

The pensions policy impact of poor personal finance data on people from ethnic minority groups

PPI Briefing Note Number 132

Introduction

People from Pakistani, Bangladeshi, Black and some other ethnic groups have poorer outcomes in retirement than the average outcome experienced by the White majority.¹ These outcomes differ between and within ethnic groups by age, gender and other characteristics. While there is some overarching data across ethnic groups as a whole in national surveys, sample sizes are typically inadequate to allow understanding of the many different factors which affect the outcomes of particular ethnic groups. With better data and evidence about the lives of people in these groups, informed, strategic policymaking which improves their lives will be possible in a way that it is not today.

This Briefing Note investigates what changes might need to be made to data gathering in order for policy to be better targeted and the retirement outcomes of people from some ethnic minority groups to be improved.

This Briefing Note covers:

- Known data and evidence
- Areas on which there is insufficient data and evidence
- Potential ways of using surveys to fill the evidence gaps
- Next steps in developing the research



What do we know about why people from some ethnic minority groups experience poorer than average retirement outcomes?

There is available data on how differences in labour market behaviour and experience affects the retirement outcomes of people from ethnic minority groups. These inequalities manifest in a higher likelihood among people from some ethnic minority groups of unemployment, self-employment, part-time working, and lower pay than for the UK average and the majority White population. All of these are associated with lower levels of pension participation and contributions.

People from Pakistani, Bangladeshi, Black and Chinese groups are more likely to be unemployed

The Office for National Statistics' (ONS) Labour Force Survey allows for some employment breakdowns by ethnicity and shows differences in employment for people by ethnic group and gender, though small sample sizes make further breakdowns by age and income level problematic. Ethnic groups are also combined in a way which can make it difficult to track the effect of individual characteristics - for example, Black/African/Caribbean/Black British are joined together, and people from Gypsy/Roma/Traveller groups are included in the White category.

Based on this data, the likelihood of unemployment is particularly high for people from Pakistani, Bangladeshi, Black/African/Caribbean/Black British and Chinese groups, and highest for Pakistani and Bangladeshi women (Figure 1).

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Figure 1: Unemployment by ethnicity and gender, ages 16-64 (Oct – Dec 2021)²

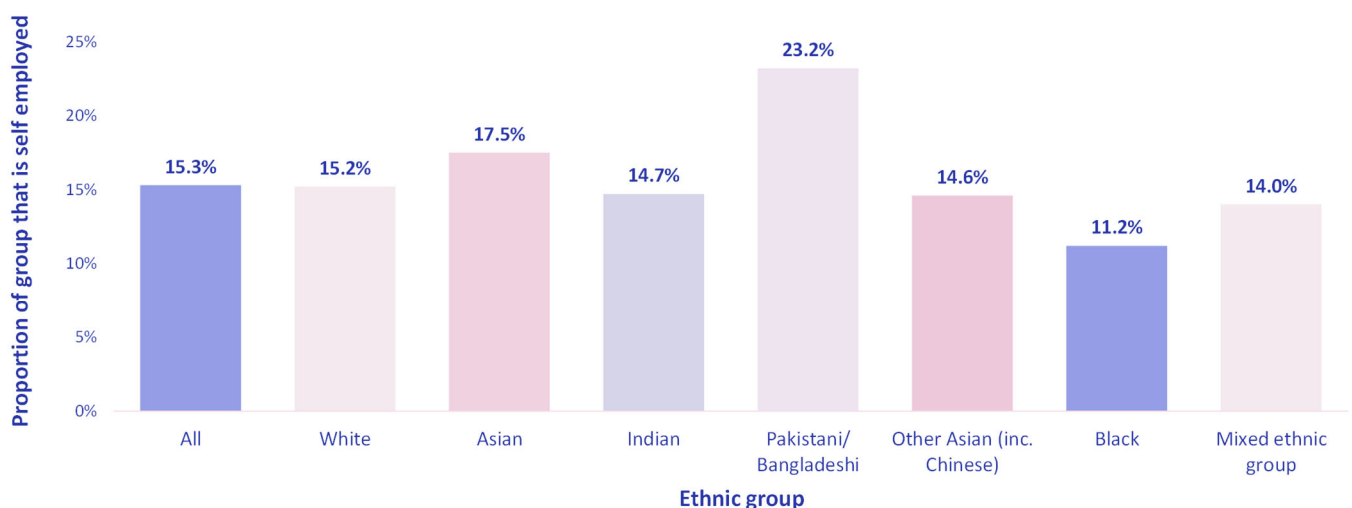
Ethnic group	Unemployed total		Men		Women	
	Proportion	Total number	Proportion	Total number	Proportion	Total number
UK average	4.0%	1,342,475	4.2%	718,036	3.9%	624,439
White	3.5%	991,632	3.7%	544,742	3.3%	446,890
Indian	4.4%	45,016	4.6%	26,042	4.2%	18,974
Pakistani	10.2%	51,388	9.1%	29,463	12.2%	21,925
Bangladeshi	9.4%	22,585	6.7%	9,873	13.5%	12,712
Chinese	7.6%	16,249	7.7%	7,814	7.6%	8,435
Black/African/ Caribbean/Black British	8.6%	96,055	7.1%	37,538	9.8%	58,517

