

PRIAE *Policy Research Institute on Ageing & Ethnicity*

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**PRIAE POLICY RESPONSE
to the White Paper
'Security in retirement: towards
a new pensions system'**

**Submitted to the Department for
Work and Pensions**

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PRIAE Response to the White Paper '*Security in retirement: towards a new pensions system*'

Introduction

PRIAE welcomes the White Paper to reform the state pension system. It is complex and unfair as it stands – an issue that Black and minority ethnic (BME) in PRIAE's Minority Elderly Care Research (MEC) consistently stated across all ethnic groups¹. PRIAE has contributed much to the inclusion of work on BME elders since its inception in 1998 heightening awareness of acute poverty experienced by BME elders through a number of channels. For example, by consistently presenting its case and meeting Pensions' ministers but noted progress, particularly with the last pensions minister, as 'slow and disappointing'². During the evidence-gathering phase by Lord Turner, PRIAE contributed its considerable information and commented when the Pensions' Commission launched its report that BME elders and their families needed proactive information strategy as a specific segment of population that financial institutions do not consider as 'interesting'. PRIAE noted that 'financial capability' was affected by pure and simple

¹ MEC Minority Elderly Care represents the largest research in the area across UK and Europe to date and was designed and led by PRIAE in ten countries investigating 3277 elders in 25 ethnic groups.

² PRIAE's Panel speech at the TUC Conference with EOC, the then Pensions Minister, 2005

poverty and not necessarily cultural attributes. The institute also works on employment and enterprise to contribute to the economic safety of future generation of BME elders. PRIAE believes that unless policy construction and implementation pay regard to the specific nature of Black and minority ethnic (BME) elder experience of poverty and structural disadvantage of the BME people generally, the reforms will not adequately affect them positively. Indeed our concern is that the situation may well worsen for future generation of BME elders.

Poverty and 'race' are interconnected for today's BME elders, with low wages in their earlier period of work and low pensionable income today. Poverty blights lives of all people, and more so when years of labour still generate continuity of impoverished life – in old age. PRIAE believes that this is indecent living in a rich world, as ours is in Britain. While poverty across the board is unacceptable, BME elders experience worse financial positions than their peers – and some BME elder groups are worse off than their BME elder peers. Policy implementation thus requires greater attention and investment for some groups than others to ensure that the reformed state pension system produces outcomes that lifts them out of an existence of poverty, and is fair equitable in ensuring social justice for all.

PRIAE is the leading specialist organisation in ageing and ethnicity in the UK and across Europe. Established as an independent charitable institute in 1998, PRIAE seeks to improve health, social care, housing, income and pensions, employment and quality of life for current and future generations of black and minority ethnic (BME) elders at the national and European level. For this submission we use in most cases the term 'minority elders' to refer to those who have worked, lived, aged and are ageing in Europe

due to being a traditional/national minority; as a result of economic migration within the Union; as a result of colonial connection and/or refugee background.

Discussion of the needs of BME elders cannot be undertaken without reference to the voluntary organisations based in these communities. They play a crucial role in identifying the concerns of BME elders, and in raising awareness of and communicating possible solutions. PRIAE as a national umbrella body represents their issues and views and as these organisations are voluntary and exist often on temporary and short-term budgets, PRIAE has proposed that they should be adequately supported to carry out such a function.³ (Further information about PRIAE is detailed at the end of this document.)

PRIAE recently launched the **Minority Ethnic Elders' Policy Network (ME²PN)** in April 2006. This National Policy Network, funded by the UK's Big Lottery Fund, will develop an information link between BME elders, BME age organisations, mainstream age organisations and policy-makers. ME²PN aims to empower BME elders and age organisations and will work to normalise BME elders' issues in the mainstream policy-making process. Since the Network was established, Regional Advisory Groups have been created to cover the North and South of England. In preparing this submission, Regional Advisory Group Members composed of elders and managers were consulted on the proposals outlined in *Security in retirement: towards a new pensions system*.

