

Briefing Paper

Ethnicity and financial disadvantage in later life

May 2021

Introduction

This briefing provides a summary of statistics and research on different financial circumstances and shows the disadvantages that some minority ethnic groups face. The figures are a reminder of the diversity within the older population. There will also be differences within and between ethnic groups, but it is difficult to explore these from the available data. See the section at the end of this paper for more information about the data sources used here. In this paper we describe the groups in the way that the relevant statistics or research does although we know there is debate about the best terminology to use.

Key points

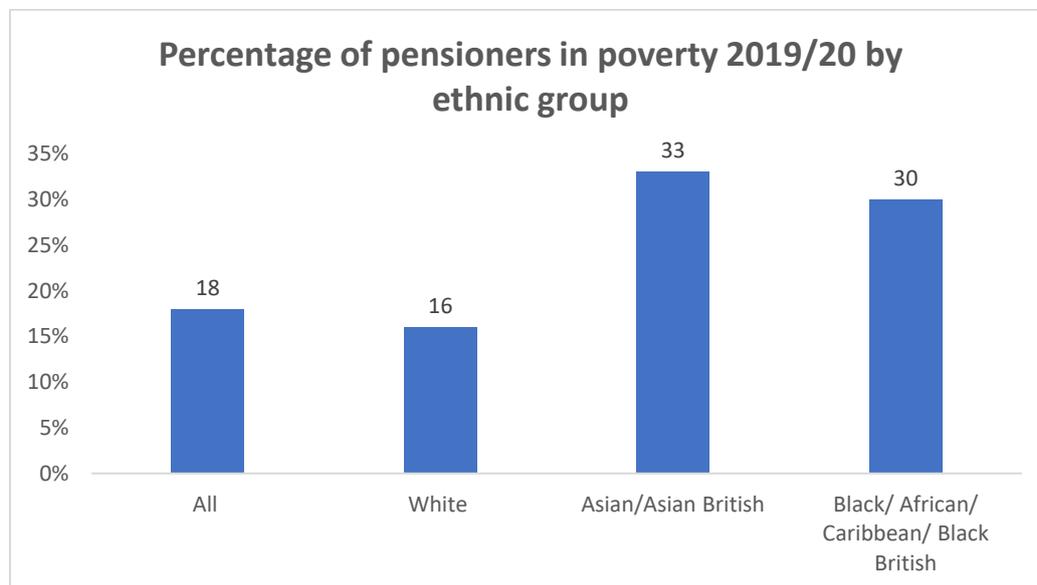
- Older people from Black and Asian ethnic groups are around twice as likely to be living in poverty as White pensioners.
- Older minority ethnic groups have lower average incomes, are more likely to receive means-tested benefits, and less likely to receive private pensions.
- Ethnic groups who are most at risk of low retirement income tend to have lower employment rates, higher levels of part-time working, and lower levels of pay on average.

- Messages and support targeted specifically at minority ethnic groups from trusted contacts and groups could help encourage older people to claim entitlements.
- Going forward, to reduce income gaps in retirement, there needs to be improved employment opportunities for people from minority ethnic groups and better access to private pensions.
- Age UK continues to support automatic enrolment, but this should be strengthened, for example, by reducing the minimum earnings threshold and extending the system so contributions are based on full salary, rather than just band earnings.

Poverty

Based on the most commonly used definition of poverty, the latest figures show that 18% of all pensioners in the UK are living in relative poverty.ⁱ However, the prevalence of poverty is much higher among those in the Asian ethnic groups (Indian, Pakistani, Bangladeshi, Chinese, Other Asian background) and Black ethnic groups (Black/African/Caribbean/Black British).ⁱⁱ