People from Pakistani/Bangladeshi and Asian groups are more likely to be self-employed

Self-employment is particularly correlated with low levels of pension participation. In 2020, 16% of self-employed people were saving into a private pension, compared to 78% of all employees (both eligible and non-eligible for automatic enrolment).³ The Labour Force Survey indicates that self-employment is highest among Pakistani/Bangladeshi people and Asian people, and provides numbers of men and women in ethnic groups in self-employment - indicating wide variations by ethnicity and gender (Figures 2 & 3).

Figure 2: People from Pakistani/Bangladeshi and Asian groups are more likely to be self-employed

UK self-employment by ethnicity, ages 16+ (2019)



Source: www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/self-employment/latest

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There are significant correlations between ethnicity, gender and self-employment. The gender gap in self-employment between men and women from Pakistani and Bangladeshi backgrounds is also higher than for people from other ethnic backgrounds (Figure 3).

Figure 3: Numbers of people in self-employment by ethnicity and gender, ages 16-64 (Oct – Dec 2021)⁴

Ethnic group	Self-employed men	Self-employed women
UK average	2,727,953	1,456,007
White	2,378,579	1,304,251
Indian	66,880	30,291
Pakistani	77,774	15,862
Bangladeshi	19,397	4,782
Chinese	13,300	9,365
Black/ African/ Caribbean/ Black British	56,052	28,530

People from several ethnic minority groups are more likely to work part-time than White people

Part-time working is associated with low or no pension saving as part-time workers are less likely to be eligible for automatic enrolment, and those who are saving will generally receive a lower income than someone in full-time employment with which to fund pension contributions. Labour Force Survey data allows analysis of the levels of part-time work by some ethnic groups and shows that people from several ethnic minority groups more likely to work part-time than White people. Analysis by gender is available from the raw data, but may be hindered by sample sizes; the PPI calculated part-time work by ethnicity for its Underpensioned series in 2020 (Figure 4).

Figure 4: People from several ethnic minority groups are more likely to work part-time than White people

Proportion of employees in full and part-time employment by ethnicity (2018)



Source: Wilkinson, et. al. (PPI) (2020) The Underpensioned Index

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Ethnicity pay gaps are highest for Pakistani, White and Black African, Bangladeshi, and White and Black Caribbean people

The ONS publishes ethnicity pay gap and hourly pay data, derived from the Annual Population Survey, and covers a greater number of ethnic groups. It also provides some age and gender breakdowns, though these are limited by sample sizes. This data shows hourly pay gaps of 16% for Pakistani people, 15% for White and Black African, and Bangladeshi people, and 13% for White and Black Caribbean people (Figure 5).

Figure 5: Ethnicity pay gaps are highest for Pakistani, White and Black African, Bangladeshi, and White and Black Caribbean people

Hourly pay gaps and median hourly earnings by ethnic group in England and Wales (2019)



Source: ONS (2020) Ethnicity pay gaps: 2019 - <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/ethnicitypaygapsingreatbritain/2019>

This chart underscores the value of data which disaggregates ethnic groups by showing that incomes vary widely between people from different Black groups. For example, the pay gap for those from White and Black African backgrounds is higher than for those from White and Black Caribbean backgrounds, and there are further variations between people from other Black backgrounds. If variations by gender were also included, further breakdowns and enhanced understanding of lived experiences would be possible.

In order to improve the currently available data, so that better breakdowns could be made, some design changes would be required:

- Larger sample sizes with better ethnic breakdowns - for example, separating out Gypsy, Roma and Travellers from White British, and breaking down Black and Asian groups. These breakdowns would need to allow for analysis by ethnicity, age, gender, income level and whether respondents are first-, second-, or third-generation immigrants.
- Data required includes: Wealth and assets held by households and individuals; household and individual consumption; employment, including part-time, unemployment and self-employment; income distribution, pension savings and entitlement (State and private if possible). The most appropriate surveys for yielding this data are: the Wealth and Assets Survey (WAS), Living Costs and Food Survey; Annual Survey of Hours and Earnings, Labour Force Survey, and the Family Resources Survey.

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What *don't* we know about why people from some ethnic minority groups experience poorer than average retirement outcomes?

While the above section illustrates that there is data on the labour market behaviour and experience of people from ethnic minority groups, it also shows that these groups are not sufficiently disaggregated, nor are there always sufficient sample sizes to allow for breakdowns by ethnicity, gender, age, income and other characteristics. This next section explores what characteristics and experiences would be useful for surveys to cover in order to support better understanding of how both employment and pensions decisions are made. Though there may be more areas which would be useful to cover, and further research should be conducted to investigate this, this research has identified the following:

- The impact of intergenerational poverty and disadvantage;
- The impact of cultural, religious, and family expectations;
- Attitudes to caring and how retirement should be supported;
- Data on household financial decision making; and
- How these factors differ between generations, age groups, and whether people are first-, second-, third-generation immigrants.