³ A proposal was made by PRIAE to the DWP in 1998/9 for direct support to BME age organisations to inform and support BME elders' pension and benefit needs.

In submitting this response, our aim is to draw attention to the particular position of BME elders, and to suggest ways of addressing disadvantage associated with current socio-economic trends. The average weekly income of an ethnic minority male is 32.5 per cent less than his white counterpart between the ages of 60 to 64, a difference that increases to 44.7 per cent over 65. One in six low-income households where adults are in work is headed by a member of an ethnic minority. Our evidence therefore focuses solely on women and men from BME communities and the specific aspects of the White Paper which are of relevance to them. We do however recognise that these concerns are also of relevance to other disadvantaged groups where inequalities also persist. During this response, unless otherwise stated, the examples mentioned and recommendations refer to policy in the UK.

Introduction

Any response to the demographic shift in the UK must take sufficiently into account the experiences of BME elders who have largely arrived in the UK as migrants in their mid- or late-adult period. Now settled as minorities, they tend to have had shorter working lives than their UK-born counterparts which impacts on their ability to build up adequate rights to a Basic State Pension. This is further compounded by the under-claiming of benefits among BME elders.⁴

⁴ Patel, N. (1999) PRIAE, *'Black and Minority Ethnic Elderly: Perspectives on Long-Term Care'*, Royal Commission on Long Term Care Research Volume 1 HMSO.

PRIAE highlights the following position:

- The number of BME elders experiencing extreme levels of poverty stands at 29 per cent (compared to a majority, non-BME average of 19 per cent)
- Further inequalities exist when considering individual grounds amongst separate ethnic groupings and genders, particularly where women are concerned
- Addressing the real and educational needs of BME communities, especially elders, has yet to be achieved by the private sector which needs to be engaged in this for any partnership to be successful
- The status of BME elders during their working lives has generally meant limited employment opportunities in restricted sectors, resulting in lower pension credits and savings (if any)
- The current generation of BME elders is currently enduring inequalities which are worsening; if not tackled sufficiently, this issue will not go away – instead it will be perpetuated and evidenced in the next generations to come

We would highlight that BME elders are already over-represented among the poorest pensioners because of a history of unemployment and working in the lowest paid jobs in, for example, manufacturing and textile industries, and often in sporadic bursts.

As Mr Neil Flanigan, member of the South Region Advisory Group for the Minority Ethnic Elders' Policy Network (ME²PN) commented:

"There are significant factors for migrants to obtain employment and they are usually channelled into the catering services, textile industry, millinery, agriculture and other well documented manufacturing industries where the workforce are employed in-

house (restaurants etc.) where they are restrained and without any knowledge of their future well being and that of a pension.”

This can also be explained by a number of factors, including a shorter working life in the UK due to migration patterns and settlement, a lack of awareness of and disposition against claiming benefits and racial discrimination in earnings from employers.⁵ All these factors have disadvantaged BME elders as they are unable to first, adequately contribute to pensions and, second, access pensions when they are eligible or have made contributions. For these reasons, BME elders are forced to live in greater poverty than their majority (white) counterparts.

PRIAE's engagement with some financial institutions has shown that BME elders are reluctant to purchase financial products and instead rely on non-traditional saving measures or on specific accounts. There is a need to consider the selection of various forms of savings, BME elders' preferences and the reasons and motivations behind them.

PRIAE is familiar with culturally specific forms of saving, practices, household patterns of living which do impact on decisions regarding pensions and future commitment to expenditure in retirement. However, BME elders and families are also experiencing changes in family structures and decisions about forms of savings etc. PRIAE therefore believes that the proposals made need to be carried out with a good level of understanding of cultural norms and practices.

Housing assets are thought to be more evenly distributed than pension assets and financial wealth. BME elders are therefore more

⁵ Ibid.

likely to own property than to have adequate pension contributions for retirement and this conclusion has been borne out by research.⁶ Further investigation is needed on the options and possibilities surrounding home ownership amongst BME's and their use in old age, to anticipate the potential benefits of using housing assets as a resource in retirement. We would welcome the targeted provision of information to BME elders on the various possibilities of using housing assets to support retirement and their costs and implications, such as equity release.

