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Retirement Provision among the Black and Minority Ethnic Group in the UK

Beverley Preddie

Westminster Business School

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**Retirement Provision
among
the Black and Minority Ethnic Group
in the UK**

Beverley Preddie

A thesis submitted in partial fulfilment of the requirements of the
University of Westminster for the degree of
Doctor of Philosophy

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Abstract

Retirement provision is an important aspect of financial decision making that can influence the financial quality of life experienced by individuals in old age, regardless of their ethnic group. However, individuals belonging to the Black and Minority Ethnic (BME) group are more financially vulnerable in retirement than other groups, such as the White British. Previous research indicates that labour market disadvantages, low socio-economic status, and the inadequate access to financial resources are contributing factors that limit their ability to save effectively for retirement. This thesis investigates these issues further by examining the economic position of the BME group and the socio-cultural factors that positively influence or inhibit their retirement provision. This investigation is essential as many of the first generation of BME migrants, some of whom have provided migrant labour to the British economy since the Second World War, are entering the retirement stage, and are at a risk of financial difficulty due to low pension income. Although there are variations in the migration pattern and age structure of the BME group, individuals within this group are less likely to have occupational and private pension coverage. The term 'BME group' is used throughout this thesis to refer to individuals from African, Caribbean, Indian, Pakistani and Bangladeshi backgrounds, since they represent the largest numbers of BME individuals in the UK.

With increased individual responsibility for pension provision, this thesis explores the retirement phenomena of the BME group in three interrelated empirical chapters. The first empirical chapter uses secondary data to examine the labour market characteristics and income of the BME group at the aggregate level. With the access to retirement resources being significantly dependent on income and labour market position, these characteristics of the BME group are explored in relation to those of the White British group. The findings in this chapter substantiates much of the existing debate regarding the homogeneity of BME individuals based on their low level of income, under-representation in full-time employment and low levels of occupation. As a result, the ability of some BME individuals to save in the new workplace pension scheme may be compromised. The second empirical chapter uses secondary data to investigate further the socio-economic characteristics of the BME group at the dis-aggregated level. With limited research highlighting the relative importance of heterogeneity among BME sub-samples, the findings in the second chapter raises important implications in terms of the ability of some BME sub-samples to make provisions for their retirement given the significant levels of heterogeneity that exists in the socio-economic characteristics of the BME group. This indicates that stratified approaches to retirement provision may exist due to the possession of different levels of economic, social and cultural capital. The third empirical chapter utilises primary data to explore the retirement strategies of the five BME sub-samples at the dis-aggregated level. It provides an alternative perspective on the issues faced by the BME group and aids in further explanation of the findings in the two previous empirical chapters. The findings in the third chapter present new evidence in the form of various interrelated factors that inhibit the ability of BME individuals to make provisions for retirement.

The findings presented throughout the thesis have generated a better understanding of the ways in which social structures and various forms of social, economic and cultural capital contribute to social stratification within the BME group, thus influencing their disposition towards certain retirement provision. The findings indicate that while some BME individuals have adequate retirement provisions, there are others who face financial difficulty in old age. By highlighting the socially constructed nature of 'retirement provision' and the economic, social and cultural factors inhibiting effective retirement provisions, from the perspective of the BME people, this thesis contributes to the ongoing debate regarding the characteristics and circumstances of BME individuals in the UK. Based on the findings presented, policy implementations may be developed to promote social inclusion, social equity and better retirement saving among this group.

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Declaration

I hereby declare that this entire thesis is the work of the author and works quoted have been duly referenced. The thesis has not been submitted to any other awarding body.

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Other Academic Output

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Chapter 1

Introduction

Chapter 1

Introduction

1.1 Introduction

The primary aim of this thesis is to explore the economic position of the Black and Minority Ethnic (BME) group in the United Kingdom (UK) and the socio-cultural factors that positively influence or inhibit their retirement provision. This chapter provides the rationale for the thesis, outlines the structure of the thesis, presents the methodological approaches used, and clarifies its contribution to knowledge. In the current economic climate, where financial resources play a pivotal role in the maintenance of individuals throughout old age, making provisions for retirement should be seen as the catalyst to ensure financial well-being in later life. However, researchers hypothesise that individuals belonging to the BME group are less likely to have occupational and pension scheme arrangements, and are more likely to receive lower pension incomes in retirement than the White British group (Ginn and Arber, 2001; Khan, 2008). The continuation of this trend is likely to lead to a high risk of financial difficulty among future pensioners within this group (Steventon and Sanchez, 2008).

The provision of an income in retirement represents a general issue faced by all ethnic groups in the UK, however, for the purpose of this thesis the population of the UK has been divided into three groups. The first group, and the main group in this thesis, includes non-white individuals of the following British and international ethnic communities as identified under the UK National Census: African, Caribbean, Indian, Pakistani and Bangladeshi (ONS, 2011). These five ethnic groups were specifically chosen because findings from the 1999, 2001 and 2011 UK national population census indicate that these ethnic groups cater for the largest numbers of BME individuals living in the UK (ONS, 2012). The conventional term used to describe this group, 'Black and Minority Ethnic' (BME) is used in this thesis. Data from the UK national population census carried out in 2011 reveals that the overall BME groups accounts for approximately 11% of the total UK population (ONS, 2012). Lievesley (2010) hypothesises that the number of BME people in England and Wales will rise considerably by 2051.

The second group contains the white, indigenous, UK population. This group will be incorporated in the thesis to aid in a robustness test of some of the findings as they relate to the BME group. The conventional term used to describe this group, White British, will be used in this thesis. The third group, which will not form part of this thesis, will include all those who are not in the first two groups. This group will encompass a wide range of ethnic origins such as people from Eastern Europe, Middle East, Asia (including China, Japan, South Korea, Thailand, and Malaysia), Pacific Rim, and North and South America.