Intergenerational poverty and disadvantage directly affect financial health and retirement outcomes

The experiences of poverty and disadvantage are highly correlated with also having parents, grandparents and other ancestors/family members who are experiencing or have experienced these. Those with parents who are disadvantaged are more likely to experience disadvantage in the following areas:

- **Exclusion or unequal treatment from mainstream financial services.** Different communities can experience specific disadvantages related to immigration history, timing and experiences. While positive action was taken within the Caribbean migrant community to set up credit unions, the result was that people from Caribbean backgrounds were excluded to some degree from mainstream financial services, including standard credit and mortgages, with banks refusing to offer them accounts, charging higher interest rates, refusing mortgages altogether or lending to them at less favourable terms.⁵ This exclusion has implications for the amount of intergenerational wealth that is passed down, alongside intergenerational attitudes and behaviour related to trust and familiarity with mainstream financial services.

Other communities also experience exclusion as a result of discrimination and institutional racism, resulting in less support from financial systems - for example:

- ◆ Minority ethnic victims of fraud are less than half as likely to have their money returned than White fraud victims.
- ◆ Black African, Black Caribbean and Bangladeshi people are 4, 3.5, and 2.5 times respectively more likely to be denied a loan than White people.⁶
- **Education.** Those with parents who have had low levels of education are less likely to achieve high levels of education themselves, partly because of disadvantages experienced during school years and partly because their parents are less likely to fund or encourage high levels of educational attainment. People are 7.5 times more likely to have low educational outcomes if their father has a low level of education when compared to those whose father is highly educated. High parental occupational status is also associated with better educational attainment for children.⁷
- **Poverty.** Experiencing childhood poverty is highly correlated with the likelihood of experiencing poverty in later life. For example, teenagers who experienced poverty in the 1980s are four times as likely to be in poverty as adults when

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compared to those who did not experience poverty.⁸ Poverty can also affect health outcomes, particularly when it has resulted in maternal malnutrition, which results in higher levels of infant and maternal mortality and longer-term health problems for children and adults - for example, low birthweights, stunting and permanent limits to physical and cognitive development (affecting educational outcomes). Poorer families generally have less flexibility to maintain food security and invest in their children's health and educational development.⁹

Beyond this, most of the factors associated with disadvantage are correlated to some degree with poverty:

- ◆ Those with low levels of education are five times more likely to be in poverty and 11 times as likely to be severely deprived as those with high levels of educational attainment.¹⁰
- ◆ Those whose parents/carers were unemployed/workless at age 14 are around 1.5 times as likely to be in poverty compared with those who lived in a house where one adult was working, and are more likely to be out of work themselves as adults.¹¹

Low incomes during working life, low educational attainment, and renting are associated with accruing lower levels of pension saving and struggling more with financial resilience in retirement.¹²

Data on inherited and current levels of disadvantage and exclusion experienced by people from ethnic minority groups would allow for better understanding of the barriers which they face and potential routes for tackling these and improving retirement outcomes.

The areas which survey questions could cover to address these issues, and the surveys which might be relevant, may look something like the following:

- **Whether respondent or respondent's parent(s)/grandparent(s) have been refused access or offered unfavourable terms for mortgages, bank accounts, loans or credit.**
 - ◆ The Financial Lives Survey (FLS) contains a question on whether the respondent believes they were offered a financial product or service within the last two years at a price or with terms and conditions they felt to be completely unreasonable. However, it does not cover the respondent's family, nor does it provide breakdowns by type of product or service.
- **The highest level of educational attainment of respondent's mother, father, grandparent(s), allowing for education which took place outside of the UK and may use different terms/categories.**
 - ◆ Understanding Society contains questions about educational qualifications, including those received overseas. However, these are limited to the household so may not capture wider family (e.g., grandparents).
- **Occupation of parent(s) when respondent was 14 years old.**
 - ◆ Understanding Society contains items on parents' occupations. Specifically, it asks the respondent to think back when they were fourteen and report whether their father was working, whether their mother was working and, if they were, to report their occupations.
- **Whether respondent or respondent's parent(s) experienced poverty as a child.**
 - ◆ Understanding Society does not include this question, but its most similar item is how the respondent is currently managing financially. This does not include parents' potential experiences with poverty when they were children.

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Culture and religion affect financial behaviour, including planning and preparing for retirement

Cultural, spiritual and religious beliefs and practices affect the way people from all ethnicities approach life decisions, not just those related to finances. Problems arise when services are built around assumptions based on the dominant ethnicity and culture, and don't take into account that those from different backgrounds will perceive and respond to information in a different way than may be intended. Other factors can also affect understanding, decisions and access to support, including: language barriers, immigration status, and discrimination.

