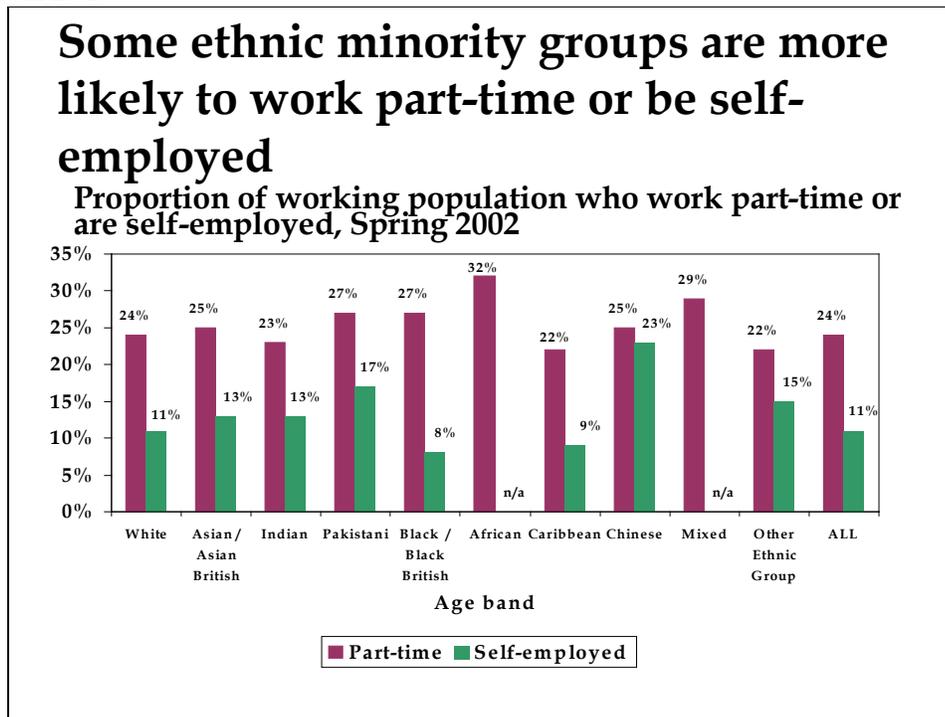
²¹ Strategy Unit (2003)

²² ONS (2003 LMT)

Some ethnic minority groups are more likely to work part-time or be self-employed, and have lower earnings, than the white population

26% of people in work in the UK work part-time, and 11% are self-employed. People in some ethnic minority groups are more likely to work part-time, and people in other groups are more likely to be self-employed. For example, 32% of working people in the Black African group work part-time, while 23% of people in the Chinese group are self-employed (Chart 4).

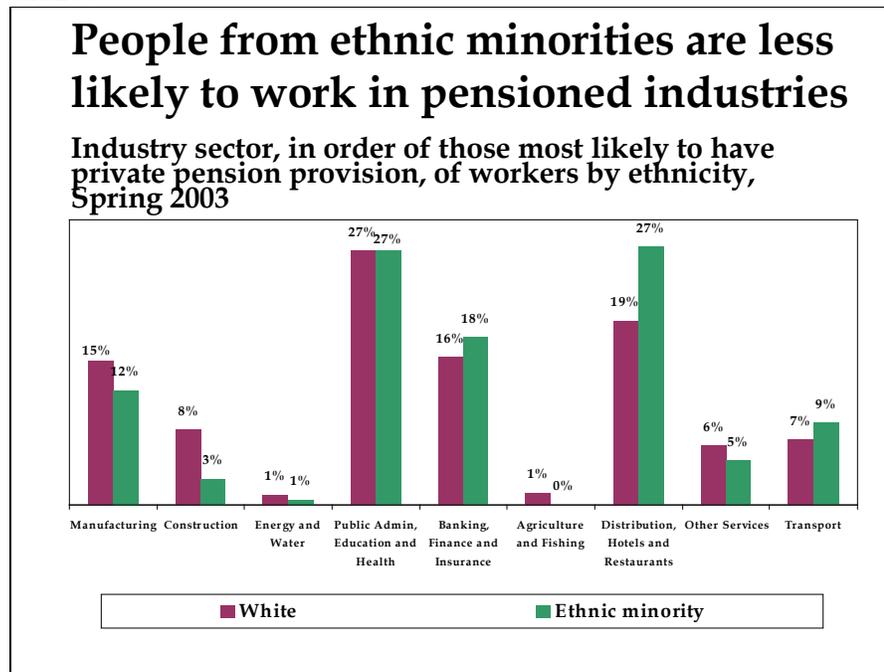
Chart 4²³



As with the white population, women from ethnic minority groups are much more likely to work part-time than men. 43% of women from ethnic minority groups who are employed work part-time, compared to only 8% of working men from ethnic minority groups.

