



# Pension receipt in the UK: are older individuals from ethnic minorities disadvantaged?

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Pension receipt in later life is determined by the way in which individuals' pension contributions and circumstances over the life course interact with eligibility rules for each type of pension. Within the British context, such pensions may relate to the state pension, an occupational or private pension and the Pension Credit. Using data from Understanding Society dataset, this briefing summarises research showing the determinants of receiving pensions from different sources in later life by women aged 60 and over, and men aged 65 and over. This study also presents the impact of ethnicity on one's chances of receiving pension income from different sources, adding to our understanding of financial vulnerability in later life.

## Key Points

- Most ethnic minority groups are significantly less likely to be receiving a state pension or an occupational or private pension than the White British majority in later life. There are less significant differences between the White British majority and ethnic minorities in terms of receiving the Pension Credit. Only Indian and Bangladeshi individuals are significantly more likely to be receiving the Pension Credit than the White British majority.
- Older elderly persons (age above 75 years) are more likely to receive the state pension but less likely to receive an occupational or private pension than younger elderly persons (aged below 75 years); while being a woman and married are associated with a lower likelihood to receive a state pension or an occupational or private pension.
- Higher socio-economic status (eg. a Degree or owning one's house outright) are associated with a higher likelihood to receive a state pension or an occupational or private pension, but a lower likelihood to receive the Pension Credit.
- Elderly individuals who have ever worked and those who were born in the UK are more likely to receive a state pension, an occupational/ private pension or the Pension Credit than those who have never worked and those who were born outside the UK.

## Introduction

Existing research has described individuals from Black and Minority Ethnic (BME) origin as one of the groups comprising 'the under-pensioned' in society, along with disabled people. Although

there is considerable diversity within the BME population and between different ethnic groups, nevertheless evidence shows that individuals from BME groups are less likely to work during their working age and in later life, they tend to have lower earnings when in work, are less likely

to qualify for state pensions and are less likely to be saving for a private pension. Understanding the differentials in pension protection between older individuals of ethnic origin is important as the British population is becoming increasingly

### Pension protection among minority ethnic groups in Britain

Empirical evidence comparing pension protection among older individuals from different ethnic groups shows significant differentials not only between the White majority and the ethnic population as a whole, but also between different ethnic groups and the two genders. According to the latest Pensioner Income Series (2011/12), the mean gross income of pensioner units in 2011/12 was £473/week for the White British, £417/week for the Asian/ Asian British/ Chinese and £366/week for the Black/African/Caribbean/Black British. Examining the composition of this income reveals further gaps with 97% of the White British receiving a state pension compared to 90% of the mixed Asian and mixed Black groups, and conversely 29% of White British receiving income-related benefits compared to 45% of the mixed Asian group and 53% of the mixed Black group. In addition, less than one-third of the mixed Asian group (31%) and about 46% of the mixed Black group received income from an occupational pension compared to 61% of the White British group.

Such differentials may be the result of a complex set of reasons including the timing of arrival and commencing contributions in the UK, employment patterns, relatively low-paid earnings across the life course when in work, as well as cultural reasons. Low income over the life course can be directly affected by low participation rates in the labour market for particular ethnic groups, and academic research has consistently shown a disadvantage for Pakistani and Bangladeshi groups in this respect.

### The study

This study uses three types of pension income (the state pension, occupational/private pensions and the Pension Credit) to examine the relative importance of different sources of pension income for older people from BME groups. The study involves the secondary analysis of the first wave of a large and nationally representative dataset, the

diverse. This study explores the association between older individuals' ethnicity and their receipt of income from a state pension, an occupational/private pension and the Pension Credit.

UK Household Longitudinal Survey (Understanding Society). It includes an Ethnic Minority Boost Sample, designed to provide at least 1,000 individuals from five ethnic groups: Indian, Pakistani, Bangladeshi, Caribbean and African. The analytical sample for this paper includes all adults aged from the State Pension Age (SPA) and over (60 for women, 65 for men), totalling 10,382 respondents, of whom 601 came from the five ethnic groups above. This relatively large sample size allows the study of a sub-group of the population (ethnic groups) which has been difficult in the past due to low cell counts.

### Ethnic differences in pension protection from descriptive analysis

Figures 1-3 show the percentage of men aged 65 and over, and women aged 60 and over from different ethnic groups being in receipt of a state pension, an occupational or private pension and the Pension Credit.

White British older men are the most likely group to be in receipt of the state pension (93.5%), compared to 66.7% of African men. Among older women, the ethnic differences appear to be more prominent, with 91.1% of White British group receiving the state pension, compared to 61.5% of the African group (Figure 1).

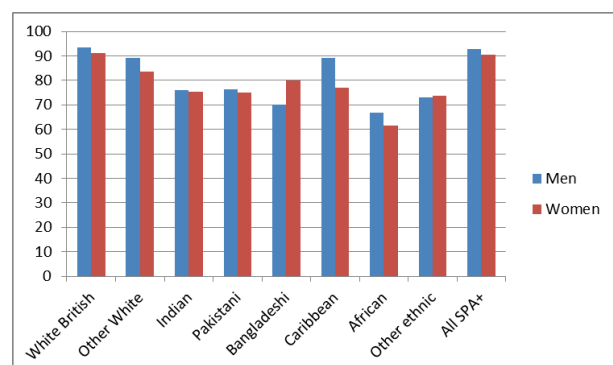


Figure 1: Percentage of older individuals receiving the state pension, by ethnic group and gender

Among older men, the White British are the most likely to be in receipt of an occupational/private pension (84%), compared to 19% of Pakistani men,

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25% of African men and 33% of Bangladeshi men. Older women are overall less likely to be receiving an occupational/ private pension, however important ethnic differences can be noted. Older women from the Caribbean are the most likely (and more likely than White British women) to be receiving such pensions (54.5%), while there are no Pakistani women in the sample in receipt of such pensions (Figure 2).