Although individuals in the second and third groups may face challenges in making provisions for their retirement, this thesis focuses on the BME group as the primary group of interest since they are more prone to having low levels of income in retirement (Mawhinney, 2010). The inadequate retirement provision among the BME group is often linked to low levels of income, which negatively affects their socio-economic status (Evandrou, 2000; Bajekal *et al.* 2004). While other ethnic groups, such as the White British group, also consist of low income earners, the risk of financial difficulty among low income earners within the BME group is higher. Two of the main causes of this are the timing of their migration to the UK and insufficient contributions to National Insurance (NI), upon which the entitlement for the Basic State Pension (BSP) is based (Patel, 1999). Nevertheless, the findings and policy implications of this thesis may extend beyond the chosen BME sub-samples.

1.2 Background and Motivation

Income represents a crucial determinant to the access of pension schemes and the ability to save effectively towards retirement. However, limited research has explored the retirement strategies of the BME group, in light of greater individual responsibility for pension provision. Likewise there is a paucity of research that explores the ways in which the socio-cultural attributes of the BME group inhibit or encourage their retirement provision (Steventon and Sanchez, 2008). Research into the retirement experience of the BME group may provide greater insights into their level of financial awareness and the ways in which each BME sub-sample plans and saves for retirement.

Boosting individual awareness of the importance of retirement provision has been a major and ongoing policy issue in the UK (Banks and Blundell, 2005). In an attempt to alleviate financial difficulty among the elderly, who were being increasingly housed in Poor Law workhouses in the 19th Century, the Basic State Pension (BSP) was introduced in the UK in

1908 (Macnicol, 2005). Faced with the challenge of providing effective income redistribution and social equity among the elderly, several reforms to the BSP have emerged and have led to a multi-tiered pension model. Each tier within the pension model is accessible based on eligibility criteria. Whilst some of these criteria create incentives for certain groups of individuals to save for their economic well-being at the end of their working lives, other groups are at a disadvantage in accessing various tiers of the pension system.

As experienced with past UK Governments, the pension system presents fiscal challenges for the currently elected 2010 Coalition Government (Ring, 2010). In response to some of these challenges, they have recently implemented pension reforms, in the form of a workplace pension scheme, to encourage greater private pension savings towards retirement. However, previous research suggests that BME individuals are disadvantaged within the labour market (Blackaby *et al.*, 2002; Heath and Cheung, 2006; Li and Heath, 2008). As a major social structure which helps to determine people's ability to make savings for retirement, it is important that the labour market characteristics of BMEs are assessed to evaluate their progression as well as their ability to save more effectively for old age through their income.

It is cited that the BME group represents a homogenous group (Mawhinney, 2010). However, Evandrou (2000), Botcherby, (2006) and Kenway and Palmer (2007) suggest that there may be significant differences in the experiences, disadvantages and socio-economic characteristics of each BME group sub-sample that need to be explored. There may also be significant differences within the BME sub-samples, in terms of the way in which they utilise the retirement resources available to them to enhance their retirement income.

1.3 Research Objectives

The aim of this thesis is to explore the economic position of the BME group in the UK and the socio-cultural factors that positively influence or inhibit their retirement provision. With the purpose of the research established, the key question that will guide this research is:

How is retirement provision influenced among the BME group?

Drawing on three main gaps identified through an extensive review of literature, three sets of objectives are being explored. These are:

Objective 1: To examine the employment characteristics and the key factors that affect the income levels of the BME group.

Objective 2: To determine the existence of homogeneity or heterogeneity in the socio-economic characteristics of the five BME sub-samples, and to analyse the extent to which their income levels have changed over a period of twenty years, 1991 to 2011.

Objective 3: To investigate the retirement saving strategies of the five BME sub-samples and explore the driving and restraining factors affecting their ability to plan and save for retirement.

1.4 Research methodology

The thesis is built on three separate, but interrelated, empirical chapters, where a combination of deductive and inductive approaches to reasoning is used. An optimum blend of primary and secondary research, which involves a mixed method of qualitative and quantitative tools, is employed. The overall aim of this thesis is to examine the economic position of the BME group and the socio-cultural factors that positively influence or inhibit their retirement provision. The three objectives identified above in section 1.3 will be thoroughly investigated in a separate chapter to aid in clarity and cohesion. The first empirical chapter adopts the use of secondary data collection on a longitudinal basis from the Labour Force Survey (LFS). The second empirical chapter employs the use of quantitative methods and secondary data that represents a cross-sectional time horizon from the British Household Panel Survey (BHPS) and the Understanding Society Survey. The third empirical chapter utilises the exploratory technique of face-to-face, semi-structured interviews as the method of primary data collection through a qualitative inquiry.

1.5 The Structure of the Thesis

Having established the intent of this research and in order to maintain lucidity, this thesis is organised in six chapters:

- This first chapter presents the introduction. It contextualises the thesis and its primary aim by highlighting the background and motivation, the research objectives, the research methodology adopted, the structure of the thesis and its contribution to knowledge.