Ethnic minority workers are concentrated in different industries (Chart 5). They are more likely than white workers to work in distribution, hotels and restaurants, transport and communication, and banking and finance. They are less likely to work in manufacturing or construction, or in other services. The manufacturing and construction industries have the largest proportion of companies providing support for private pension arrangements (occupational pensions, group personal pensions or contributions to personal pensions)²⁴.

Chart 5²⁵



While Black workers are more likely to work in the public sector than their White counterparts, Asian workers are more likely to work in the private sector²⁶.

Workers from ethnic minority groups are less likely to have managerial roles, although they are more likely to be skilled professionals than White workers (Chart 6). There are differences between groups. Black and Pakistani/Bangladeshi male workers are much less likely to have managerial responsibilities. People in these occupations are the most likely to have private pension provision. Working women from ethnic minority groups are less likely to have managerial responsibilities than men from ethnic minority groups²⁷.

²⁴ Smith and McKay (2002)

²⁵ PPI analysis of the Labour Force Survey, Spring 2003

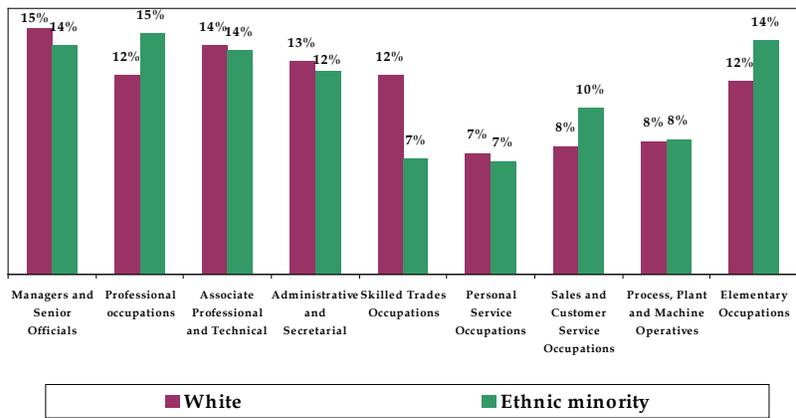
²⁶ PPI analysis of the Labour Force Survey, Spring 2003

²⁷ ONS (200x ST)

Chart 6²⁸

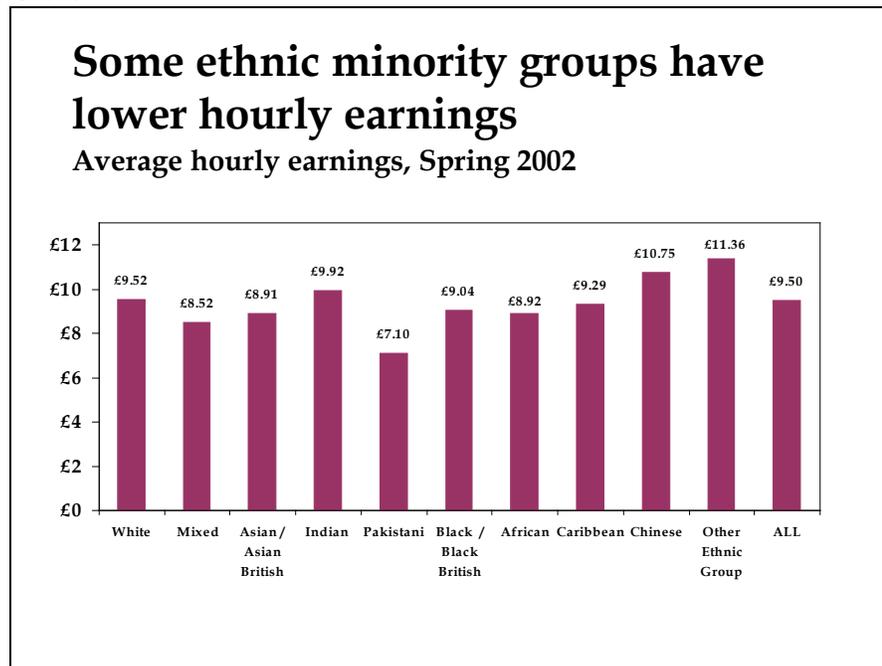
People from ethnic minority groups are less likely to have managerial roles

