

# A South Asian disadvantage? Differences in occupational pension membership in the UK

**Athina Vlachantoni, Zhixin Feng, Maria Evandrou and Jane Falkingham**  
Centre for Research on Ageing and ESRC Centre for Population Change,  
University of Southampton

The UK state pension system offers a state pension that is relatively low, and as a result, occupational pensions have been a key aspect of pension protection for employees to ‘top up’ their income in later life. Previous research reported that individuals from South Asian groups (Indian, Pakistani and Bangladeshi) are less likely to contribute to occupational pensions than White British individuals due to the interaction of their labour market participation and pension membership patterns, meaning they are less likely to receive income from pensions and more likely to face poverty in later life. This study uses individual data from the first wave of Understanding Society and investigates patterns of employment and the determinants of membership in an employer’s pension scheme among working-age individuals from minority ethnic groups and the White British population. The analysis focuses specifically on patterns of occupational pension membership for individuals from the three South Asian groups compared to White British individuals and those from other ethnic groups. This paper is based on Vlachantoni, A. et al (2015) ‘Ethnicity and occupational pension membership in the UK’, *Social Policy and Administration*. Article first published online: 14 APR 2015, DOI: 10.1111/spol.12137

## Key Points

- Among all persons aged 25-state pension age, being a woman, married, in one’s 40s or 50s, with a Degree or higher qualification and owning one’s home, are associated with a higher likelihood of being a member of an employer’s pension scheme.
- Overall, coming from an ethnic minority reduces one’s chances of working for an employer who offers a pension scheme.
- Once an individual is working for an employer who offers a pension scheme differences between ethnic groups in being a member of that pension scheme reduce.
- Persons from South Asian groups are less likely to be in paid employment than White British persons; among those who are in paid work, Indian people are more likely, and Pakistani people are less likely, to be employees.
- All South Asian groups are less likely to work for an employer offering a pension scheme, and Pakistani and Bangladeshi persons are significantly less likely to be a member of an employer’s pension scheme than White British persons.

## Introduction

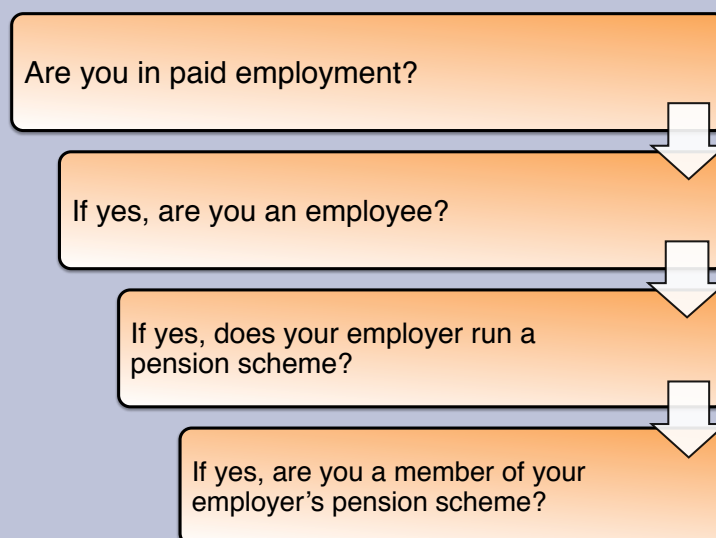
Previous literature has reported that there are differences between ethnic groups in the UK in terms of labour market participation, and some ethnic groups also experience a disadvantage in terms of pension protection (Allmark et al. 2010; Barnes and Taylor 2006). However, due to the lack of adequate data on ethnic minorities, the direct comparison of different ethnic groups, as well as their comparison to the White British group in terms of their employment patterns and pension protection has not been possible. This study provides clear evidence that ethnicity, and specifically being of South Asian origin, remains a strong determinant of one's pension protection prospects through being in paid work, being an employee and working for an employer who offers a pension scheme after controlling for key demographic, health and socio-economic characteristics. This analysis contributes to improving our understanding of the circumstances of future cohorts of individuals from minority ethnic groups (i.e. South Asian groups) and is important in informing policymakers in terms of improving opportunities for pension protection and encouraging persons from ethnic groups to participate in occupational pension schemes.