- The second chapter, which is the literature review, encapsulates the general debate on retirement provision in the UK and informs the key objective of the thesis by providing a review of some of the important pieces of existing literature in the field of retirement, pensions and ethnicity. This was undertaken through a review of the UK pension system which represents one of the main vehicles through which individuals can save towards retirement. In addition to this, the socio-economic position of the BME group in the UK was examined to evaluate their ability to plan effectively for retirement.
- The third chapter presents a quantitative investigation of the labour market characteristics and income of the BME group. It examines the key factors influencing the difference in income distribution among the BME group in comparison to the White British group and considers the implications of the BMEs labour market trends for saving in the new workplace pension scheme. This chapter contributes to the primary objective of the thesis by highlighting the role of labour market and income disadvantages as being important variables in limiting the access to retirement provision among the BME group.
- The fourth chapter, also within a quantitative framework, examines the socio-economic characteristics of the BME group to consider whether the five sub-samples are of a heterogeneous or homogenous nature. It analyses the extent to which different socio-economic variables characterise the differences or similarities among the BME sub-samples. This chapter informs the main objective of the thesis through an indication that at the dis-aggregated level, there are significant levels of heterogeneity among the five BME sub-samples and these may influence stratified levels of access to pension provisions and different levels of financial difficulty in retirement.
- The fifth chapter presents a qualitative methodology to corroborate the quantitative finding in third and fourth chapters and provides an insight into the retirement strategies of the BME sub-samples. Given the socio-economic disadvantage and inequality in access to pension schemes of the BME group, this chapter considers the ways in which BME individuals choose their retirement resources. It identifies further some of the influential factors that affect their ability to plan for retirement. The

methodology adopted in this chapter offers an insightful and alternative perspective that could not have otherwise been achieved due to limitations in existing datasets. This chapter contributes significantly to the key objective of the thesis by suggesting that the factors that influence the retirement provision among the BME group are multi-faceted and wide-ranging. It further highlights the socially constructed nature of retirement provision from a BME perspective.

- The sixth chapter presents the overall conclusion for the thesis. It presents a summary of the main findings in the thesis, the significance of the findings, its relevant contribution to knowledge, the limitations of the research and recommendations for future research. This chapter contributes to the main objective of the thesis through the provision of some of the key factors, as identified within the thesis, which influence retirement provision among the BME group.

1.6 Contribution to knowledge

The aim of the thesis has facilitated an in-depth discussion of the research findings from an investigation into three specific areas that warranted further research in the context of retirement provision among the BME group in the UK. The findings presented in the thesis indicate that despite the promotion of greater individual responsibility for pension provisions, the BME group continually experience disadvantages within the labour market. The findings also suggest that significant heterogeneity, based on social stratification, exists within the socio-economic characteristics of the BME group. Through an exploration of the retirement strategies of BME individuals, a vast wealth of retirement attitudes, retirement resources, barriers to retirement provision and varying concepts of the term ‘retirement’ was also revealed.

The findings presented throughout the thesis have provided the opportunity to make an original contribution to knowledge, policy and practice regarding retirement provision among the BME group, with particular regard to the African, Caribbean, Indian, Pakistani and Bangladeshi groups. The overall findings in this thesis contribute to knowledge by substantiating, contrasting and filling some of the knowledge gaps in previous literature through the presentation of new evidence. The findings have confirmed the existence of labour market disadvantages among the BME group in the UK but indicate further that their ability to make provisions for their retirement, including effective contributions to Automatic

enrolment, which represents a new workplace pension scheme, may be compromised due to their employment characteristics and low levels of income.

While the BME group is often referred to as a homogenous group, the findings in this thesis provide contradicting evidence to suggest that there are significant levels of heterogeneity among the BME sub-samples in terms of their socio-economic characteristics. The findings of heterogeneity among the BME sub-samples provide a clearer view of the stratified nature of this group and the income disparities that may significantly affect the ways in which each sub-sample gain access to pension resources and make provisions for their retirement. There is a paucity of research that provides an in-depth insight into the retirement strategies of BME individuals. In view of this, the thesis adds new knowledge in this respect and fills some of the gaps in existing literature by unearthing a wide range of barriers that have not been widely discussed in previous literature and considers the ways in which they affect effective provisions for retirement among BMEs. Likewise, the findings have highlighted the socially constructed nature of the terms 'retirement' and 'retirement provision' and suggest that some BME individuals have embraced alternative and non-traditional strategies of providing for their retirement.

Based on the findings presented in the thesis, there are various ways in which developments to policy and practice may improve the retirement provisions among the BME group in the UK. The social, economic and cultural constraints that BME individuals encounter in making retirement provisions indicate that they are likely to face financial difficulty in retirement. This raises important implications for policy and alternative ways in which retirement provisions may be boosted among the BME group could be introduced to avert financial difficulty in old age. For example, the Department for Work and Pensions (DWP) implemented the Automatic enrolment scheme, which is based on defined contribution, with the BME group as one of the primary target groups (DWP, 2011). With many BME individuals being Muslim, this workplace pension scheme may be less attractive to these individuals. As such, Sharia compliant pension schemes could be introduced as an alternative pension provision since they do not include the payment or receipt of interest and would encourage many BMEs to provide effectively for their retirement without compromising their religious beliefs.

The findings in the thesis have highlighted the need for the rebuilding of trust in pension schemes in order to encourage greater involvement. This encourages the development of a framework through which the UK government can successfully promote the pension scheme as a reliable way of saving for retirement. Furthermore, the provision of pension information should be made more widely available and in ways that BME individuals can access them. This includes the translation of pension information into appropriate languages and their signposting at various locations including community centres and local libraries. This would be particularly beneficial to members of the Bangladeshi community who reports difficulties experienced in accessing relevant information due to low levels of English Language proficiency.

By unearthing the significant impact of heterogeneity among the BME sub-samples along with some of the factors that affect their socio-economic position, government initiatives, such as equality agendas, may be developed further to tackle inequalities, deprivation and financial difficulty among all ethnic groups in the UK, especially women. This may have a positive impact on BME sub-samples such as the Bangladeshi group, which is found to be at the lowest stratum in terms of socio-economic position.