Occupational type of workers, Spring 2003



Hourly earnings are also lower than for the white population for most ethnic minority groups (Chart 7), and are considerably lower for the Pakistani /Bangladeshi group. The exceptions are Indian, Chinese and ‘other’ ethnic minority groups.

Chart 7²⁹



Ethnic minority women have even lower hourly earnings, although the difference between the average hourly earnings of ethnic minority men and women is less than the difference between White men and women. For Pakistani / Bangladeshi individuals, average hourly earnings are £5.90 for women and £7.62 for men, compared to £8.21 for White women, and £10.67 for White men. The average for women from Caribbean groups is £8.72 higher than that for White women³⁰.

These differences in hourly earnings are reflected in estimates of annual salary. At most ages, full-time employees from ethnic minority groups are likely to earn less than white full-time employees (Chart 8). This is particularly true between ages 25 and 50, when employment rates are likely to be highest.

²⁹ WEU (2002)

³⁰ WEU (2002)

Chart 8³¹

Ethnic minority employees have lower earnings at most ages

Median earnings of full-time employees by age groups, Spring 2003



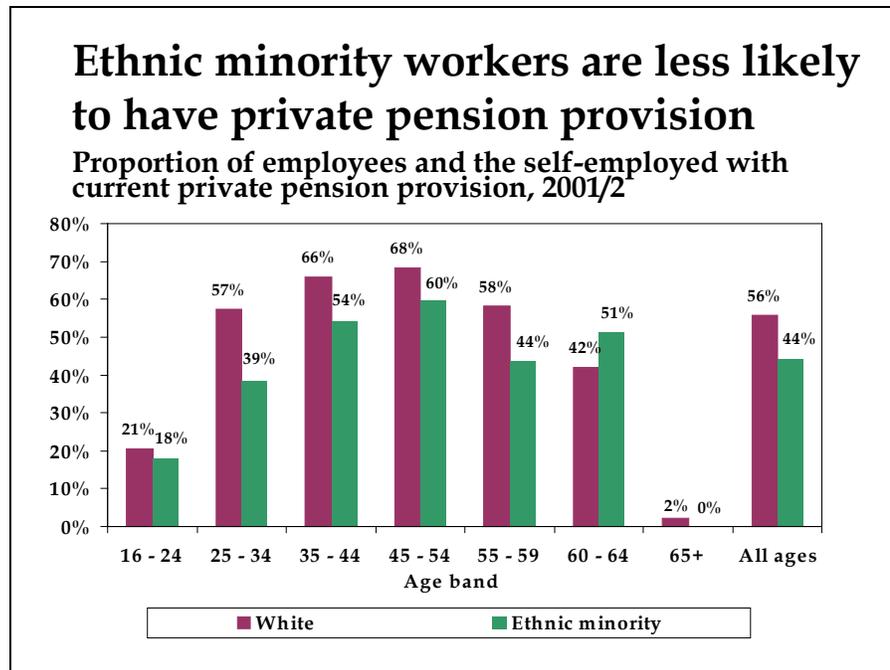
³¹ PPI analysis of the Labour Force Survey, 2003. Although all ethnic minority groups are combined, sample sizes are still relatively small, which may explain the high estimates for the ethnic minority group below age 25.

Low or irregular private pension contributions reduces pension income

People from ethnic minority groups are less likely than white people to be accruing current private pension provision. This is true for both occupational pensions, and personal pensions. Those that do have pensions are less likely to make regular contributions.

Workers from ethnic minority groups are less likely than their white counterparts to be accruing current private pension provision (Chart 9). This may be largely as a result of the employment and earning patterns seen in the previous section.

Chart 9³²



Coverage is lower among ethnic minority workers in both occupational and personal pension³³ provision. While 42% of white workers (employed and self-employed) have an occupational pension, and 16% have a personal pension, among ethnic minority workers coverage is 36% and 10% respectively. Women ethnic minority workers are only marginally less likely than men ethnic minority workers to have a private pension (44% of women compared to 46% of men).