While the impact of culture on health decisions is covered to some degree,¹³ there is not a significant amount of information about how ethnicity, culture and religion affect approaches to financial decision making. The Financial Conduct Authority's (FCA) "Financial Lives Survey" does track some differences in financial behaviour and characteristics at a relatively macro division of ethnicity (White, Black & Black British, Asian, Mixed Race and Other). The survey looks at use of credit, aspects of vulnerability, financial resilience, numeracy and debt, and whether people were declined financial products or were targets of scams. However, it does not explore how culture and behaviour affect these outcomes.

There is some qualitative work which explores different financial attitudes and behaviour among people from minority ethnic groups. These studies find that people from particular groups, for example African/Caribbean, Pakistani and Bangladeshi people, are more likely to be financially excluded and that cultural elements, which affect childhood financial experiences, can play a role in producing this outcome - alongside external factors such as discrimination.¹⁴ Trust is also a key factor influencing financial decisions, and affecting risk tolerance. Trust in financial services varies between people from different ethnic groups and cultures, and affects financial behaviour.¹⁵ Those with low trust and low risk tolerance are less likely to take risks or use loans/credit to buy property, to access higher education for themselves or their children, or to start a new business.

Religious influences also affect decision making. For example, around a third of Muslims may be avoiding pensions because they are not Shariah compliant,¹⁶ something that may also affect other financial products such as ISAs, mortgages and annuities.¹⁷ Alongside compliance with religious doctrines, people of different religions have different levels of trust in financial products, risk appetites and senses of personal control, which may also be a facet of culture.¹⁸

While the connection between culture, religion and financial behaviour is documented in qualitative work to some degree, further data on this by ethnicity, age and gender would be useful. Alongside the connection between these factors and behaviour, further data is required on exactly what the different cultural attitudes and beliefs are, on a granular level, and what adaptations might be required to overcome cultural and religious barriers to better retirement outcomes. In some instances, these similar questions may already be asked in national surveys, but there isn't sufficient breakdown by ethnicity, age and gender to allow the required level of understanding.

The areas which survey questions could cover to investigate these issues and the surveys which might be relevant, may look something like the following:

- **The types of financial products and decisions that are considered sensible by the respondent and their family/culture.**
 - ◆ The Planning and Preparing for Later Life (PPLL) feasibility study reports a significant topic gap in attitudes towards pensions. This report notes that administrative datasets from HM Revenue & Customs (HMRC) on employment, National Insurance contributions (NICs), income, private pensions and Department for Work & Pensions (DWP) datasets on benefits receipt, Government training schemes, and State Pension, could begin to address the information gap in terms of respondent behaviour - but they would not be sufficient in and of themselves to address attitudes. Linking to survey data would enhance their usefulness.
- **Experiences with financial services, whether products have been refused, the types of support offered and experiences of discrimination. How these experiences affected attitude and behaviour (e.g., reducing trust,**

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making people less likely to attempt to use mainstream financial products).

- ◆ The Financial Lives Survey (FLS) covers whether financial services providers have declined to sell products or services to the respondent, however, the survey does not address support, experiences of discrimination, or whether attitudes or behaviours have changed as a result of these experiences.
- **Assessed levels of financial capability and numeracy/awareness of how pensions work, the availability of employer contributions and tax relief.**
 - ◆ The PPLL contains questions specifically asking the respondent how knowledgeable they feel about pension issues and the UK State Pension. The English Longitudinal Study of Ageing (ELSA), which covers people in England aged 50+, contains a question on how well family members handle financial matters (specifically mentioning pensions) compared with previous years. Additionally, both the PPLL and ELSA include items on general numeracy, such as understanding percentages and interest rates. These questions potentially allow for an investigation into the interaction between age and ethnicity. The Wealth and Assets Survey (WAS) also asks “I feel I understand enough about pensions to make decisions about saving for retirement”, and “I feel I understand enough about pensions to make decisions about the best way to access my pension”. Understanding Society contains a section on general health, including the question, “Have you recently felt capable of making decisions about things?”. This could arguably include financial decisions, but is likely too vague to address the research questions here.
- **Whether respondents would not consider specific financial products because of religious objection.**
 - ◆ The FLS contains an item on why the respondent does not have a pension scheme, with “Do not trust pension providers” as a potential response. However, it does not probe further regarding why the respondent does not trust providers. Understanding Society contains a module on respondent’s religion and how it affects aspects of their life, including a question on whether beliefs affect decisions relating to investment and savings. However, it does not follow up with questions on how religious beliefs affect these decisions. WAS contains a question on why the respondent has stopped contributing to a pension, but does not offer a religious objection as a potential response.
- **What adaptations could be made to products in order to make these religiously compliant?**
 - ◆ Although Understanding Society contains a question on whether religious beliefs impact decisions relating to investments and saving, it does not include questions on how to make products religiously compliant, nor does it include questions more directly related to pensions.