Mr Harihar Patel, President of London Indian Elders' Group, and member of the South Region Advisory Group for ME²PN has also stated:

"I believe the Government should encourage...BME elders to opt for equity release of their homes by raising the awareness of the benefits in capital value of equity release to [enable] improvement of quality of their life and also by making the process of equity release easy by employing a government agency to deal with this matter."

We would also appreciate support from the DWP to consider further BME elders' views on paying for long term-care through current personal assets.⁷

This response now focuses on the key proposals stated in the White Paper *Security in retirement: towards a new pensions system*.

⁶ Nesbitt and Neary (2001), Ethnic Minorities and their Pension Decisions. Dept of Applied Community Studies, Manchester Metropolitan University .

⁷An issue which we have considered in the past, q.v. Patel (1999) op.cit.

Proposal 1: 'Make it easier for more people to save more for their retirement...'

The White Paper proposes that in 2012 a new scheme of personal accounts will be introduced with the following features:

- Employees will contribute 4 per cent of a band of earnings of between around £5,000 a year and £33,000 a year.
- Employers will make minimum matching contributions of 3 per cent on the same band of earnings.
- A further 1 per cent will be contributed in the form of normal tax relief.
- There will be automatic enrolment for employees in the new personal accounts scheme or their own employer's occupational scheme providing it meets a minimum standard. Employees will be able to opt out of this provision, in which case the employer would not contribute; non-employees, including the self-employed and non-workers, will be able to opt into the scheme.

PRIAE is concerned that higher savings will not be viable for some members of BME communities who experience lower income due to higher unemployment.⁸ We would welcome greater appreciation of this and more realistic solutions for those who cannot save more, and therefore may simply be forced to suffer the health consequences of later retirement – or live in continued poverty.

Swapna McNeil, Manager at the Association of Blind Asians (ABA) and member of the North Region Advisory Group for ME²PN, has noted that there are particularly poor employment opportunities for older people with a disability and, consequently, it

⁸ Pages 66 and 67 of the First Report of the Pensions Commissions Report provide useful statistics on the socio-economic position of BME groups.

is more difficult for such individuals to save or make sufficient contributions to the State Pension. Swapna McNeil also states there is a lack of advocacy services for BME elders suffering from a disability, which many elders require in order to be able to understand their rights and access services and provisions.

Individuals must be allowed to make an informed choice about saving for pensions. From our work we have concluded that, unfortunately, BME elders are unable to do so because of a 'knowledge and engagement gap' which leaves them uninformed about the most basic aspects of pension entitlement. Studies have shown that older Bangladeshis and Pakistanis for example have little understanding of whether they have contributed to an occupational pension scheme or accrued pension rights during their years of employment.⁹ There is also evidence that low wages and financial responsibilities towards families caused a number of BME elders in their younger years to place a low priority on saving for retirement.¹⁰ With guidance and information, such decisions and priorities may have been different and must be addressed as a priority going forward.

Improved financial education and awareness are key to the pension position of future BME pensioners. Although information on pensions may not be accessible to a large number of majority (i.e. non-ethnic minority) older people because of its complexity, such difficulties are exacerbated in the case of BME elders who may face additional barriers and be less able to understand literature and communicate with officials.

⁹ Nesbitt and Neary (2001), op.cit.

¹⁰ Patel, N. (1999) op.cit.

PRIAE has documented a higher prevalence of self-employment among Chinese and Pakistani communities. The above suggestions may be particularly vital for such communities as many individuals within these communities will not be enrolled automatically into the new scheme of personal accounts.

Mr Jyoti Prakash Hazra, Secretary of Bharatiya Ashram, and member of the South Region Advisory Group for ME²PN, has noted that in Scotland (where Mr Hazra is resident) there is a high rate of self-employment among particular minority ethnic groups. Many women and young people contribute to the running of family businesses, but do not accumulate pensions contributions in the process.