The largest difference between white and ethnic minority pension provision is in the 25 to 34 age group. This is significant, as this age group accounts for a large proportion of the ethnic minority population, given the younger age

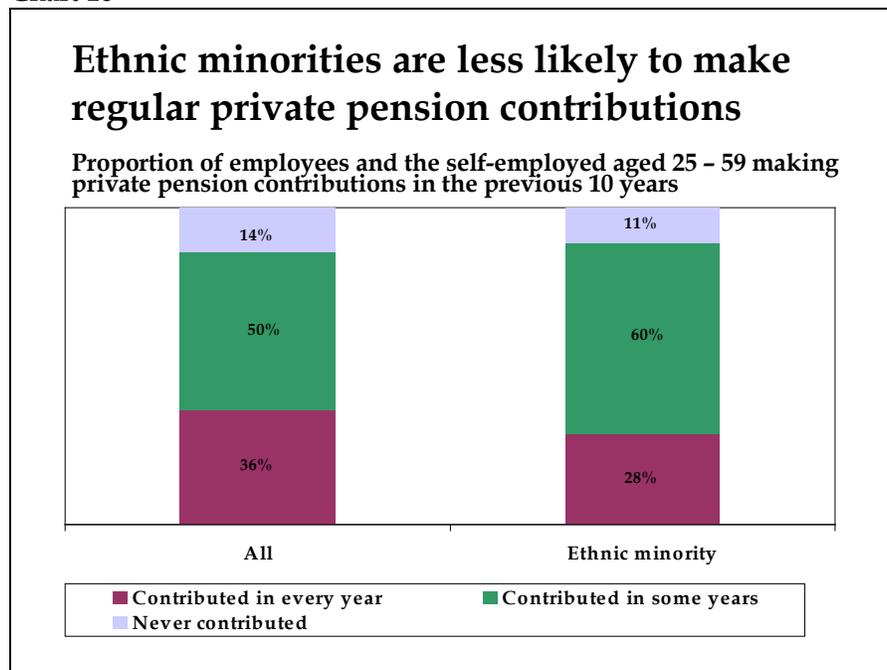
³² PPI analysis of 2001/2 Family Resources Survey. Including employer contributions.

³³ Including stakeholder pensions

structure of the ethnic minority community³⁴. One explanation could be the earnings gap for this particular age group, although there is more difference in earnings among workers in their late 30s and 40s than in the 25 to 34 age range³⁵. Alternatively, rates of fertility and marriage may be higher at younger ages, reducing the level of income available to save in a pension.

As well as being less likely to have a private pension, people from ethnic minority groups are less likely to make regular contributions to a pension. 36% of all people aged 25 to 59 and in work in 2001/2 had made contributions to a private pension in each of the last 10 years (Chart 10). For people from ethnic minority groups, only 28% had made pension contributions in every year. However, only 11% of people in an ethnic minority group had made no private pension contributions in the last 10 years, compared to 14% of the total group.

Chart 10³⁶



Low coverage of occupational pension schemes is likely to be caused by a combination of interrelated labour market factors.

Ethnic minority employment is low in some industries where occupational pension coverage is traditionally high, such as manufacturing and construction. However, it is higher in some other industries such as banking and finance and public administration where occupational pension coverage is also relatively high³⁷.

³⁴ See Chart 2

³⁵ See Chart 8

³⁶ Based on analysis of the British Household Panel Survey waves 2 - 11, carried out for the PPI by the Gerontology Data Service of the Institute of Gerontology, Kings College London. Despite small sample sizes, the figures are still statistically significant (at the 90% level).

Occupational pension coverage is more common at higher managerial levels, and a smaller proportion of ethnic minority workers reach these positions. In addition, occupational pension coverage is more common at higher earning levels³⁷, and ethnic minority employees have, on average, lower earnings than white employees. So even in industries with good occupational pension coverage, ethnic minority workers are less likely to have occupational pensions. If they have some occupational pension, it is likely to be worth less than that of a white worker.

Ethnic minority workers are also more likely to be self-employed (and so not have access to S2P or an occupational pension), or work part-time, where occupational pension provision is less prevalent.