The findings and the respective contributions to knowledge, policy and practice have indicated the significance of this thesis in its exploration of the economic position of the BME group in the UK and the socio-cultural factors that positively influence or inhibit their retirement provision. More widely, this thesis informs current debates in the domains of pension policy, retirement provision and social policy in the UK

1.7 Conclusion

This chapter has established the intent of the thesis by highlighting the overall aim, the research question, the research objectives and the methodologies that are incorporated to facilitate the findings and the overall contribution to knowledge. The chapter that follows provides a review of theoretical and methodological contributions to the research area in the form of a literature review.

Chapter 2

Literature Review

Chapter 2

Literature Review

2.1 Introduction

The thesis explores retirement provision among the Black and Minority Ethnic (BME) group in the United Kingdom (UK) through an examination of their economic position and the socio-cultural factors that positively influence or inhibit their ability to save for retirement. There have been ongoing debates about the role that pension policy and socio-economic factors play in negatively influencing retirement provisions among the BME group and the quality of life that they experience at retirement age (Bajekal *et al.*, 2004; Barnes and Taylor, 2006; Khan, 2008; Mawhinney, 2010). As a result, this chapter aims to develop a theoretical context for this thesis by focusing on pension provision within the UK, the socio-economic position of the BME group and some of the disadvantages that they face in saving for retirement. As highlighted in the previous chapter, the term ‘BME group’ used throughout this thesis refers to non-white individuals from five ethnic backgrounds which are: African, Caribbean, Indian, Pakistani and Bangladeshi. These groups were chosen because findings from the UK 1999, 2001 and 2011 population census indicated that these five ethnic groups cater for the largest numbers of BME individuals living in the UK (ONS, 2005a; 2012).

BME individuals represent a highly diverse group in the UK and account for approximately 11% of the population (PPI, 2009; ONS, 2012). They have provided the British economy with migrant labour since the Second World War, thus endowing valuable services within various employment sectors (Berthoud, 2000). Although the age profile of the BME group is younger than the White British population, there are significant differences in the size and age structure of the five sub-samples of the BME group (Katbamna and Matthews, 2006). Lievesley (2010) points out that Indians, Caribbeans and Pakistanis account for approximately 76% of the BME population as well as having a higher proportion of BME individuals over the age of 65, at approximately 7%, 13% and 5% respectively, living in the UK. The Bangladeshi group has the youngest age structure with 30% of its population under the age of 15 and approximately 4% over the age of 65. They are followed closely by the African group with approximately 23% and 3% under the age of 15 and over the age of 65

respectively (Lievesley, 2010). A report published in collaboration with The Centre for Policy on Ageing (CPA) in the UK highlights that the number of BME individuals over the age of 65 will rise to approximately 3.8 million by 2051 (Crosby, 2010). As generations of BME migrants rapidly enter the retirement stage, research into their financial well-being during retirement is increasing (Mawhinney, 2010).

Literature from varied academic fields has emerged on the benefits and drawbacks of the pension system and the issues that BMEs face in making provisions for retirement. This encompasses multidisciplinary literature from areas such as gerontology, social policy, sociology, political science, actuarial science, finance and investment, labour economics and marketing. This type of literature will be used to inform this thesis. A range of other sources, which includes government papers and research commissioned by influential organisations, such as the Department for Work and Pensions (DWP), Her Majesty's Revenue and Customs (HMRC), Institute for Fiscal Studies (IFS), National Association of Pension Funds (NAPF), Office for National Statistics (ONS) and Pension Policy Institute (PPI) will be incorporated due to their significance. Throughout this chapter, a critical approach will be adopted to synthesise the importance of the literature findings to this thesis.

This chapter is thematically organised as follows: Section 2.2 will analyse the introduction and key developments of pension provisions in the UK aimed at alleviating financial difficulty during retirement. This will include an assessment of the reforms that have transformed the pension system and their general consequential impact on retirement provision. Section 2.3 will examine some of the factors that contribute to the current socio-economic position of the BME group. This will include the influence of the pension structures as well as historical, social, economic and cultural constraints on the disposition of BMEs towards the provision of an income in retirement. The Bourdieu (1977) trilogy of habitus, field and capital will be used as a theoretical lens to examine the theorised interplay between the UK pension system, socio-economic factors and BMEs social positioning in terms of retirement provision. Section 2.4 will identify the gaps in the literature reviewed to justify the significance of this thesis and underpin its aim and objectives. The inconsistencies found will prove valuable in the development of further theoretical and empirical frameworks. Thus, extending knowledge to policy makers and practitioners and locating this thesis within the theories surrounding BME, retirement provision and pensions. Section 2.5 will provide the conclusion for the chapter.

2.2 The UK Pension System

2.2.1 Introduction

The aim of this section is to explore the history of the UK pension system and the consequential effect of each development on different groups of individuals. As a major financial institution in the UK, the pension system offers various tiers of pension provision. Blake (2006) highlights that continuous development of the UK pension system has led to three main types of pension provisions, namely, the Basic State Pension (BSP), occupational pension and private pension. The BSP refers to a weekly income provided to individuals who are over the state pension age on the basis that they meet the qualifying years of National Insurance (NI) contribution. Financed through a Pay As You Go (PAYG) system of NI contributions, the BSP uses contributions paid by current workers to support those who are currently retired (Bozio *et al.*, 2010).

While the BSP is provided by the state, occupational and private pension schemes are privately funded (ONS, 2012). Pederson (2004) points out that even though the term ‘private pension’ is used interchangeably to describe both occupational and private pension schemes, the distinction between these two can be made based on whether contributions towards retirement is made solely by an individual, or in conjunction with their employers. Thus, an occupational pension represents a scheme set up by employers to provide employees with a pension upon retirement based on contributions from both parties (Hannah, 1986).