## The disadvantage of pension protection for ethnic minority groups

### 1. *Low labour market participation*

People from most ethnic minority groups are less likely than White British persons to be in paid work, and there are significant gender differences in particular groups. For example, around one-third of Black Caribbean, Bangladeshi and Pakistani men aged between 25-state pension age were unemployed compared to 15% of White British men. More than 80% of Bangladeshi and Pakistani women in the same age group were unemployed compared to 30% of White British women. Among those in paid work, individuals from certain ethnic minority groups are more likely to be self-employed or work part-time, and to have a lower income than their White British counterparts. There are also differences in labour market participation among South Asian groups. For instance, about 28 per cent of Indian persons of working age were in a managerial or professional group compared to 14% of Pakistani and 11% of Bangladeshi persons (Allmark et al. 2010).

Figure 1: Sequence determining whether an individual can be a member of an employer's pension scheme



Source: Authors' own

2. *Ethnic minorities are less likely to participate in an occupational pension scheme than the White British majority*

Low labour market participation is a barrier for ethnic groups to be able to participate in occupational pension schemes. In addition, the differentials between ethnic minority groups and the White British majority in terms of the level and nature of participation in the labour market can result in differentials in terms of occupational pension membership. Pakistani and Bangladeshi individuals have been reported to be less likely than White British individuals to contribute to, or to be aware of, an employer's pension scheme (PPI 2003). Meanwhile, people from the Indian, Pakistani, Bangladeshi, Black Caribbean, Black African and Chinese groups have been shown to have limited knowledge of pensions.

### **The study**

The aims of this research are to improve our understanding of variation in pension protection among ethnic minority groups, particularly among South Asian individuals, and to explore the relationship between ethnicity and working-age individuals' chances of being members of an occupational pension scheme. Whether to join a pension scheme is determined by one's choice; however, the opportunities to participate in a scheme are also determined by an individual's labour market participation and performance. In order to understand this association, the analysis focuses on three preceding stages to being a member of an employer's pension scheme (as shown in Figure 1), which are: being in paid work (or not); being an employee (or self-employed); and working as an employee for an employer who offers a pension scheme (or not). This study uses the first wave of Understanding Society, which is a large and nationally representative dataset in the UK. 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 study includes all adults of working age (25 to the State Pension Age (60 for women, 65 for men), totalling 30,427 respondents, of whom 4,996 came from the five ethnic groups above.

### **Ethnic differences in employment patterns from the descriptive analysis**

Figures 2 to 5 show the ethnic differences in employment patterns. Individuals from ethnic minorities accumulate a disadvantage in terms of their employment patterns and pension protection

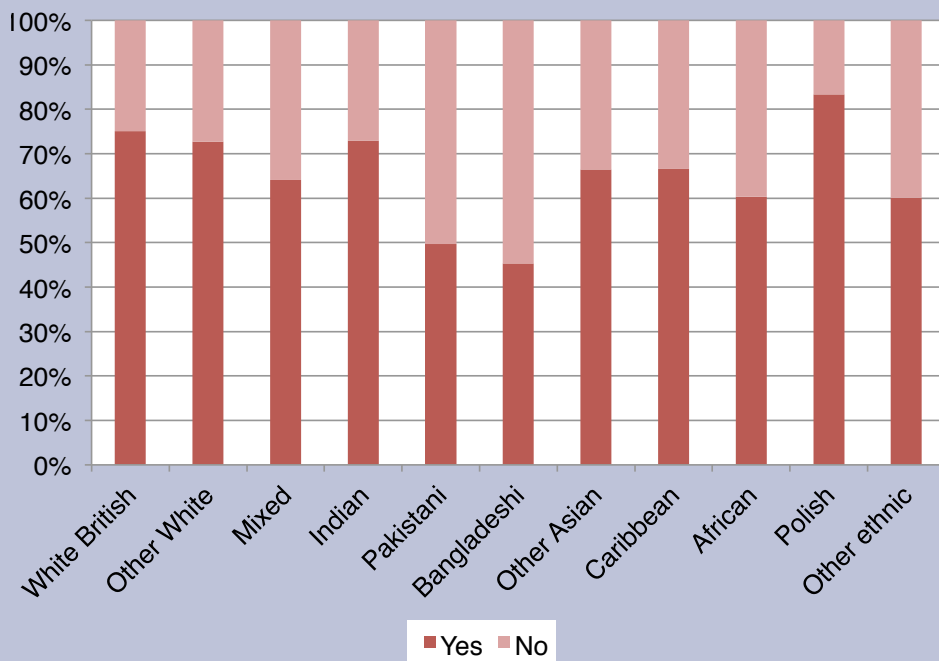
at every step. For example, Pakistani and Bangladeshi individuals are more likely to be out of paid work than other ethnic minority groups or the White majority population; while Polish individuals are more likely to be in paid employment than the White British majority (Figure 2).