Low levels of coverage of private pensions are also likely to be at least partly explained by lower earnings levels – private pensions are more prevalent at higher earnings levels³⁹. However even after adjusting for different earnings levels people from ethnic minorities are less likely to have a private pension⁴⁰.

There are cultural and institutional reasons for lower pension provision among ethnic minority workers⁴¹. These include communication difficulties, or a lack of experience or confidence in financial institutions. The traditional role of gender, or the extended family, may also be an influence⁴². For example, Muslims are prohibited from receiving interest.

These problems may also lead to wider financial exclusion among ethnic minority groups, at least in terms of formal savings. People from ethnic minorities are less likely to have bank accounts and other savings and investment products. Many do, however, make use of informal savings schemes within their own communities. These often aimed at short-term savings, where a group of people save collectively, and take turns in accessing the accumulated money⁴³.

The main reason for low pension provision appears to be, however, economic – low earnings and high unemployment mean that private pension provision is often unaffordable⁴⁴.

³⁷ Smith and McKay (2002) p 24 show the proportion of organisations in each industry with occupational pension provision

³⁸ Curry and O'Connell (2003) p 33

³⁹ Curry and O'Connell (2003) pp 38 - 39

⁴⁰ PPI analysis of 2001/2 Family Resources Survey

⁴¹ OFT (1999)

⁴² Neary and Nesbitt (2001), Beishon et al (1998)

⁴³ Kempson (2000)

⁴⁴ OFT (1999) and Newman (2003)

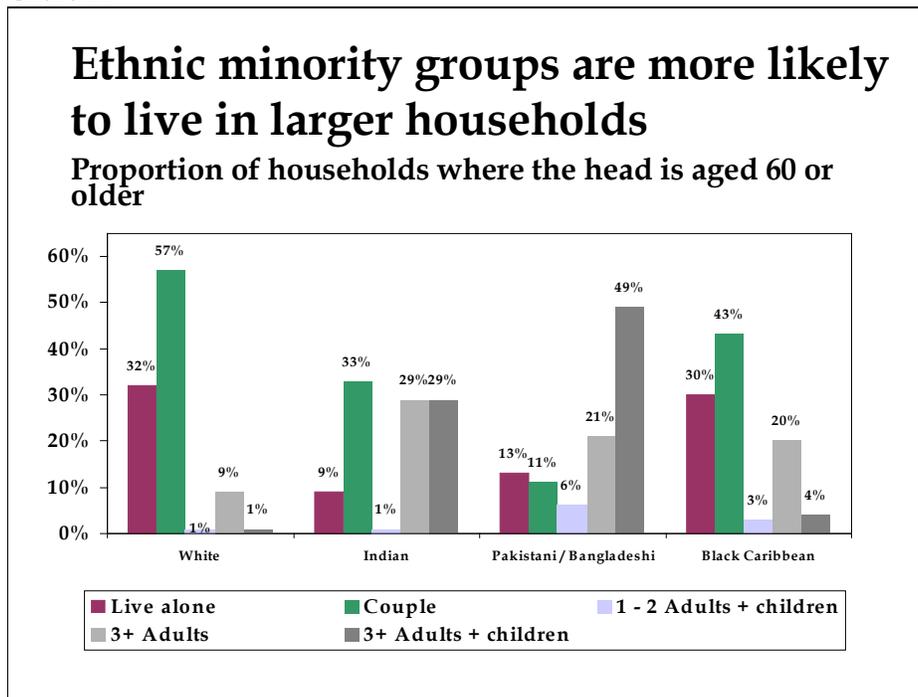
Retiring earlier can reduce pension incomes

People from ethnic minority groups are more likely to report ill-health in old age. People from ethnic minorities are more likely to live with relatives, but this varies significantly between different groups, and may be diminishing. Most ethnic minority individuals aged between 50 and state pension age are inactive, or early retired.

There are significant differences in health status in old age between different ethnic groups. In particular, Pakistani and Bangladeshi elders are most likely to report ill-health, with 39% of those aged 60 or older reporting an illness or activity that had restricted their activity in the last 2 weeks, compared to only 19% of White people of the same age⁴⁵. A factor in this could be the different socio-economic circumstances of older people from ethnic minority groups⁴⁶.