On the other hand, a private pension scheme, which is also referred to as a personal pension plan, involves investments or savings made voluntarily by an individual into a fund from which an income can be drawn at retirement (Emmerson and Smith, 2004). For the purpose of this thesis, an occupational pension scheme refers to those which are employer-based with contributions from both employers and employees while private pension scheme refers to those set up on an individual basis with a pension fund provider. In addition to the three pension provisions, a Government sponsored pension is provided to public sector workers under a variety of different schemes that are combined to form a public sector pension scheme (Booth and Taylor, 2011).

The majority of available literature on pensions discusses the viability of the pension system and the gradual shift of retirement provision from an obligation of the state to that of individual responsibility (Kumar, 2002; Ring, 2005; Blake and Mayhew, 2006; Wallace,

2007). In order to achieve cohesiveness of the literature used to augment the key developments of the pension system, the findings in this section will be presented in chronological order. This will be based on a historical review of the UK pension system. The intended achievements of introducing a pension scheme in 1908 will be reviewed. The impact of the Beveridge Report published in 1942 in creating a modern welfare state will be discussed. The implementation and development of each category of pension provision into various tiers will be considered. The political debates that led to the passing of various Parliamentary Acts that impacted on the pension system will be examined. The impact of each development in influencing retirement provisions will also be assessed. Consideration will be given to the contributions of David Lloyd George, Sir William Beveridge and Margaret Thatcher who have all left their indelible mark on the development of the UK pension environment (Pratt, 2006).

2.2.2 A Historical Development of Pension Provisions

2.2.2.1 1908 –Basic State Pension (BSP)

Introduced through the Old Age Pensions Act of 1908, the provision of BSP was established in the UK. However, Hannah (1986) found evidence to suggest that the first-ever organised pension scheme dated back to 1670 when officers in the Royal Navy, including those employed at the Port of London, were enrolled into a scheme. Barr and Diamond (2009) assert that multiple objectives such as poverty relief and income redistribution are characteristics of any pension system. Johnson (1998) and Salter (2009) hypothesise that the Government's policy objective in 1908 included the expansion of financial provision for old age to aid in adequate income levels. This was achieved through the implementation of a non-contributory and means-tested pension scheme.

The BSP is regarded as the cornerstone of today's social welfare in the UK and was initiated during the Liberal Government of Herbert Asquith. Prior to the introduction of the BSP, individuals were allowed to work for as long as they were able to, while low levels of pay received in old age were supplemented by Poor Law outdoor relief in the form of food, money, clothing and goods to alleviate financial difficulty (Macnicol, 2002). Under the 1834 Poor Law Amendment Act, enacted by the Whig Government, Poor Law outdoor relief was restricted and able-bodied individuals who were unable to support themselves were housed in Poor Law workhouses, clothed and fed in return for several hours of work each day (Thane,

1978; Macnicol, 2002). The Poor Law received much criticisms and the workhouses were seen by many as prisons for the poor (Pratt, 2006).

As a major campaigner who served on the Royal Commission on the Aged Poor from 1893 to 1895, Charles Booth engaged in literary and oral endeavours to encourage state pensions to alleviate financial difficulty among the elderly (Lynd, 1945). Through the pioneering contributions of his work, changes were made through the Liberal Government. As Chancellor of the Exchequer, David Lloyd George opposed the Poor Law that existed at that time (Edsall, 1971; Johnson, 1998). In an attempt to guarantee individuals an income once they reached the age of 70, David Lloyd George raised the revenue to provide a system of non-contributory and means-tested provision through the BSP in 1908. Blake (2000) defines means testing as the process of assessing an individual's eligibility for support from the Government. Sefton, Van de Ven and Weale (2008) confirm that all sources of income were usually taken into consideration to determine the level of support given.

Through means-testing, basic levels of pension were paid out and eligibility criteria were in place (Evans, 2008). Macnicol (2002) debates that eligibility criteria including means-testing and conditions relating to character can be considered as exclusion clauses of the 1908 Act. The eligibility criteria were considered as cost containment strategies by the Liberal Government but were set to trigger discontentment following the election of future governments. Johnson (1998) argues that a universal pension provision was necessary rather than a means-tested approach which restricts pensioners who possessed over a certain limit of savings accrued throughout their working lives. Henceforth, variations to the state pension provision including contributory pensions were introduced through the succession of several acts that followed.

2.2.2.2 *1925 – Widows, Orphans and Old Age Contributory Pensions Act*

According to Johnson (1998) the Widows, Orphans and Old Age Contributory Pensions Act came into effect in 1928. It introduced contributory pensions which could be paid out to both men and women at 65 and ensured that all manual workers had access to contributory schemes and benefited from tax relief on pension contribution. However, it required contributions for five years prior to reaching 65 (ONS, 2005). Workers who were without enough qualifying years of contribution were subjected to means-testing at age 70 (Pemberton, 2006). With the majority of women in unemployment and in the domestic

domain, due to household responsibilities, they were dependent on their husband as the bread winner and disgruntlement started in what was viewed as the gendered hierarchy of pension entitlement (Schmall, 2001). In 1940, measures were implemented to address low income among women in old age and this included the passing of the Old Age and Widows' Pension Act. The 1940 Act lowered women's eligibility for state pension to age 60 and provided additional support in the form of means-tested assistance to widows already in retirement (Pemberton, Thane and Whiteside, 2006). Further developments were made through a report published by Sir William Beveridge in 1942.