Once in paid work, Pakistani and Bangladeshi individuals are more likely to be self-employed than to be employees, which has direct implications for their job security, earnings and pension prospects (Figure 3).

Among all employees, individuals from South Asian groups (Indian, Pakistani, Bangladeshi) are more likely to be working for an employer who does *not* offer an occupational pension scheme (Figure 4).

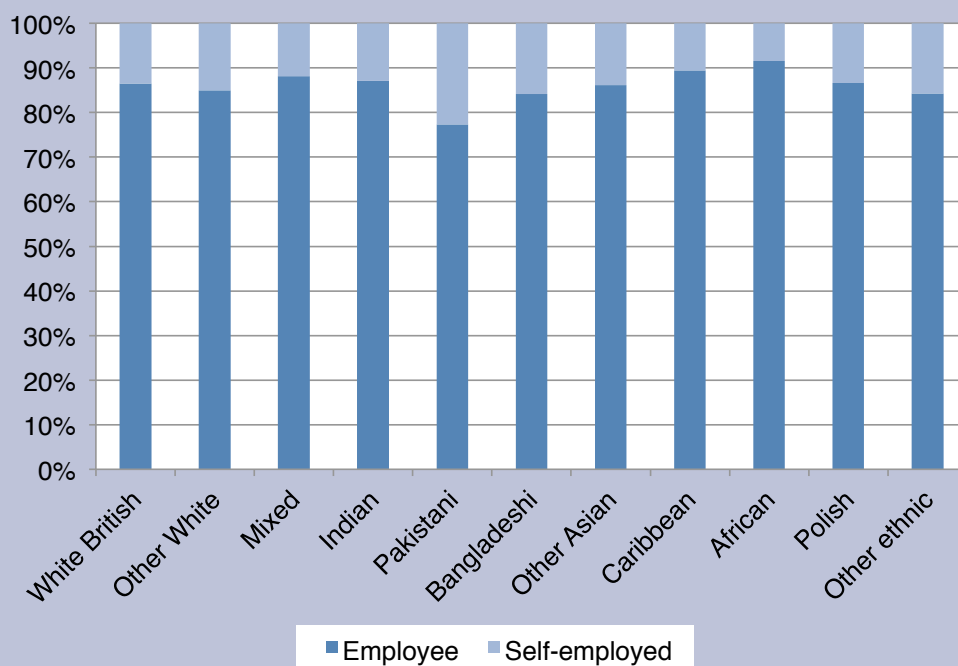
Finally, even when their employer offers such a scheme, Pakistani and Bangladeshi (as well as African) individuals are less likely than all other groups to be members of such a scheme (Figure 5).

Figure 2: Were you in paid work?