For example, the average size of households where the head is aged 60 or older and is from an ethnic minority is larger than for households where the head is aged 60 or older and is white (Chart 11). This is particularly true for Indian and Pakistani / Bangladeshi elders, while the household pattern for Black Caribbean elders is much closer to that of the White population.

Chart 11⁴⁷



⁴⁵ Evandrou (2000)

⁴⁶ Although differences in health remain even after accounting for different socio-economic circumstances – Evandrou (2000)

⁴⁷ Evandrou (2000 PT). White does not include Irish, who were shown separately in the original analysis.

As well as having advantages, such as family care and financial support, there are also a number of disadvantages to larger households. Ethnic minority households are more likely to live in overcrowded accommodation, with almost a quarter of Bangladeshi and Pakistani households being overcrowded compared to 2% of all households. Housing conditions, such as levels of disrepair or the need for essential modernisation, are also worse for ethnic minority groups⁴⁸. Many ethnic minorities also live in areas where housing costs are high – the largest concentration of ethnic minority individuals is in Greater London, where housing costs are highest.

While living with – and being supported by – younger generations may be beneficial for some ethnic minority elders, it may also reduce the available income of the younger generations, many of whom already have low incomes. This further reduces the potential to save towards their own pension provision.

This is important, as it has been suggested that the strong multi-generational bond, within Asian groups in particular, is starting to break down. While some younger Pakistani and Bangladeshi generations continue to consider multi-generational households as desirable⁴⁹, and a viable alternative to pension provision⁵⁰, elders from Asian communities are increasingly choosing to remain independent, and are using a range of voluntary social and health care services instead of having to rely on family support⁵¹.

There is no data to suggest that the life expectancy of people from ethnic minority groups is any different to that of the white population. A higher incidence of ill-health among ethnic minority groups, potentially exacerbated by poor housing conditions, might suggest that life expectancy is lower. However, family structures and support for elderly family members may mean that older people from ethnic minority groups are well cared for.

Ill-health combined with the geographical concentration of people from ethnic minorities in areas of lower employment may help to explain the large proportion of ethnic minority individuals aged between 50 and state pension age who are not in work, or looking for work. 60% of the ethnic minority population in this age range are economically inactive, compared to 40% of the White population⁵².

⁴⁸ Harrison and Phillips (2003)

⁴⁹ Beishon et al (1998)

⁵⁰ Neary and Nesbitt (2001)

⁵¹ PRIAE (2003)

⁵² PPI analysis of the Labour Force Survey, Spring 2003

Disadvantage is cumulative

An illustrative ethnic minority individual receives a total pension income much lower than the policy stereotype. Lower earnings and time not in full-time work result in lower SERPS benefits and private pensions. Irregular private pension contributions also result in reduced private pension income. Time not in work, or looking for work, has the largest impact, reducing SERPS, private pension income and entitlement to the Basic State Pension.

An illustrative ethnic minority individual

For reference, the PPI is using a policy stereotype individual⁵³ who:

- starts work at age 21
- works 44 years in continuous full-time employment
- at median age-specific earnings
- makes private pension contributions of 8% per year and
- retires at state pension age (65).

The analysis in this paper suggests that an 'illustrative' person from an ethnic minority is likely to have very different characteristics. People from ethnic minority groups:

- have lower earnings on average
- are likely to have started work later, often not arriving in the UK until they are in their mid-20's
- are more likely to be unemployed, work part-time, or be self-employed
- are less likely to have private pension provision
- are less likely to make regular contributions to private pensions
- are more likely to be out of work at older ages