Proposal 2: 'In order to make the system of personal accounts effective, we will provide a solid foundation on which people can save. To achieve this, we will reform state pensions so that they are simpler and more generous, and will ensure that pensioners share in rising national prosperity'

The specific measures proposed include (1) re-linking the up-rating of the basic State Pension to average earnings during the next Parliament; (2) reforming the State Second Pension so that it becomes a simple, flat-rate weekly top-up to the basic State Pension; (3) taking steps from 2008 to target the Pension Credit on those with small savings.

The onus remains on the Government to ensure that BME communities are fully informed of their state pension rights and contributions. This is of particular importance in the present pension system which is based on open market principles and relies on the dissemination of accurate information to enable individuals to make accurate decisions. This will raise awareness of how the system works and thereby allow individuals the opportunity to make informed decisions about pensions. With the support of government such information could be provided by community organisations serving the needs of BME communities. Until BME elders are provided effectively with adequate information, and afforded an opportunity to engage and participate in debates about saving and pensions possibilities, individual choice on pensions is not an option for them.

Mr Jyoti Prakash Hazra, Secretary of Bharatiya Ashram, and member of the South Region Advisory Group for ME²PN, has suggested that information can be more effectively disseminated face-to-face to elders by Community Workers for example, rather than through written translated materials, as many minority ethnic elders are not able to read a language which they can speak fluently due to lack of education and an often marked distinction between written and spoken language.

Regarding the Pension Credit for example, up to 30 per cent of people eligible for Pension Credit do not claim probably due to a lack of information, i.e. people are unaware of their eligibility and suffer from the complexity of the system. Often the groups not claiming are among the poorest and according to DWP estimates, this will include a high proportion of ethnic minority women.¹¹ This

¹¹ Department for Work and Pensions (2005) Summary report of the seminar Women and Pensions, 22 March 2005. Unpublished.

has long been confirmed by BME elders at 50+ (PRIAE Pensions conference report, 2003).

In recognition of a complex benefits system and specific barriers that BME elders face, PRIAE and BME age organisations should be supported to undertake specific work on the provision of financial information and inclusion of BME elders and their families. Such a programme may also be useful for majority (white) groups.

Proposal 3: 'From 2010, we will make the State Pension fairer and more widely available'

The specific measures outlined include (1) streamlining the contribution conditions to the basic State Pension by reducing the number of years needed to qualify to 30; (2) replacing Home Responsibilities Protection with a new weekly credit for those caring for children; (3) introducing a new contributory credit for those caring for severely disabled people for 20 hours or more per week.

While PRIAE welcomes efforts to reform the contributory system, which leaves women and BME elders in particular without an adequate income in later life, PRIAE maintains that there should be a basic state pension irrespective of years in employment.¹² As a developed country with stated aims on social justice, such a measure would ensure that no one experiences poverty in retirement.

PRIAE would like to see recognition that the experiences of BME elder women are similar to those of white female pensioners. Many

¹² As stated in Patel, N. and Traynor, P. (2005) *The Financial Well-being of Ethnic Minority Women Aged 40+ in the United Kingdom*, PRIAE; and in PRIAE's Policy Response to The First Report of the Pensions Commission, 2005.

parallels can be drawn between the experiences of women and ethnic minority groups in accessing pensions, in terms of lower overall employment, employment in lower paid industries, employment discrimination and restricted access to private and occupational pension provision due to types of employment. This combination of factors leads to lower pension accrual and consequently to poverty in later life. However married female pensioners, unlike BME pensioners, are able to offset their low levels of pension accrual by access to their husband's pensions.

Furthermore, regarding the issue of marital status, **Mr Jyoti Prakash Hazra, Secretary of Bharatiya Ashram, and member of the South Region Advisory Group for ME²PN**, has commented that difficulties frequently arise in the administration of pensions due to the fact that many married couples from minority ethnic groups, including Hindu, Muslim, Sikh and Chinese, have different surnames in contrast to the majority of the White UK population. It is essential that the government provides training for staff on such cultural and religious practices and ensures that effective systems are in place to ensure fair and efficient administration of pensions.