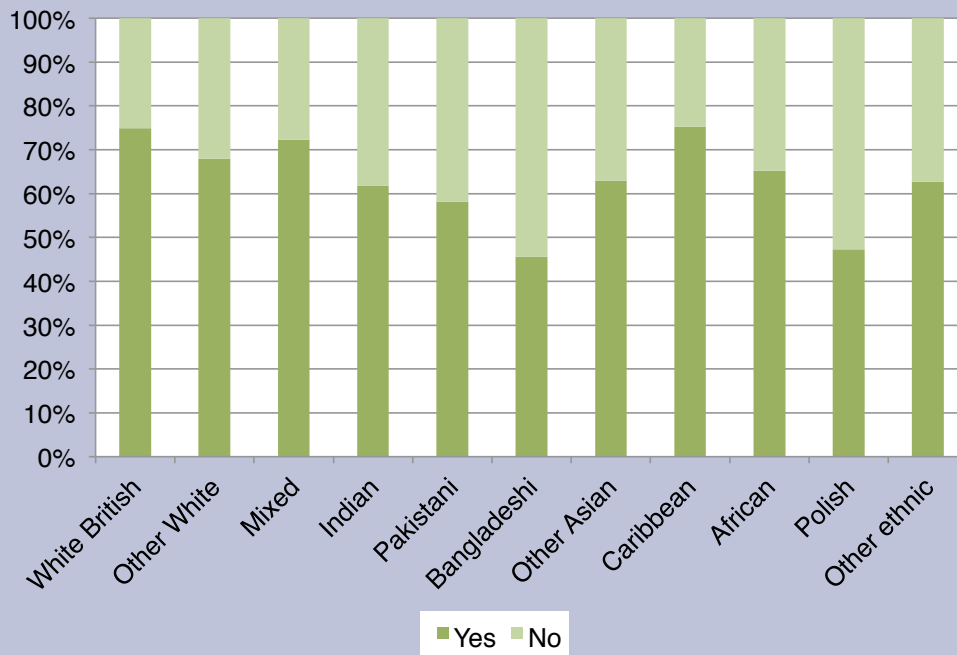
Source: Authors' own analysis of Understanding Society (2009-11)

Figure 3: Are you an employee or self-employed?



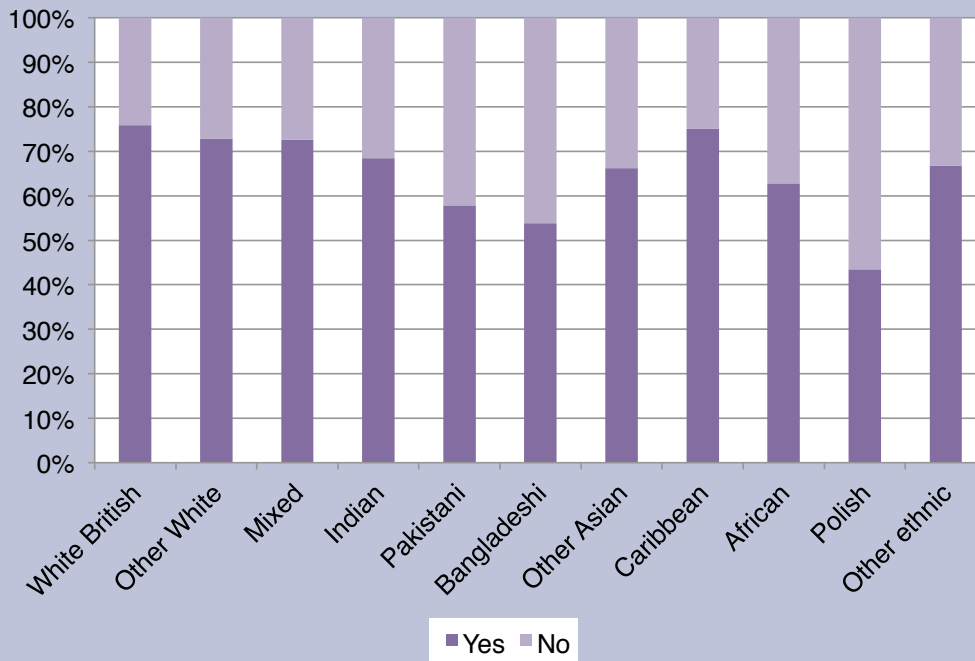
Source: Authors' own analysis of Understanding Society (2009-11)

Figure 4: Does your employer have a pension scheme?



Source: Authors' own analysis of Understanding Society (2009-11)

Figure 5: Are you a member of this scheme?



Source: Authors' own analysis of Understanding Society (2009-11)

## Results from the multivariate analysis

Table 1 to 4 show results of logistic regression analysis to further examine these ethnic differences.

### 1. Determinants of being in paid work among South Asian groups

Holding equal age, gender, marital status, education, housing tenure, care provision towards any 'handicapped'/other persons in the household, and whether there are children in the household, people from South Asian groups are less likely to be in paid employment than White British people. Better health is positively associated with being in paid work among all groups.