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Ethnicity and culture affect attitudes to caring and how retirement should be supported

Different expectations around caring significantly impact retirement. If certain family members, for example, women or younger family members, are expected to provide care for older or disabled family members, this has implications how much those expected to care can work and save for retirement - and how much parents may feel they need to prepare if there is an expectation that younger family members will provide support. Carers have, on average, around 29% less in pension savings and entitlement than the UK average.¹⁹ There are ethnic differences within caring behaviour. For example, Pakistani and Bangladeshi people are three times as likely as White British people to be providing care for a sick, disabled or frail person.²⁰ These differences are likely to arise from cultural practices and have correlative effects on employment and the ability of people to save for their own retirement, as well as expectations from younger generations. There are likely to be age and gender differences concerning who is expected to provide care, as well as behavioural differences between first-, second-, third-generation immigrants and beyond. In some cases, there may be mismatches in expectation between people of different generations.

Alongside caring behaviour, approaches to assets and saving may also differ between generations. However, some eschewing of pension products may arise from a lack of access or from intergenerational exclusion from mainstream financial services.

Different communities may believe that other types of assets than pensions are more appropriate long-term saving vehicles, for example, gold or housing - a practice which may be reinforced by feelings of alienation from mainstream financial services for some groups.²¹ Some property may also be acquired in order to benefit younger generations through inheritance. If more was understood about how these assets are viewed, how much is saved into them, and what use they are intended for in retirement (if any), the Government and financial services sector would have a deeper understanding of how people from different ethnic groups might best be supported to achieve positive retirement outcomes.

Some cultures don't view the concept of retirement in the same way as the dominant culture and some people may not plan to "retire" at all, which has implications for the relevance of information about planning and preparing for later life for some people.²²

The areas which survey questions could cover to investigate these issues and the surveys which might be relevant may look something like the following:

- **Who within the respondent's family is expected to care for children, parents and/or other family members.**
 - ◆ Understanding Society contains a module on caring, excluding care given through employment, with detail on the relationship between provider and those they care for. The survey also includes a module on childcare, including care provided by family members other than the respondent and their partner. Note that it does not directly ask about *expectations* surrounding caring, rather who has the responsibility. Due to its coverage, the Census has the potential to be a powerful research tool. It contains a single question on hours per week spent caring for others, which could be broken down by ethnicity. However, again it does not include questions on caring expectations.
- **Whether the respondent expects to care for older parents and/or expects their children to care for them, as well as the extent of this care - for example, full financial support and joint-living, or some financial contribution and/or some care.**
 - ◆ Understanding Society does not contain a specific question on expecting to care for parents or expecting children to care for respondents. However, it does contain a question on expected sources of retirement income, where the respondent can answer that they expect financial support from their partner or family, but does not directly query the extent to which the respondent expects support from their partner or family. This is one of many possible responses to this question - others include State Pension

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and savings or investments -, so it may be possible to glean some insight into these arrangements if respondents only select this answer.

- **Are those providing care to children or parents expected to leave work/work part-time/stay in full-time employment? What are the employment patterns for carers?**
 - ◆ Although not directly asking about expectations surrounding balancing work and caring responsibilities, Understanding Society does ask whether respondents are unable to work, or work as much as they would otherwise like to due to caring responsibilities. It also asks whether respondents had to miss school or college due to caring commitments. The Planning and Preparing for Later Life (PPLL) feasibility study notes an evidence gap in factors that support carers in employment.
- **How does later life look to the respondent? Do they plan to leave work at a certain age, or is work something they intend to do until they die or are no longer capable?**
 - ◆ The PPLL contains a section on extending working life which contains items on how the respondent changed their hours worked and levels of responsibility as they approach(ed) retirement, and how likely it is they will do paid work in the future. Understanding Society asks whether respondents plan to continue in paid employment (full or part-time) after compulsory age of retirement in the respondent's current job. It does not ask follow-up questions on how long they are likely to work for, or factors which would cause them to stop.
- **What the respondent and their family believes are the best/safest assets for long-term saving. Is the respondent saving in these and is there a plan regarding how they will be used to support older age? Do these include assets which are intended to be passed down for future generations?**
 - ◆ The Wealth and Assets Survey (WAS) contains a question on what the respondent thinks is the safest way to save for retirement, and which they think would make the most of their money. Possible responses to these questions include paying into an employer pension scheme, investing in the stock market by buying stocks or shares, and investing in property. It does not probe further in terms of whether the respondent is actually using these methods, or how they will be used in older age. It also contains a question on who the respondent trusts for advice about retirement saving. Response options here include industry institutions (e.g., banks, building societies, insurance companies etc), advisory services (e.g., The Pensions Advisory Service, Money Advice Service), and individuals (e.g., spouse, relative, friend, colleague). The PPLL also contains a similar question on who the respondent has contacted for information on retirement planning, and whether they were satisfied with the information received.
- **General data on wealth and assets by ethnicity, age and gender.**
 - ◆ WAS collects general data on individual and household assets, savings and debt, retirement saving, wealth distributions, and factors that affect financial planning. WAS contains demographic variables, which allow for breakdowns by ethnicity, age and gender. The latest release, covering April 2018 to March 2020, sampled approximately 17,500 households. As a relatively large survey, it should be possible to cut some of the data by ethnic minority group, but is unlikely to provide all the breakdowns identified by this Briefing Note.