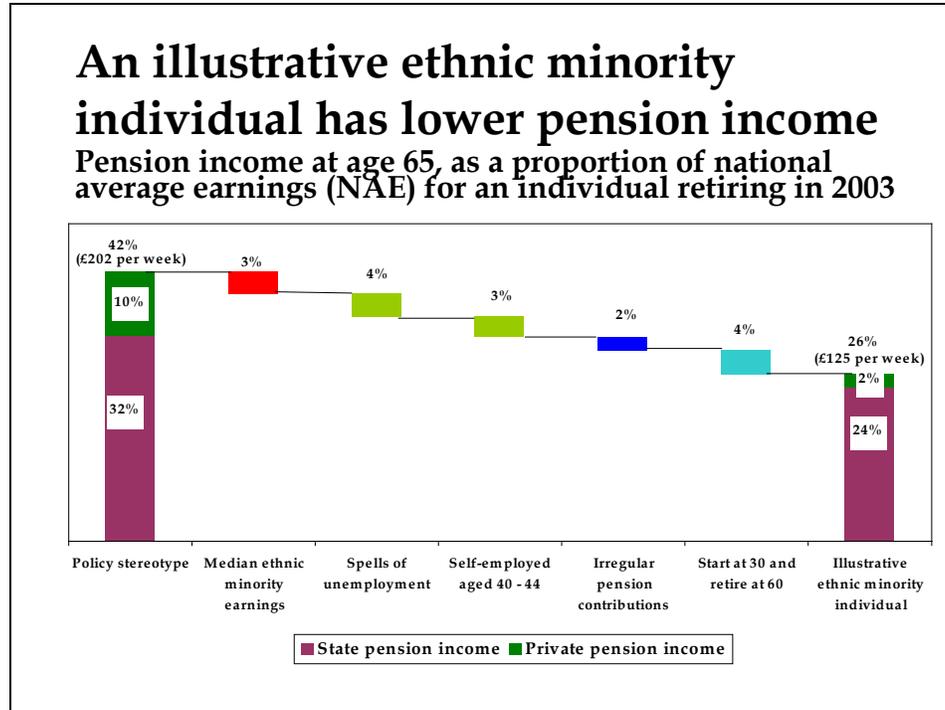
Therefore the pension prospects for an illustrative individual from an ethnic minority might be illustrated by the following assumptions:

- Lower earnings: the median age-specific full-time earnings of all ethnic minority workers
- Spells of unemployment: say, lasting 2 years at ages 25, 38, 45 and 58
- A 5-year spell of self-employment later in working life: say, from age 40
- Less regular contributions to private pensions: say, 5-year gaps in contributions at age 30, 40 and 50
- A shorter working life: say, not starting work in the UK until age 30, and retiring at age 60

No one individual is likely to have these exact characteristics – any more than anyone will have the same characteristics as the policy stereotype. In reality there will be significant variations in the individual pension incomes received by different members of the ethnic minority community. For example, women from ethnic minority groups are likely to spend less time in work, and at lower earnings levels, than the illustrative individual used here. These are not the 'average' characteristics of all ethnic minority individuals, but an indication of the type of characteristics that some of them may have.

The cumulative impact of these particular characteristics is to reduce pension income significantly, compared to the policy stereotype. The illustrative ethnic minority individual reaching state pension age in 2003 would receive a total pension income more than one-third lower than the policy stereotype (Chart 12). The illustrative individual would be entitled to the Pension Credit as soon as he reaches state pension age, compared to the policy stereotype who is entitled from age 76.

Chart 12⁵⁴



The direct impact of earnings is to reduce both private pensions and SERPS/S2P. The level of earnings also has an indirect impact through time not spent in full-time work. This results in lower SERPS/S2P income, and lower private pension incomes due to breaks in contributions during spells of unemployment. The largest single impact on pension income is through extended periods of time not in the labour force at the start and end of the working life. Having no earnings during these periods reduces private pension income and SERPS, while not contributing for 44 years also reduces income from the BSP.

⁵⁴ PPI IM model calculations

Chapter 3: The future under-pensioned

Recent reforms to the current pension system will not resolve the under-pensioned problem

Although the reduction in pension income from ethnic minority characteristics is less for future generations, the final pension income is only marginally higher relative to NAE than it is for those retiring today. Increases in S2P offset the direct and indirect impact of lower earnings. PC partially offsets fewer private pension contributions, and time not spent in work.

The close link to labour market participation in the current pension system means that many people from ethnic minorities will receive low pension incomes in the future. If current labour market and pension trends continue, ethnic minority pensioners are still likely to remain under-pensioned.

Future ethnic minority people

A similar pattern to those retiring today is seen for the illustrative individual's son (who has the same characteristics, apart from spending his whole life in the UK and so not starting work later) reaching state pension age in 2028 (Chart 13), and his grandson reaching state pension age in 2048 (Chart 14)⁵⁵.

Although the reduction in pension income from ethnic minority characteristics is less for future generations (a reduction of one-quarter compared to one-third in 2003), this is partly because the policy stereotype is projected to receive a lower income in future. The final pension income of the illustrative individual retiring in future is only marginally higher relative to NAE than it is for those retiring today.