### 2. Determinants of being an employee among South Asian groups

After controlling for one's age, gender, marital status, education, housing tenure and migrant history, both ethnicity and young age are positively associated with being an employee. Indian individuals are more likely to be employees; while, Pakistani individuals are less likely to be employees. People aged 25-29 are also more likely to be employees.

### 3. Determinants of working for an employer who offers a pension scheme among South Asian groups

Holding equal age, gender, marital status, education, housing tenure, occupational social class, migrant history, take-home payment and occupational sector, individuals from all South Asian groups are less likely to work for an employer with a pension scheme.

### 4. Determinants of being a member of one's employer's pension scheme among South Asian groups

Older age is strongly associated with one's odds of belonging to the employer's pension scheme. Pakistani and Bangladeshi individuals show a significantly lower risk of being a member of their employer's pension scheme than White British individuals.

Table 1: Odds of being in paid work

	Both Genders	Men	Women
	Odds Ratios	Odds Ratios	Odds Ratios
<b>Ethnicity</b>			
White British (ref)	1	1	1
Polish	1.59*	2.04*	1.4
Other White	0.70***	0.68*	0.72***
Mixed	0.61***	0.49***	0.68**
Indian	0.60***	0.81	0.50***
Pakistani	0.30***	0.65***	0.15***
Bangladeshi	0.36***	0.50***	0.22***
Other Asian	0.42***	0.52***	0.38***
Caribbean	0.83*	0.53***	1.07
African	0.59***	0.48***	0.68***
Other ethnic	0.46***	0.46***	0.47***
<b>Self-rated general health</b>			
Excellent/good/very good (ref)	1	1	1
Fair	0.62***	0.60***	0.64***
Poor	0.19***	0.17***	0.20***
<b>Limiting longstanding illness</b>			
No longstanding illness (ref)	1	1	1
Longstanding illness but not limiting	0.84**	0.74***	0.94
Longstanding illness and limiting	0.50***	0.43***	0.54***
No longstanding illness but reports limitations	0.92+	0.97	0.93

Note: Model controlled for age, gender, marital status, education, housing tenure, care provision towards 'handicapped'/other persons in the household, and whether there are children in the household.

Source: Authors' own analysis of Understanding Society (2009-11)

Table 2: Odds ratios of being an employee

	Both Genders	Men	Women
	Odds Ratios	Odds Ratios	Odds Ratios
<b>Age</b>			
25-29 (ref)	1	1	1
30-34	0.79*	0.66***	1.07
35-39	0.59***	0.55***	0.65**
40-44	0.57***	0.52***	0.65**
45-49	0.52***	0.47***	0.57***
50-54	0.50***	0.43***	0.61**
55-59	0.43***	0.39***	0.49***
60-64	0.36***	0.32***	-
<b>Ethnicity</b>			
White British (ref)	1	1	1
Polish	0.93	1.07	0.8
Other White	0.94	1.07	0.77
Mixed	1.08	0.98	1.2
Indian	1.34*	1.24	1.46
Pakistani	0.70**	0.66*	0.96
Bangladeshi	1	0.96	1.69
Other Asian	1.15	1.19	1
Caribbean	1.38	1.34	1.37
African	1.71**	1.53*	1.91*
Other ethnic	0.93	1.31	0.54*

Note: Model controlled for gender, marital status, education, housing tenure and migrant history.

Source: Authors' own analysis of Understanding Society (2009-11)

**Table 3: Odds ratios of working for an employer who offers a pension scheme**

	Both Genders	Men	Women
	Odds Ratios	Odds Ratios	Odds Ratios
<b>Ethnicity</b>			
White British (ref)	1	1	1
Polish	0.89	1.45	0.51*
Other White	0.73**	0.81	0.62**
Mixed	0.77	0.75	0.75
Indian	0.57***	0.66*	0.49***
Pakistani	0.56***	0.57**	0.58*
Bangladeshi	0.38***	0.32***	0.63
Other Asian	0.69*	0.74	0.62*
Caribbean	0.79	0.7	0.81
African	0.83	0.93	0.74
Other ethnic	0.63**	0.72	0.55*
<b>Migrant history</b>			
Not a migrant (ref)	1	1	1
2 <sup>nd</sup> generation migrant	1.45**	1.34	1.54**
1 <sup>st</sup> generation migrant	0.85	0.69**	1.06

Note: Model controlled for age, gender, marital status, education, housing tenure, occupational social class, migrant history, take-home payment and occupational sector.