We recognise that there is diversity of female employment among different BME groups (Pakistani and Bangladeshi women have lower employment than Indian and African Caribbean women for example) – differences which need to be addressed in targeting information and measures. However we would maintain that the contributory nature of the state pension is key to the inadequacy of women's pensions as women are unable because of lower earnings and unemployment to make the same contributions as men. The income gap between men and women is arguably even more acute for BME women, many of whom have remained outside formal paid

employment altogether¹³. The industries where such women have tended to work (such as textiles) have often been in the black economy¹⁴, rendering them without National Insurance contributions or access to an occupational pension scheme. The higher prevalence of self-employment among Chinese and Pakistani communities also means that women do not have an income of their own, although they may work in the family business, a phenomenon which has also masked under-employment within families.¹⁵ We would recommend that reforms such as the right to accruals for those earning below the Primary Earning Threshold and the improved treatment of the low paid should also be aimed at improving the position of BME elders. PRIAE welcomes the principle of pension accruals for women in their own right and changes in the state system which will improve the relative position of women pensioners. PRIAE recommends that those workers who do not currently have enough National Insurance contributions should be given the option of 'buying back years' of contributions. This would allow them to improve their future financial situation in retirement. We would also welcome some information on the effect of compulsory private pensions on BME elders as we are concerned that they will not have entirely positive results.

Finally, we would highlight that BME elders, like women, will continue to accrue inadequate pensions because of lower earnings and fewer years in employment unless new solutions to improve their position are sought.

¹³ Patel, N. (1999) 'Black and Minority Ethnic Elderly: Perspectives on Long-Term Care', Royal Commission on Long Term Care Research Volume 1

¹⁴ For clarity, this refers to unofficial or illegal economic activity – in this case employment – and not exclusive to any particular racial or ethnic group

¹⁵ Ibid.

Proposal 4: 'We will support and encourage extended working lives'

The White Paper proposes that the government will:

'Gradually raise the State Pension age in line with gains in average life expectancy. The State Pension age for women is already due to rise from 60 to 65 between 2010 and 2020, to equalise with men's State Pension age. There will be a subsequent rise for both men and women which will follow the same approach, beginning with a rise from 65 to 66 over a two-year period from 2004, then again by one year over a two-year period from 2034 and from 2044'.

With regard to raising the State Pension age, PRIAE believes that this needs to be coupled with several measures that enable choice and meet necessary expectations. BME elders participating in the DTI-commissioned consultation on age discrimination asserted that with current low income and high unemployment, lengthening the retirement age would simply extend their current misery rather than offer real choices with increased quality of life. This issue also needs to be considered because of the high levels of ill health experienced by this group.¹⁶ We are concerned at insufficient reference to the impact of increasing retirement ages on BME elders.

Mr Neil Flanigan, member of the South Region Advisory Group for ME²PN, has stated:

"It is on record that the low paid workforce suffers long bouts of ill health, fall out of the employable stream and have a high mortality rate."

¹⁶ PRIAE 2004, MEC research.

Although there is diversity of sectoral employment among different BME groups, BME employees are disproportionately concentrated in manual forms of labour. A later retirement age will therefore force them to stay in employment longer and therefore is likely to have an adverse effect on their health. There are a number of reasons why these communities are likely to work in these industries, including lower qualifications and discrimination in other types of employment¹⁷. As it is also recognised that mortality rates differ among socio-economic groups this may also lead to a shortening of the retirement phase of their lives as compared to other more affluent socio-economic groups.

PRIAE would urge that retraining and new skills training of older people and ethnic minorities should be encouraged. In seeking to re-employ ethnic minority workers over 50, consideration should also be made of the skills that may be possessed by this group, but never put to use in employment due to discrimination. Many older BME people, including refugee elders, had alternative careers and qualifications to support their professions in their countries of origin which could be put to use in their later lives. In the area of education: grants should be available to BME elders to ensure they are given an opportunity to acquire new knowledge and skills and therefore seek better employment which does not have an adverse effect on their health.¹⁸

¹⁷ PIU, *Ethnic Minorities and the Labour Market*.