Chart 1

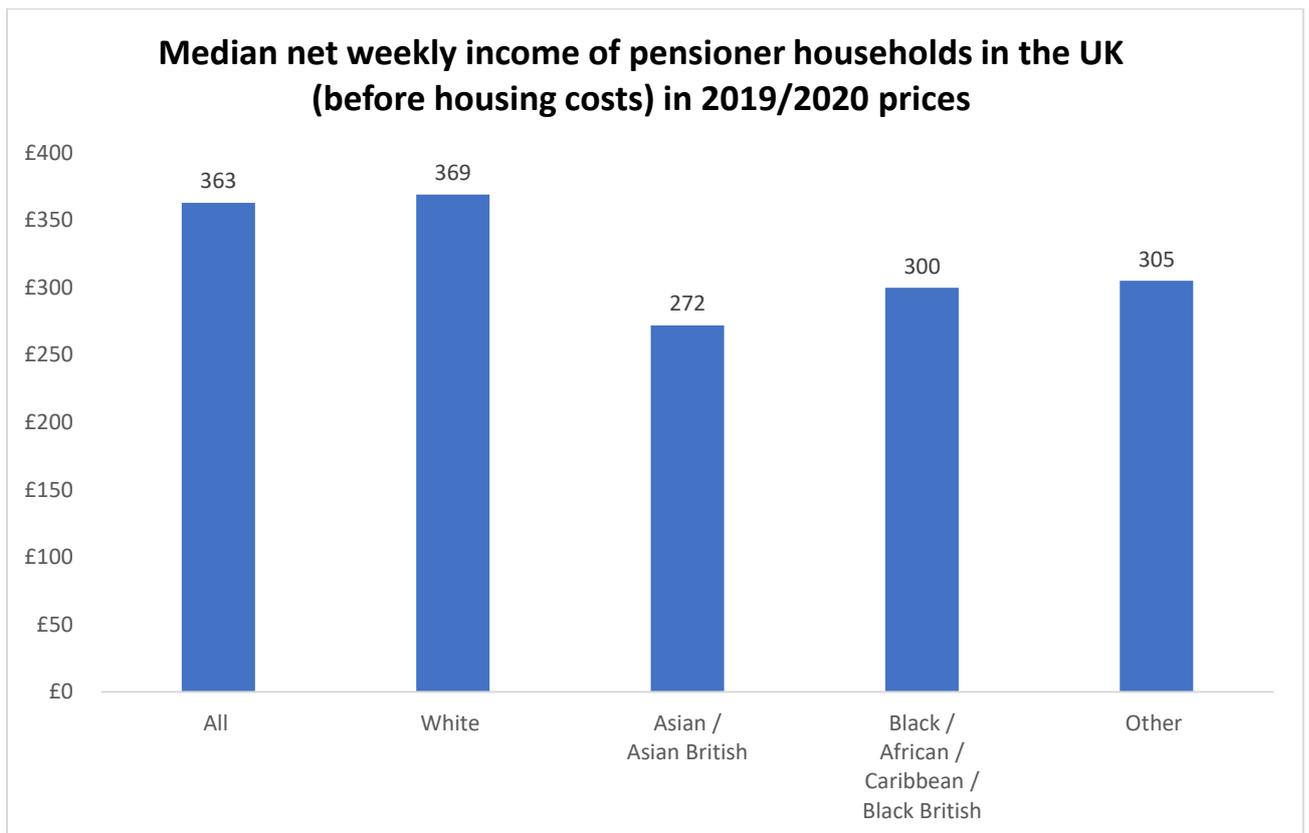


Source: Households Below Average Income for financial years ending 1995 to 2020, DWP 2021, table 6.5db. Based on 3 year average 2016-2017 to 2019-20.

Income levels and sources of income

Given the levels of relative poverty among the Asian and Black ethnic groups it is unsurprising that, when compared to White ethnic pensioners, they (and a third group described as 'other'ⁱⁱⁱ) have lower median income, lower levels of private pensions and are more likely to be claiming means-tested benefits.

Chart 2



Source: Pensioners Income Series 2019-20, table 5.5, DWP 2021.^{iv}

The table below shows the proportion of pensioners from different ethnic groups who receive income from State Pensions, income-related benefits, occupational pensions and earnings, and the average amounts received. Only selected income types are included here but more are available in the DWP statistics.

Some points to note:

- Asian groups are less likely to receive a State Pension than other groups. 86% of people from Asian groups receive income from this source compared to 98% in the White group and 93% in the Black groups.
- Income-related benefits are an important source of income for ethnic minority groups – for example, 40% of people in Black ethnic groups receive benefits compared to 23% from White ethnic pensioners.
- Twice as many households in the White ethnic group receive an occupational pension than those in Asian groups (60% compared to 29%).
- A higher proportion (21%) of people from Black ethnic groups have earnings from work, compared to other groups (13-18%).

Percentage of pensioner households who have income from selected sources and weekly average amount received in 2019-20 prices by ethnic group

	All	White	Asian / Asian British	Black / African / Caribbean / Black British	Other
State Pension	97% (£194)	98% (£197)	86% (£145)	93% (£150)	93% (£165)
Income-related benefits	23% (£22)	23% (£21)	37% (£43)	40% (£47)	39% (£44)
Occupational pensions	60% (£164)	61% (£169)	29% (£69)	44% (£72)	42% (£129)
Earnings	16% (£83)	16% (£82)	13% (£76)	21% (£91)	18% (£100)

Source: Pensioners Income Series 2019-20, table 5.5 DWP 2021.

Note: The average amounts received are for all pensioners in the ethnic group, not just for those who are receiving income from this source.