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Ethnicity and culture affect the way personal finances are arranged and decided upon, and the way that resources are shared within households

Alongside attitudes to caring, the way that personal financial decisions are made will vary between people of different ethnicities and cultures. According to available data, women within all UK ethnic groups, including White women, have lower average individual incomes than men. These gaps are largest for Pakistani and Bangladeshi women and smallest for Chinese and Black Caribbean women.²³

Income disparities open up avenues for unequal resource sharing within households. While there is no available data on financial decision making within households by ethnicity, there are some reports on households as a whole which show gendered differences in behaviour and attitudes. Within male and female partnerships, women are more likely to be responsible for household budgeting and spending on childcare and food, and men are more likely to make major household spending decisions, like taking out insurance products.²⁴ This work implies that men are more likely to be responsible for managing long-term household financial planning, including pensions and retirement planning.

Though the work found that decision making has become more equal over time, it does not explore divisions between households by ethnicity and whether trends are mainly changing for the majority population. Further analysis of household decision making by ethnicity is necessary in order to understand the different opportunities and resources which people have by ethnicity, age and gender. If women from particular ethnic groups and of particular ages are excluded from household financial decision making, or are expected to spend their income on daily household needs, this can create particular problems in the future in the case of not just divorce or widowhood, but also if there is unequal resource sharing within the household.

The areas which survey questions could cover to investigate these issues, and the surveys which might be relevant, may look something like the following:

- **Who among the respondent's household and in their parents' household makes the larger financial decisions (e.g., larger purchases, insurance, pensions) and who spends on household goods (childcare, food).**
 - ◆ Understanding Society contains a question on who in the household has the final say on 'big' financial decisions. However, it does not probe any further regarding different types of products. It also contains a single question on who does the grocery shopping. Although it does contain a section on childcare, Understanding Society does not ask who spends on it.
- **Who among the respondent's and their parents' household is the main breadwinner and who is expected to be bringing in the main income when respondents are in older age.**
 - ◆ Understanding Society does not directly ask who the main breadwinner is in a household. However, it does contain questions on income and thus this could be derived, but it would be difficult to extend this to older age. Notably, it does include some questions on retirement expectations (e.g., age of retirement, whether respondents expect income), and this includes a question on income source in retirement where the respondent can answer that they expect financial support from their partner/family.
- **Are resources shared equally within the home?**
 - ◆ There appears to be an evidence gap for this question. However, the English Longitudinal Study of Ageing (ELSA) does have a question in whether respondents keep their finances totally separate from one another.

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The above analysis identifies the main areas which need to be explored in order to better understand and serve the needs of people from ethnic minority groups in relation to planning and preparing for retirement. The analysis also identifies surveys which either ask the relevant question or ask a similar question, or might be the most logical place for a question of this type to be inserted. None of the surveys mentioned currently have samples which allow for the detailed cuts of data required to be able to identify the way characteristics vary between people of different ethnicities broken down by age, income level and whether they are first-, second- or third-generation immigrants.

There are a few potential ways to approach sample design

In order to understand more about the experiences and behaviour of people from different ethnic minority groups, it is not sufficient to merely add the above areas of questioning to surveys and data collection. The essential element of appropriate data and evidence will be properly constructed, representative and have high-quality samples. In order to understand how the above characteristics affect people from different ethnic minority groups, appropriate samples and sizes need to be designed in order to account for differences by ethnicity, age, gender, income level and whether people are first-, second- or third-generation immigrants. An appropriate sample, therefore, would allow for comparisons between Pakistani women aged 20 to 29 and Pakistani women aged 50-59 from low-income groups who are second-generation immigrants, or women of the same age and different income group.



In general, most surveys aim for their sample of respondents to be representative of the population they are being sampled from (here, the UK population). This ensures that summary statistics produced fairly represent that population, and this may involve applying additional statistical techniques such as imputation or weighting. However, even when sample sizes are large, there may be relatively few respondents who fit the particular criteria for a subgroup analysis. This issue becomes compounded when attempting to assess the interaction between demographic variables (where there may be relatively few respondents from a particular group of interest) and other variables, such as attitudes towards pension saving. When these cuts of the data become too small, the estimates produced become unreliable. As adjustments tend to only be appropriate for the whole population, it is not appropriate to apply them to subgroups who may differ from the population in key ways.