2.2.2.3 1942 – Beveridge Report

The Beveridge Report entitled 'Social Insurance and Allied Services' published in 1942 marked a significant breakthrough for UK pension policy (Hills, 2006; Bozio *et al.*, 2010). The main role of Beveridge was to recommend how the state pension systems of 1908 and 1925 that existed could be unified into a comprehensive system (Pemberton, 2006). In his report, the introduction of a universal public provision of low-level rates of income at retirement age to alleviate deprivation at old age was proposed.

'The scheme proposed here is in some ways a revolution, but in more important ways it is a natural development from the past. It is a British revolution.'

(Beveridge, 1942, page 17).

The universal low level of means-tested support proposed in the Beveridge report was not only done to reduce financial difficulty in retirement, but also to encourage workers to make provisions towards their retirement (Hills, 2006; Webb 1994). This was evident in the third guiding principle of the Beveridge recommendation:

'...social security must be achieved by co-operation between the State and the individual. The State should offer security for service and contribution. The State in organising security should not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family.'

(Beveridge, 1942, pages 6-7).

Following the recommendations of the Beveridge Report, The Labour Government elected in 1945 with Clement Richard Attlee as the Prime Minister introduced three key Acts to offer more social assistance to people. These were the 1946 National Insurance Act, the 1946 National Health Service Act and the 1948 National Assistance Act (Land, Lowe and Whiteside, 1992). Through the National Insurance Act of 1946, comprehensive insurance was provided to include sickness, unemployment, retirement and maternity benefits. The 1946 National Health Service Act provided free services such as medical and optical services for British citizens. Under the National Assistance Act, benefits in the form of means-tested National Assistance payments were provided for those with insufficient resources and the Poor Law was abolished (Edsall, 1971). It was the aim of Beveridge that a universal state pension was developed to eradicate the need for supplementary pension provisions.

The changes that would take precedence, following the passing of the National Insurance (NI) Act in 1946, differed from the Beveridge original plan (Hills, 2006). Beveridge proposed a flat-rate, universal contributory scheme for individuals throughout their working lives so that everyone would be entitled to a flat-rate benefit in old age. However, political debates along with the financial costs involved resulted in the divergence of this plan (Pemberton, 2006). Within the Beveridge proposal, consideration was not given to the elderly already in retirement. As such, a Pay As You Go (PAYG) system was introduced and individuals were given the opportunity to build up their entitlement to the BSP through contributing to NI for a qualifying period of time during their working life (Hills, 2006). The qualifying years were set to 44 and 39 for men and women respectively.

Despite the importance of a worker's qualifying years of contribution in relation to the amount of BSP received, Ellsion (2011) states that 9.3 million NI payments were not matched to the record of employees between 2004 and 2009. Warwick-Ching (2011) substantiates this claim and informs that individuals who are not able to prove their NI payments may miss out on their entitlement to the full BSP. HMRC (2011) acknowledges this claim and states the DWP usually contacts individuals as they are approaching retirement to ensure that they get a forecast of their retirement benefits, which can be verified by contribution records. Despite problems with the collection and allocation of NI contributions, Hills (2006) insists that contributing through NI was the Beveridge aim to creating a sustainable and comprehensive system of social security and insurance to the individuals including the retired, unemployed and sick. Barr and Diamond (2009) point out that despite the divergence from the Beveridge

proposal, his recommendations laid the foundation for a modern welfare state and further encouraged basic state pension payment to men at age 65 and women at age 60, which is increased on an annual basis in line with average earnings.

Critics denounced the claims of success and enunciated that Beveridge had not succeeded. The levels of individual NI contributions made were linked to the deficit needed to fund the current retirees rather than the future benefits of workers. Johnson and Stears (1995) and Bozio *et al.* (2010) criticise this linkage and suggest that the level of NI contribution made by individuals is dictated by the budgetary needs and distributional objectives of the government and is detached from the retirement benefits that will be received by current workers. Glennerster and Evans (1994) argued that although the aim of the report was to unify the state pension system and eliminate the payments of supplements, this was not achieved. Pemberton (2006) confirms that following the 1946 National Insurance Act that re-inforced the NI contribution period for BSP, those who had retired continued to benefit from the 1908 pension scheme without making contributions through the 1925 scheme. Ditch (1999) added that, if Beveridge had succeeded a multi-tiered system of state pension provision which included National Assistance, the 1908 scheme and the 1925 scheme would not have been in existence following his recommendations.

Hills (2006) further argued that Beveridge did not foresee issues such as large birth cohorts as experienced in the late 1940s, following the post-war baby boom, as well as smaller birth cohorts, such as in the 1950s. It could be argued that the fluctuation in cohort sizes mean that there would not be enough people in the workforce to cater for the baby boomers once they reach retirement (Hills, 2006). Deliberation surrounding the unfunded state pension system that existed and the need to supplement the level of earnings in old age contributed to the implementation of pension schemes, which were closely linked to earnings, thus further expanding the multi-tiered system of pension provision in the UK.

2.2.2.4 1958 to 1979 – Earnings Related Scheme

The origins of earnings related pension dates back to 1958 (HMRC, 2011). During this period, the Conservative Government under the reign of Harold Macmillan proposed legislation for earnings related supplement to the BSP. Barr (2006) argues that prior to the introduction of the BSP a limited number of occupations such as the Civil Service and the Armed Forces were covered by earnings related schemes known as occupational pensions.

Hannah (1986) states that the Civil Service occupational pension scheme in the 19th Century offered generous levels of benefits such as a non-contributory scheme, a minimum retirement age of sixty and a pension of one-sixtieth of final salary for each year of service. This scheme of pension provision became the model that was later adopted by other groups in the public sector such as teachers and local government (Blake, 1995). Cautious about the financial implications of extending such a scheme, the Treasury advised that local schemes should involve contributions from staff in order to provide a reduced level of pension benefits than what was provided by the civil service (Hannah, 1986).