Source: Authors' own analysis of Understanding Society (2009-11)

**Table 4: Odds ratios of being a member of an employer's pension scheme**

	Both Genders	Men	Women
	Odds Ratios	Odds Ratios	Odds Ratios
<b>Age</b>			
25-29 (ref)	1	1	1
30-34	1.29**	1.16	1.38**
35-39	1.61***	1.59***	1.60***
40-44	2.07***	2.22***	1.94***
45-49	2.35***	2.93***	2.03***
50-54	2.44***	2.80***	2.19***
55-59	2.12***	2.34***	1.93***
60-64	1.79***	1.77***	-
<b>Ethnicity</b>			
White British (ref)	1	1	1
Polish	0.8	0.94	0.64
Other White	0.96	0.91	0.96
Mixed	0.91	0.79	0.95
Indian	0.89	0.95	0.85
Pakistani	0.61**	0.72	0.55*
Bangladeshi	0.59*	0.99	0.35**
Other Asian	0.86	0.99	0.76
Caribbean	1.27	1.25	1.22
African	0.85	0.87	0.86
Other ethnic	0.78	0.85	0.74

Note: Model controlled for age, gender, marital status, education, housing tenure, occupational social class, migrant history, take-home payment and occupational sector.

Source: Authors' own analysis of Understanding Society (2009-11)

## Policy implications

The results in this paper suggest that being in paid work is a crucial step towards better pension prospects for individuals from South Asian groups, but that this is not enough. Working as an employee (rather than as self-employed), and working for an employer who offers a pension scheme, are fundamental facilitators of a working-age individual's pension prospects. Government policy, which aims to roll out the auto-enrolment scheme to smaller companies by 2018, will go some way towards ensuring that future South Asians enter their retirement with better pension protection, however facilitating the pension protection of self-employed people should also be part of the future policy agenda.

## Acknowledgements and funding:

The authors wish to acknowledge the support of the ESRC (grant number ES/K003518/1), colleagues in the AGEglobe Network funded under the ESRC Ageing and Well-being in a Globalising World (grant number ES/K005979/1) and the ESRC Centre for Population Change (grant numbers RES-625-28-0001 and ES/K007394/1) at the University of Southampton. This paper was written within the Indian-European research networking grant: Ageing and well-being in a globalising world, funded by NWO-ESRC-ICSSR. The participating institutions include Institute for Social and Economic Change, Bangalore; Center for Development Studies, Trivandrum; Population Research Centre, University of Groningen. The Netherlands and the University of Southampton, United Kingdom.

## References:

**Allmark, P., Salway, S., Crisp, R. & Barley, R.** (2010), *Ethnic minority customers of the pension, disability and carers service: An evidence synthesis*, London: Department for Work and Pensions.

**Barnes, H. & Taylor, R.** (2006), *Work, saving and retirement among ethnic minorities: A qualitative study*, London: Department for Work and Pensions.

**Pensions Policy Institute (PPI)** (2003), *The under-pensioned: ethnic minorities*, London: Pensions Policy Institute.

**Vlachantoni, A., Feng, Z., Evandrou, M. and Falkingham, J.** (2015) 'Ethnicity and occupational pension membership in the UK', *Social Policy and Administration*. Article first published online: 14 APR 2015, DOI: 10.1111/spol.12137

*Edited by Teresa McGowan and Genna West*

## ESRC Centre for Population Change

Building 58  
Faculty of Social and Human Sciences  
University of Southampton  
SO17 1BJ

Tel: +44(0)2380592579  
Email: [cpc@southampton.ac.uk](mailto:cpc@southampton.ac.uk)

**[www.cpc.ac.uk](http://www.cpc.ac.uk)**



@CPCpopulation



/CPCpopulation



Centre-for-population-change



Centre-for-population-change