The adequacy of the sample depends on the questions being asked of the data. In general, larger effects can be more reliably found with smaller samples (for example, the large wage gap between men and women), whereas smaller, but meaningful, differences (for example, the wage gap between women aged 30-39 and 40-49, which is much smaller) will need larger samples to be considered reliable. Non-response also needs to be considered, and this may differ by demographic variables. For example, members of groups which have had many negative experiences with Government representatives (e.g., police, social services, benefits departments) may be less comfortable engaging in official surveys.

The 2020 FLS had 16,190 respondents (not all respondents answered all questions) and provides breakdowns of their data by ethnicity. This survey includes the question 'Are you currently receiving an income, or have you taken a cash lump sum payment, from any pension scheme you have or have had?' Just over 7,500 respondents answered this question, and fewer than seventy of these were of a Black & Black British background; within this group fewer than twenty responded 'yes'. This demonstrates how small samples can become when breaking down by subgroup, so including interactions with other variables would not be recommended in this case.

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Oversampling is one method to boost responses from under-represented subgroups. For example, a survey could oversample (boost) households from areas where there is a higher prevalence of individuals from the desired groups. However, this requires re-weighting when presenting results at the population level. The PPLL survey has explicitly discussed and favoured the possibility of oversampling from under-represented groups. However, DWP has specifically noted that sample boosts from ethnic groups are not required for their purposes (instead their focus is on individuals aged 40–75). However, Understanding Society emphasises the importance of sampling from ethnic minority groups and, as such, uses boost samples from ethnic minority groups. The ELSA similarly oversamples from ethnic minority groups, so results from these groups within these surveys may be seen as more reliable than other surveys - but again caution should be urged when cutting the data by multiple variables.

Introducing appropriate sample sizes is a key barrier, but prioritising certain questions and population breakdowns initially could help manage costs and resources

As per the above discussion, introducing appropriate sample sizes is complicated and is likely to be costly. While, in an ideal world, all surveys would contain sufficient ethnic minority boost samples to allow detailed analytical breakdowns, as well as updating questions to reflect the above needs, adaptations of this type might need to be made over time in order to accommodate for the extra resource and cost associated with the changes. Therefore, if those involved in sample design wished to prioritise certain questions or boost samples to a certain level, they could focus on ensuring the highest-level needs are met. Though it would still be important to aim over time for achieving questions and sample sizes which allow detailed understanding of ethnic minority experiences, including the impact of intergenerational disadvantage and family experiences.

The initial stages could, therefore, focus on:

- Questions focusing only on the respondent's experiences, rather than extending to experiences of parents and grandparents.
- Sample sizes which allow for cuts of ethnicity by gender, age and income level but exclude differences by family immigration history.

One step which survey providers could take initially is ensure that questions include more granular ethnicity breakdowns, and assess how many more people from each of these groups need to be sampled in order to make inferences from the survey results.

In order to integrate these findings into practice, further work will need to be conducted with survey providers and Government officials

While this Briefing Note has set out some of the potential ways in which survey adaptations could support better policy making, in order for these suggestions to be developed and taken forward there will need to be support from Government and those who host, manage and design national surveys. In order to foster engagement with the relevant organisations, a case will be need to be made to them which illustrates why investing additional costs and resources is worth doing, in return for the potential benefit. In order to make this case, appetite and costs need to be considered and addressed:

Appetite

- What are the current priorities for survey managers, relevant Government officials and politicians?



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- How can these survey adaptations be framed in order to fit into the priorities of these stakeholders and wider policy agendas?

Costs

- What are the budget constraints survey managers are operating under?
- Are there options for generating more budget?
- Could cost savings be made elsewhere within surveys, such as cutting down questions in other areas, to release extra resources for the changes?

Once the above factors have been considered, the case can be brought to relevant stakeholders in the form of:

- Discussion events, including seminars and roundtables, to bring more attention to the topic and foster discussion between decision makers and those who would use the data and carry out relevant policies which stem from new evidence.
- Presentations of research findings to senior politicians and Government officials in order to achieve buy-in from the top.
- One-on-one discussions with survey managers and officials where their questions are addressed and a case is made for better outcomes which benefit Government and society.

Further research will need to be conducted before survey redesigns are undertaken

This Briefing Note has set out the case for better data gathering on people from ethnic minority groups in order to support targeted and evidence-based policy making. However, several details will need consideration and fleshing out before proposals and survey redesigns can be taken forward. Further work would need to be conducted, exploring:

- survey feasibility and question design
- how to build appropriate samples

Further to the above work, qualitative research that explores the issues identified using representative focus groups, would be helpful. For example:

- Are there other potential impacts of intergenerational disadvantage and poverty for financial behaviour which need to be addressed in surveys?
- Are there other ways in which the structure of current financial products may prevent engagement?
- How could communication by pension providers, Government and consumer support organisations be better adapted to address the circumstances of people of different ages, genders, and ethnic backgrounds?
- How do behaviours around saving for pensions differ between generations?
- How have attitudes to property and gold changed by age?