Gender differences

The figures above do not provide a breakdown by gender, however, this was included in work by The People's Pension on 'the ethnicity pensions gap'. They found that the percentage difference in pension income for pensioners who belong to a minority ethnic group compared to pensioners of a White ethnicity – was 24.4% in 2017-18, or £3,350. This gap was even bigger when gender was considered. The average gap in pension income between a female pensioner from a minority ethnic group and a male pensioner from a White ethnic group was 51.4%.^v

Why are people from minority ethnic groups at greater risk of lower income and poverty?

People's financial position in retirement is generally linked to their circumstances over the course of their lifetime. Private pension provision, in particular, is closely related to employment history – this includes the time someone has spent in paid work, their earnings levels, and also the quality of their job which is often reflective of their employer's pension scheme.

While it is important not to see everyone from non-White ethnic groups as the same, the Pensions Policy Institute (PPI) has shown that people from Black, Asian and Ethnic Minority groups are one of the sections of the population who are 'underpensioned' and at greater risk of low retirement incomes.^{vi}

They found that the minority ethnic groups who are most at risk have lower employment rates, higher levels of part-time working (particularly among women from some minority groups), and lower levels of pay on average. These factors will influence retirement income.

Other factors can also have an impact, for example, if people have moved to the UK during their working life, they will have fewer years in which to build up private pensions and to accrue a full State Pension.

What can be done?

Once people have reached retirement, they often have little opportunity to increase their pension income or savings, however, they may be able to improve their financial situation by claiming social security entitlements. Worryingly, many miss out on these rights – the latest estimates show around £2.2 billion of Pension Credit and Housing Benefit alone are unclaimed by pensioners every year in Great Britain.^{vii}

These figures are not broken down by ethnicity, but it is likely that older people from minority groups are at least as likely, or more likely, to be missing out on vital support than the older population as a whole. It is important that take-up is increased, and minority groups may benefit from messages and support targeted specifically at them or through trusted contacts and groups.

However, as income inequality in later life is linked to circumstances across the life course, there needs to be improved employment opportunities for people of working age and better access to private pensions in order to reduce income gaps in retirement. The Government should work with employers to address age discrimination both generally and also discrimination in relation to these ethnic groups. This should include enacting Section 14 of the Equality Act to allow for dual discrimination claims.

It is important also to facilitate saving into a pension. The automatic enrolment threshold should be cut to match the National Insurance Lower Earnings Limit, currently £6,240 per year. Furthermore, eligible workers and their employers should make contributions based on their full salary, rather than just their band earnings. As well as implementing the reforms set out in its Auto Enrolment Review the Government should speedily resolve the 'net pay' scandal – this was promised in the 2019 Conservative party manifesto but at present is unresolved. This affects non-taxpayers, who are failing to receive their Government contribution and instead paying it themselves. While this predominantly affects women, it is again likely to disproportionately affect workers from ethnic minority backgrounds.

About the data used in this briefing

This briefing mainly uses data from two sources as published by DWP on 25th March 2021: Households Below Average Income: an analysis of the income distribution FYE 1995 to FYE 2020 and Pensioners' Income Series: financial year 2019 to 2020. These two data series present information on the UK living standards based on household income measures and the amount and source of pensioner income.

Due to small sample sizes for some ethnic groups, data by ethnicity is presented as an average over the three financial years 2017-18 to 2019-20. For the same reason ethnic groups are clumped into four: White (English, Welsh, Scottish, Northern Irish or British, Irish, Any other White Background); Black (Black African, Black Caribbean, Any other Black, African or Caribbean background); Asian (Indian, Pakistani, Bangladeshi, Chinese, Any other Asian background); Other (Gypsy or Irish Traveller, Arab, Mixed or Multiple ethnic group, Any other ethnic group). Ethnicity is categorised based on the ethnicity of the head of the pensioner unit. It may therefore be that other members of the pensioner unit are not the same ethnicity.

In the UK, based on the surveys above, around 94% of pensioner households in the UK are categorised as White. Unfortunately, due to sample sizes it is not possible from the data to look at differences within the broad minority groups nor do the published surveys provide breakdowns by other characteristics within groups such as gender, or the position of the oldest pensioners.

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ⁱ <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020> People are defined here as being in poverty if they live in a household with an income below 60 per cent of current median (or typical) UK household income, taking into account the number of people living in the household.

ⁱⁱ Due to the small number of older people in non-white groups these are three year averages.

ⁱⁱⁱ Other includes Mixed/Multiple ethnic groups and other ethnic groups.

^{iv} Pensioner households are single people or couples. Ethnicity is recorded based on the ethnicity of the head of the pensioner unit. As with the poverty figures these are based in three years data and given at 2019-20 prices.

^v <https://thepeoplespension.co.uk/wp-content/uploads/Measuring-the-ethnicity-pensions-gap.pdf>

^{vi} <https://www.pensionspolicyinstitute.org.uk/research/research-reports/2020/2020-12-08-the-underpensioned-index/>

^{vii} <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019>