Tonks (1999) states that occupational pension schemes usually involve an agreement to make payments to retired employees or their dependents in the event of an employee's death. According to Meyer and Bridgen (2008), an occupational pension represents a Tier 2 provision and comprises a significant proportion of the total income of pensioners who are in receipt of such retirement income. Occupational pension schemes are often viewed as a successful means of pension provision and may be classified into two types: Defined Contribution (DC) or Defined Benefit (DB) (Mayhew, 2001). While the DB scheme guarantees a pension sum to the employee during retirement, the DC scheme enables employers and employees to contribute into an individual pension fund and returns on investments are not guaranteed due to market risks (Attanasio *et al.*, 2004).

Prior to the Second World War, approximately 13% of workers were enrolled into occupational pension schemes (Hannah, 1986). However, by 1956, the Government Actuary's Department reported that workers in such schemes had increased to approximately 33%, and continued to rise to 53% by 1967 (Pemberton, 2006). Despite the growth in the workers enrolled into occupational pension schemes, they mainly benefitted managerial and professional workers and were not accessible to employees who were low-skilled or engaged in part-time work (Blake and Mayhew, 2006).

With the majority of BME migrants employed within the manufacturing industry and the public sector throughout in the 1950s and 1960s, their access to occupational schemes was constrained. Likewise, women who were not in employment and were mainly dependent on their husbands as breadwinners were also disadvantaged. Meyer and Bridgen (2008) substantiate this claim and suggest that occupational pension schemes created a gender gap between retired men and women. They further argue that such schemes predominantly

benefitted individuals who have continuously worked within full-time employment and earned a certain level of income (Meyer and Bridgen, 2008). Despite growing concerns, the Conservative Government was keen to expand the development of occupational pension schemes and limit the financial burden on the BSP as the number of claimants increased (Ditch, 1999).

In 1953 the Phillips Committee was appointed to review the fiscal problems relating to the provision of pensions in old age (Blake, 1995). The Phillips Report published in 1954 pointed out that two-thirds of workers were not covered by occupational pension schemes which resulted in their reliance solely on the state pension (Pemberton, 2006). The Report further concluded that a universal state pension would be inadequate if individuals had no other means to supplement this income in old age and an expansion of occupational pension schemes was approved. Despite the challenge of ensuring the fairness of occupational pension schemes, the Harold Macmillan Conservative Government (1957 to 1963) further introduced earnings related pension options as another provision within the pension system.

The passing of the National Insurance Act in 1959 linked part of employees' earnings to their NI contribution (ONS, 2005b). This was in the form of a Tier 2 top-up state pension scheme known as the Graduated Retirement Benefit (GRB) and also referred to as the State Graduate Pension and Graduated Benefit which came into effect in 1961 (Disney *et al.*, 2001). GRB represents the first earning related scheme to be established in the UK and sought to ensure that workers were provided with more than just the basic levels of support post-retirement (Disney *et al.*, 2001). NI contributions were divided into units and given a value. These values were later calculated to provide extra levels of benefits during retirement (Tonks, 1999). Due to emergent disparity between workers, including the self-employed, who were not able to access this scheme, the GRB was abandoned in 1975. Given the potential of GRB, an earnings-related scheme that was more extensive and generous was being sought and a new scheme referred to as the State Earnings Related Pension Scheme (SERPS) was quickly introduced to replace it (Hills, 2006). Approved by Parliament in 1973 under the Edward Heath Conservative Government, SERPS was introduced during the reign of the Harold Wilson Labour Government through the Social Security Pension Act in 1975.

Attanasio *et al.* (2004) argue that the SERPS initiative introduced by the Labour Government was to provide employees who had no access to occupational pension with an access to an

alternative provision. The scheme provided a DB pension based on earnings between the lower and upper earnings limits (LEL and UEL), also known as the middle band earnings, of an employee throughout their working life (Tonks, 1999). These earning limits are usually announced on a yearly basis by the Government. SERPS was implemented to provide a supplementary income to BSP in a similar manner to GRB. DWP (2004) stresses that although membership to this scheme was compulsory for all employees, individuals who were already in an occupational pension scheme were allowed to opt-out and the self-employed were excluded unless they already had a private pension scheme in place. Mann (2001) further suggests that the self-employed face multiple barriers in securing a good pension and these barriers can lead to low levels of income in retirement. Disney *et al.* (2001) also argue that individuals on low income were not catered for since SERPS eligibility was governed by an income threshold. Controversies surrounding SERPS arrangements resulted in the restriction of its provision under the Conservative Government of Margaret Thatcher through the Social Security Act of 1980.

2.2.2.5 1980 and 1986 - Social Security Act

With the linkage of earnings to retirement benefits, limiting the scope of state pension provisions was a priority for the Conservative Government in the 1980s (Bozio *et al.*, 2010). This was guaranteed by restricting the annual increase in retirement benefits. However, ONS (2010) propose that the rising level of inflation combined with unchanged levels of benefits led to disgruntlement among workers and pensioners and the Social Security Act of 1980 was passed to diffuse this. This Act meant that the BSP was linked to Retail Price Index (RPI) and the linkage with average earnings eradicated (Hills, 2004). The RPI was chosen because it provides a measure of the changes in the price level of goods and services (Tonks, 1999). Although the decision to link with the BSP with prices was controversial, the global economic crisis in the 1980s resulted in its acceptance (Bonoli, 2000). A review carried out by Bozio *et al.* (2010) highlighted that following the Act of 1980, the rate at which national average earnings have risen has superseded the RPI.