While this Briefing Note has focused on personal finance data, further research and survey development would help policy makers to better understand the structures within which people are planning and preparing for later life. For example, in order for the needs of ethnic minorities to be better taken into account, there needs to be sufficient diversity at board and trustee level. Other work which looks at the sufficiency of pension schemes could further investigate the diversity of boards and relevant governance committees. However, it is important to note that merely increasing the diversity of those in governing positions will not be sufficient to tackle the disadvantages faced by members.

Further work on employment and its relationship to pensions and ethnicity would also be helpful. Does employer size affect the generosity of employers' pension offerings and are people from particular ethnic minority groups more or less

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likely to work for small or large employers? Where do other employment inequalities sit - for example, are graduate schemes more geared towards White people in the way they profile candidates?

Conclusions

People from Pakistani, Bangladeshi, Black and some other ethnic groups have poorer outcomes in retirement than the average outcome experienced by the White majority. These outcomes differ between and within ethnic minority groups. While there is some overarching data across ethnic groups in national surveys, sample sizes are typically inadequate to allow understanding of the many different factors which affect the outcomes of particular ethnic groups. With better data and evidence about the lives of people in these groups, informed, strategic policymaking which improves their lives will be possible in a way that it is not today. Specific areas which would benefit from better data coverage and evidence include:

- the impact of intergenerational poverty and disadvantage;
- the impact of cultural, religious, and family expectations;
- attitudes to caring and how retirement should be supported;
- data on household financial decision making; and
- how these factors differ between generations, age groups, and whether people are first-, second-, or third-generation immigrants.

There are several surveys, including Understanding Society, FLS and PPLL which ask questions similar to those necessary to investigate these areas. However, some question modification would be required in order to properly investigate cause and effect in the lives of people from ethnic minority groups. Beyond this, sample sizes would need to be boosted in the majority of surveys, to enable breakdowns within ethnic groups by age, gender and income level in order to fully understand peoples' different experiences. There are several methods for increasing sample sizes and the most appropriate methods would need to be explored for each survey.

In order to take the analysis in this Briefing Note forward, further research will need to be conducted into survey feasibility and design, and a case will need to be made to survey managers and relevant Government officials, taking into account appetite for change, related costs, and ways in which this work could tie in with existing policy strategies.

Areas for further national coverage discussed in this Briefing Note and potential surveys which could cover these (some questions are duplicated under two or more surveys):

English Longitudinal Study of Ageing (ELSA):

- Assessed levels of financial capability and numeracy/awareness of how pensions work, the availability of employer contributions and tax relief.
- Are resources shared equally within the home?

Financial Lives Survey (FLS):

- Experiences with financial services, whether products have been refused, the types of support offered and experiences of discrimination. How these experiences affected attitude and behaviour (e.g., reducing trust, making people less likely to attempt to use mainstream financial products).
- Whether the respondent or respondent's parents/grandparents have been refused access or offered unfavourable terms for mortgages, bank accounts, loans or credit.
- Whether the respondent would not consider specific financial products because of religious objection.

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Planning and Preparing for Later Life (PPLL):

- The types of financial products and decisions that are considered sensible by the respondent and their family/culture.
- Experiences with financial services, whether products have been refused, the types of support offered and experiences of discrimination. How these experiences affected attitude and behaviour (e.g., reducing trust, making people less likely to attempt to use mainstream financial products).
- Assessed levels of financial capability and numeracy awareness of how pensions work, the availability of employer contributions and tax relief.

Understanding Society:

- The highest level of educational attainment of the respondent's mother, father, grandparents, allowing for education which took place outside of the UK and may use different terms/categories.
- Occupation of parents when the respondent was 14 years old.
- Whether the respondent or respondent's parents experienced poverty as a child.
- Whether the respondent would not consider specific financial products because of religious objection.
- What adaptations could be made to products in order to make these religiously compliant?
- Who within the respondent's family is expected to care for children, parents and/or other family members.
- Whether the respondent expects to care for older parents and/or expects their children to care for them, and the extent of this care - for example, full financial support and joint-living, or some financial contribution and/or some care.
- Are those providing care to children or parents expected to leave work/work part time/ stay in full-time employment? What are the employment patterns for carers?
- How does later life look to the respondent? Do they plan to leave work at a certain age or is work something they intend to do until they die or are no longer capable?
- Who among the respondent's household and in their parents' household makes the larger financial decisions (e.g., larger purchases, insurance, pensions) and who spends on household goods (childcare, food).
- Who among the respondent's and their parents' household is the main breadwinner and who is expected to be bringing in the main income when respondents are in older age.

Wealth and Assets Survey (WAS):

- What the respondent and their family believes are the best/safest assets for long-term saving. Is the respondent saving in these and is there a plan regarding how they will be used to support older age? Do these include assets which are intended to be passed down for future generations?
- General data on wealth and assets by ethnicity, age and gender.

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