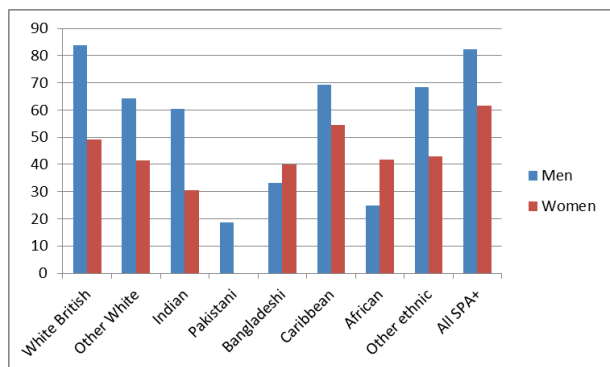


Figure 2: Percentage of older individuals receiving an occupational/private pension, by ethnic group and gender

Both men and women of Bangladeshi origin are the most likely to be in receipt of the Pension Credit (20%); while Caribbean men and Pakistani women are the least likely to be receiving the Pension Credit (6.9% and 5.9% respectively) (Figure 3).

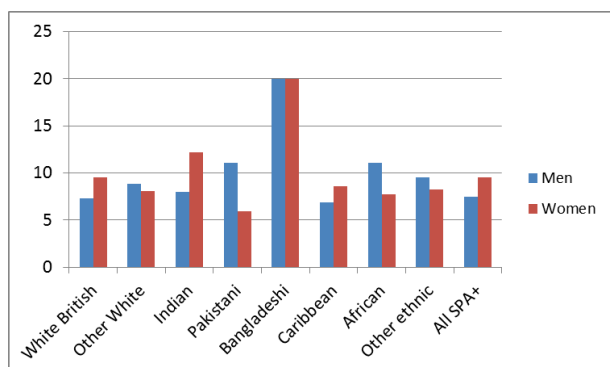


Figure 3: Percentage of older individuals receiving the Pension Credit, by ethnic group and gender

### Results from the multivariate analysis

#### 1. Determinants of being in receipt of the state pension

All non-White British are significant less likely to be receiving a state pension than the White British majority. Older elderly people (age above 75) are more likely to receive state pension than younger

elderly people; women are less likely than men to be in receipt of the state pension; and separated individuals are more likely than married individuals to be receiving a state pension. Older individuals' odds of being in receipt of a state pension are highest for owner-occupiers and those who have ever worked. Individuals who were born outside the UK are 39% less likely than those born in the UK to be in receipt of a state pension.

When the model was run separately for men and women, the adverse effect of ethnicity was still evident. Apart from Caribbean men, all the non-White British groups were shown to be less likely to be in receipt of a state pension than the White British majority, while such an adverse effect was only significant for the 'Other' ethnic group among older women. In terms of socio-economic variables, both men and women owner-occupiers are more likely to be receiving a state pension than groups of other types of housing tenure. The results also show the importance of employment: older men and women who had never worked are less likely to be receiving a state pension.

#### 2. Determinants of being in receipt of an occupational/private pension

Non-White British groups are less likely to receive an occupational or private pension. Pakistani and Bangladeshi individuals are the least likely to receive an occupational or private pension compared to the White British majority. The characteristics of being aged over 75, female, with lower educational qualifications than a degree, renting from the social or private sector, reporting poor general health, having never worked and having been born outside UK are associated with a lower likelihood of being in receipt of an occupational or private pension. By contrast, being single never married and reporting a long-standing but not limiting illness increase one's odds of receiving an occupational or private pension.

When the analysis was ran separately for men and women, the results were broadly similar, although certain discrepancies are reflected. Being single never married, separated or widowed is associated with higher odds of being in receipt occupational or private pension for women, but with lower odds for men. For men, all ethnic groups are less likely to be

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receiving an occupational or private pension than the White British, and Pakistani and Bangladeshi men are the least likely to receive such a pension. Similarly, Pakistani women are the least likely to receive an occupational or private pension.

### 3. *Determinants of being in receipt of the Pension Credit*

There are less significant differences between the White British majority and ethnic minorities in terms of receiving the Pension Credit. Only Indian and Bangladeshi individuals are significantly more likely to be receiving the Pension Credit than the White British majority. Single never married, separated or widowed older people are more likely to be receiving the Pension Credit than those who are married. Those with a degree as their highest educational qualification, owning one's home outright and those who have ever worked show the lowest chances of being in receipt of the Pension Credit.

The results of the separate models for men and women are broadly similar as the model for both men and women on one's chances of receiving the Pension Credit. Those who are married, have a

degree as their highest educational qualification, own their home outright, report good health and have ever worked are less likely to be receiving the Pension Credit than other groups. However, ethnicity appears to have a significant effect on older men's chances of being in receipt of the Pension Credit. All the non-White British men's groups are more likely to be receiving the Pension Credit than the White British majority. By contrast, there are no significant differences among the ethnic groups in the women's model.

### **Policy implications**

This paper adds to our understanding of the relative importance of different sources of pension income in later life for men and women from BME groups. The higher likelihood among White British elders to be receiving a state, occupational or private pension than their BME counterparts may reflect the impact of longer and higher-paid working lives, while their lower likelihood of receiving the Pension Credit than their BME counterparts may reflect lower eligibility or need for such a benefit. Such differentials are a cause for concern as the proportion of older individuals within the BME population continues to increase in the future.

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