Increases in S2P offset the direct and indirect impact of lower earnings. PC partially offsets fewer private pension contributions, and time not spent in work, but there are still significant reductions in income through unemployment and early retirement.

⁵⁵ Charts 13 and 14 assume exactly the same characteristics as Chart 12, apart from not adjusting for starting work at a later age. The remaining difference in results is purely down to the way in which the pension system changes over time.

Chart 13⁵⁶

Pension incomes are more equal in 2028 than today

Pension income at age 65, as a proportion of national average earnings (NAE) for an individual retiring in 2028

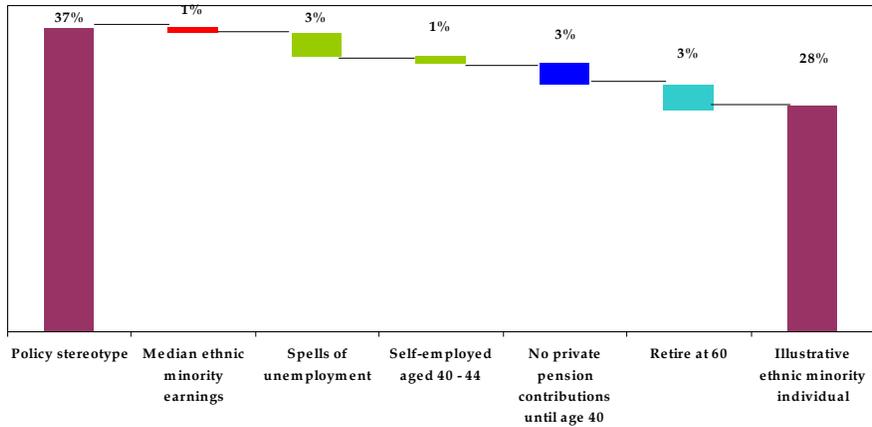
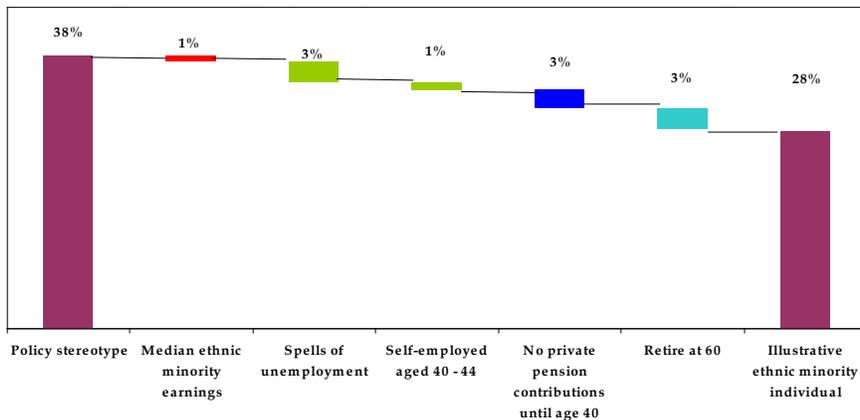


Chart 14⁵⁷

Pension incomes are more equal in 2048 than today

Pension income at age 65, as a proportion of national average earnings (NAE) for an individual retiring in 2048



⁵⁶ PPI IM model calculations

⁵⁷ PPI IM model calculations

Prospects for the future

Ethnic minority groups currently make up only a small proportion of the total population, compared to other under-pensioned groups such as women and disabled people. Even after the projected increases over the next few years, only 1 in 10 people in the UK will come from an ethnic minority. The younger age structure of ethnic minority groups means that they currently make up an even smaller proportion of the retired population, and will continue to do so for a number of years. However, many members of ethnic minority groups face significantly lower levels of pension income in retirement than the stereotype individual.

The figures shown here are an illustration of the type of impact that different characteristics, associated with people from ethnic minorities, can have, and do not represent an 'average' ethnic minority person. Some people from ethnic minority groups will receive higher pension incomes than that illustrated, but some will have lower pension incomes. The current system allows a wide range of possible outcomes. However, the close link to labour market participation in the current pension system means that many people from ethnic minorities will receive low pension incomes in the future. If current labour market and pension trends continue, ethnic minority pensioners are still likely to remain under-pensioned.

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The author takes responsibility for any remaining errors and omissions.
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