

## PPI Roundtable

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

### Roundtable write up



The Pensions Policy Institute (PPI) held a Roundtable on Thursday 18<sup>th</sup> August 2022. The objective of the Roundtable was to discuss the Briefing Note with an aim to further discussion around the pensions policy impact of poor financial data on people from ethnic minority groups. The Briefing Note investigates what changes need to be made in order to produce better quality data to support policy that is better targeted at the needs of ethnic minority groups and their retirement outcomes.

This project was funded by a successful application to the **Which?** Fund, which provides funding to charities and universities to carry out research into harms experienced by UK consumers.

The Roundtable was run as an online seminar with findings presented by **Daniela Silcock** (PPI). Over twenty people attended the event, with representatives from across industry and government. **Gavin Lewis** (BlackRock) and PPI Council Member chaired the Roundtable.

### Presentation of the Briefing Note's key findings

Daniela Silcock (Head of Policy Research, PPI) presented the key findings from the research.

Current data suggests people from Pakistani, Bangladeshi, Black and some other ethnic groups have poorer retirement outcomes than the average outcome experienced by the White majority. However, both sample sizes and sample designs are typically insufficient to allow for a better understanding of the many different factors which affect the outcomes of particular ethnic groups.

- There is available data on labour market inequalities experienced by people from different ethnic groups.
- There is a connection between higher unemployment rates and lower retirement outcomes for particular ethnic groups.
- There are higher self-employment rates and higher part-time employment rates for particular ethnic groups compared to the White British population.
- There is available data on ethnicity pay gaps, which disaggregates certain ethnic groups. For example, incomes can vary among different Black groups.

However, there are areas missing from existing surveys, the inclusion of which may improve our understanding of how employment and pension decisions are made. Firstly, the impact of intergenerational poverty and disadvantage including exclusion or unequal treatment from financial services, education and poverty. Secondly, how culture and religion affect financial attitudes and behaviour. This includes exclusion from financial services through discrimination and a lack of trust in financial products, including those which are not compliant with some religions.

Ethnicity and culture also affect attitudes to caring, as a potential area of focus for surveys. There are different approaches to retirement savings among ethnic groups, including saving through gold or housing as alternatives to pensions, and some cultures have different perceptions of retirement. Ethnicity and culture also affect the way personal finances are arranged and decided upon, and how resources are shared within households.

Additionally, 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. Certain questions and sample targets can be prioritised, taking into consideration of costs and resources.

Further research will need to be conducted before survey redesigns are taken. It will be important to build a case for survey managers and budget holders to invest additional costs and resources into integrating these findings into practice.

## Panel discussion and Q&A

The following points were raised in the panel discussion. The session was held under the Chatham House Rule and the views expressed do not necessarily reflect the views of the Pensions Policy Institute or the panellist (Daniela Silcock):

**Is product innovation an issue for mainstream financial services?** Financial products are currently designed for the 'mythical average person' or the majority, but this doesn't necessarily meet the needs of most savers, especially those from ethnic minority backgrounds. There can be variations made in financial products in order for them to appeal to different ethnic communities; would it be financially viable for companies to do so? Innovation can help to overcome design flaws in products in order to better meet the needs of a diverse society. However, this can only happen effectively when organisations understand what people need and the subtle differences that exist between groups, which will require improvements in data.

**Structural racism within financial services:** There is a lack of trust in financial services among some ethnic groups due to past experiences relating to mistreatment from mainstream financial systems as a result of institutional racism. It is important to understand how different ethnic communities interact with the existing system, but also how the system interacts with different ethnic communities and how it can build greater trust going forward.

**How can schemes build a better relationship with particular ethnic groups?** What is the role of schemes in improving communication and building trust with particular ethnic groups? Do we need more diversity and inclusion on a trustee level as well as on a membership level? While some attendees suggested greater diversity and representation on

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trustee boards would improve relationships between schemes and people from ethnic minority groups, others raised concerns over this approach. One of these issues included placing too much responsibility on the shoulders of a board member from an ethnic minority group.

**Expanding surveys currently not on the agenda:** Why isn't there a bigger push for improved data on particular ethnic groups among government officials and survey managers? There is now a larger appetite for enhanced data on marginalized groups across government departments. However, up until now, budget constraints have halted progress on ethnic minority data due to it not being high on the current political agenda. While these issues now appear to be rising up the political agenda, policy and legislation changes are required to allow for more breakdowns in data-gathering.

**Growing ethnic minority population of the UK:** The ethnic minority population of the UK is growing rapidly, as a result of immigration, with the share of the white population declining. Comparisons were also drawn with the US and how the nation is diversifying at a faster rate than predicted, meaning that there is an even more pressing need for ethnic minority data in the current climate. With an increasing proportion of the UK population coming from ethnic minority backgrounds, it should become easier to gather more representative data.

A graphic titled "A Pensions Policy Briefing Note" enclosed in a dark red border. At the top, the title is in a dark red serif font. Below it is the Pensions Policy Institute (PPI) logo, consisting of the text "PENSIONS POLICY INSTITUTE" in a small, dark blue, sans-serif font above the large, stylized letters "PPI" in a dark red, serif font. The main text of the graphic reads: "This project is funded by a successful application to the **Which? Fund**, which provides funding to charities and universities to carry out research into harms experienced by UK consumers." The text "Which? Fund" is in a bold, dark blue, sans-serif font. At the bottom center is the "Which?" logo, which consists of the word "Which?" in a white, bold, sans-serif font inside a red square. There are four small colored squares in the corners of the graphic: a dark red square in the top-left, a light blue square in the top-right, a light blue square in the bottom-left, and a dark blue square in the bottom-right.