¹⁸ PRIAE prepared and submitted a proposal with partner organisations to re-skill and re-train BME people at 50+ to the DWP (EQUAL 2000). This was rejected because it 'concentrated on BME at 50+ and not on all BME groups'. Recognising this as a worrying decision, PRIAE appealed and raised this during its meeting with the then employment Minister, Des Brown MP in 2004.

Mr Harihar Patel, President of London Indian Elders' Group, and member of the South Region Advisory Group for ME²PN

suggests that:

"I.T. Training should be encouraged to keep elders aware of new and updated information on a wide variety of subjects."

Any plans to increase retirement ages must be coupled with measures to eradicate race and age discrimination and ensure that BME elders are able to take up suitable employment that will not adversely affect their health (PRIAE's report to the DTI on age discrimination).

PRIAE's key recommendations are therefore as follows:

- That for social justice to be achieved *all* sections of the British population must be considered and the particular needs of status of BME elders within that.
- That implementation of policy itself cannot be colour blind and must acknowledge the socio-economic, cultural and individual concerns of BME elders where they differ from those of their majority counterparts.
- That information literacy and the disinterest of the private sector must be taken into account when considering the communications and educational needs of BME citizens in disseminating policy.

ENDS/PRIAE – PRIAE response to the White Paper Security in retirement: towards a new pensions system

This PRIAE submission was prepared by PRIAE staff:

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Mr Neil Flanigan, South Region Advisory Group

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Further Information about PRIAE

PRIAE is itself an international NGO set up to support grassroots minority age organisations in the civil sector, acting as an 'umbrella organisation'. The Institute therefore works with minority elders and age organisations, with clinical and non-clinical professionals and researchers, across sectors to influence, inform, develop and strengthen the knowledge base, capacity and practice in ageing and ethnicity. PRIAE welcomes the opportunity to respond the White Paper '*Security in retirement: towards a new pensions system*'.

PRIAE is recognised as having helped to increase awareness of policy-makers on the combined effects of age and ethnicity. Claude Moraes MEP states 'PRIAE is the only body I know that looks at multiple discrimination brought about by age and ethnicity'. Stephen Hughes MEP regards PRIAE's work as a 'wake up call for policy-makers' (**MEC minority elderly care** launch, 2004). PRIAE carried out the largest European research into health and social care of 26 ethnic groups in ten countries where 300 civil society organisations supplying age services were researched – a first of its kind research and provides European societies with important insights. The research award was given by DG Research at the EC – a first such grant to a civil society organisation in the area. The results were launched at the European Parliament (www.priae.org).

PRIAE has undertaken specific pension related work since its inception in 1998, some of which have produced a range of publications (all downloadable from www.priae.org) including:

- a) PRIAE's commissioned national report on BME elders' perspectives to the Royal Commission on Long Term Care of the Elderly (1998/9);
- b) A Pensions' Conference Report from PRIAE's national policy conference in January 2003 attended by Rt. Hon. Ian McCartney MP;
- c) PRIAE's Response to the Green Paper: *Simplicity, Security and Choice, Working and Saving for Retirement* in September 2003;
- d) PRIAE's Response on DWP service delivery to black and minority ethnic communities to the House of Commons Work and Pensions Committee in September 2003;
- e) Written submission and invited oral evidence given to the House of Lords on the Economics of Ageing Population (2003/4);
- f) Meetings held with the DWP since 1998 including with the three Pensions Ministers during that time;
- g) Contributing to the Joseph Rowntree Foundations' Enquiry into Long Term Care Finance;
- h) *The Financial Well-being of Ethnic Minority Women Aged 40+ in the United Kingdom* Report produced with partners from five European countries as part of the Age+ project;
- i) Written responses to two reports of the Pensions Commission; and press response to the Pension Commission report.