Concerns about the viability of the state to meet the unfunded SERPS obligation were also emerging. Within a few years of existence, the SERPS provision proved to be expensive and the social security budget was rising at a fast pace. Disney *et al.* (2001) highlighted that the social security spending had increased from 5.1% in 1950 to 8.4% in 1980 and the SERPS provision had contributed to this increase. Blake (2003) suggests that the government did not

foresee the cost involved in operating the SERPS system before its introduction in 1975. The Margaret Thatcher Conservative Government decided to minimise the heavy reliance on state benefits through the passing of another Social Security Act in 1986. Pratt (2006) suggests that the aim of this was to reduce the role of the state in providing pension to individuals. Rather than abolishing the SERPS provision, employees who were contracted into the scheme were offered the options of remaining in a less generous scheme or contracting out of SERPS and into private pension schemes. As a measure to ensure that a high number of employees opted out of SERPS, NI rebates were given as an incentive. Following the greater availability of private pensions in the 1980s, employees were also given the opportunity to opt out of occupational pensions (Guariglia and Markose, 2000).

Findings from studies carried out by Banks and Blundell (2005) and Disney and Emmerson (2005) predict that individuals who contracted out of SERPS are likely to receive as little as 10% of average earnings by 2025 from the basic state pension. This suggests that the generosity of public pension provision is gradually decreasing. Pratt (2006) argues that the government had achieved their reduction of dependency on the welfare state since approximately 16% of all workers opted out of SERPS in the 1980s, one-third were enrolled in occupational pension schemes and approximately a quarter had private pension arrangements. Attanasio *et al.* (2004), Hills (2006) and Brewer (2007) posit that a gradual shift in the provision from public funded to privately funded pensions is likely to have a huge impact on the way that individuals plan and save for their retirement. This is particularly detrimental for low income and low-level workers, such as the BME group, since they will rely heavily on the BSP due to limited disposable income and the inability of many to engage in privately funded pension schemes.

A study on the approximation of retirement income carried out by Petrichev and Thorp (2008) suggest that reduced levels of public provision are likely to lead to inadequate pension incomes and high rates of financial difficulty among pensioners. Furthermore, the indexation to the RPI rather than earnings will generate low levels of BSP provision in future. Ring (2003) suggests that the drawbacks and reduction in SERPS benefit by the Government indicate that the reliance on pension provisions funded by the state may be insufficient in old age. Banks and Blundell (2005) agree and propose that increased pressures in public provision propelled further development of the private pension provisions classified as Tier 3.

2.2.2.6 *1980s - Private pension*

It can be argued that the promotion of private pension schemes in the UK, which play a vital role in boosting individual retirement income, was as a result of the government's decision to reduce the SERPS provision and the encouragement of individuals to save for old age (Banks and Blundell, 2005). Through private pension schemes, individuals can save towards retirement with pension providers, such as insurance companies, banks and investment companies. The UK represents one of the first countries to implement private provisions of pension worldwide (Blake, 2003). Although private pension plans existed before the 1980s, they were inflexible and sparked little interest (Banks and Emmerson, 2000). However, policies in the 1980s emphasised the importance of pension provision within the private sector.

Private pensions enable individuals to make voluntary contributions into a pension fund which is usually managed by pension providers identified above. Guariglia and Markose (2000) advise that such providers usually charge a high level of approximately 2.5% of contributions towards setting up and administration fee and any contribution made by individuals into the pension fund is usually invested to increase its value and provide a higher level of retirement benefit to individuals during retirement. Disney (2000) acknowledges the potential benefits of a personal pension but argues that such a scheme is not detached from the market risk to which the funds are exposed. This means that there is a possibility of an individual receiving less than the total amount invested in personal plans during retirement. Despite this, Bonoli (2000) confirms that personal pension plans were initially embraced and individuals directed their contributions into the scheme.

Survey findings from the National Audit Office in 2001 highlight that extensive advertising by private pension providers led to popularity of the take-up among workers from varying age groups (Disney and Whitehouse, 1992). The majority of individuals who opted for a private pension were under the age of 32. While the take-up rate for men between the ages of 22 and 26 was just below 50%, the rate fell to approximately 15% for those between the ages of 47 and 51. Likewise, there was a surge in the number of women age 22 to 26 who opted for these plans in the 1980s. However, this gradually declines to approximately 2% between the ages of 47 and 51. Ginn and Arber (2000) substantiate these findings and state that while the take up of private pensions was more popular among younger and more advantaged employees, a significant proportion of individuals in this scheme were part-time and low

income workers. Mayhew (2001) deduce that private pensions attracted individuals who were unemployed, self-employed and on low income, due to lack of access to an occupational pension by these groups.

With individuals from SERPS and occupational pensions contracting into private pension schemes, the take up of this scheme reached 4 million by April 1990 and rose to approximately 6 million by 1994 (Banks and Blundell, 2005). However, unscrupulous selling of private pension plans resulted in a dispute which erupted shortly afterwards. Pension providers persuaded individuals to opt out of occupational pensions and into private pension plans. This accounted for the private pension plan boom which took place during the late 80s and early 90s (Disney and Whitehouse, 1992). It was later discovered that workers who had opted out of occupational pensions would fair less in their retirement benefits due to the loss of their employer's contribution coupled by high administrative fees and lack of flexibility.

The systematic mis-selling and the disadvantages to individuals were highlighted in the Government's Treasury Ninth Report 1997-1998. Through this Report, a pension review was encouraged to identify the individuals involved so that compensation could be provided (House of Commons, Treasury Committee, 1998). In addition to the mis-selling, some pension providers were using pension funds inappropriately. This includes the Mirror Group pension fund whose proprietor Robert Maxwell used a significant portion of the group's pension fund to finance private business deals (Tonks, 1999).

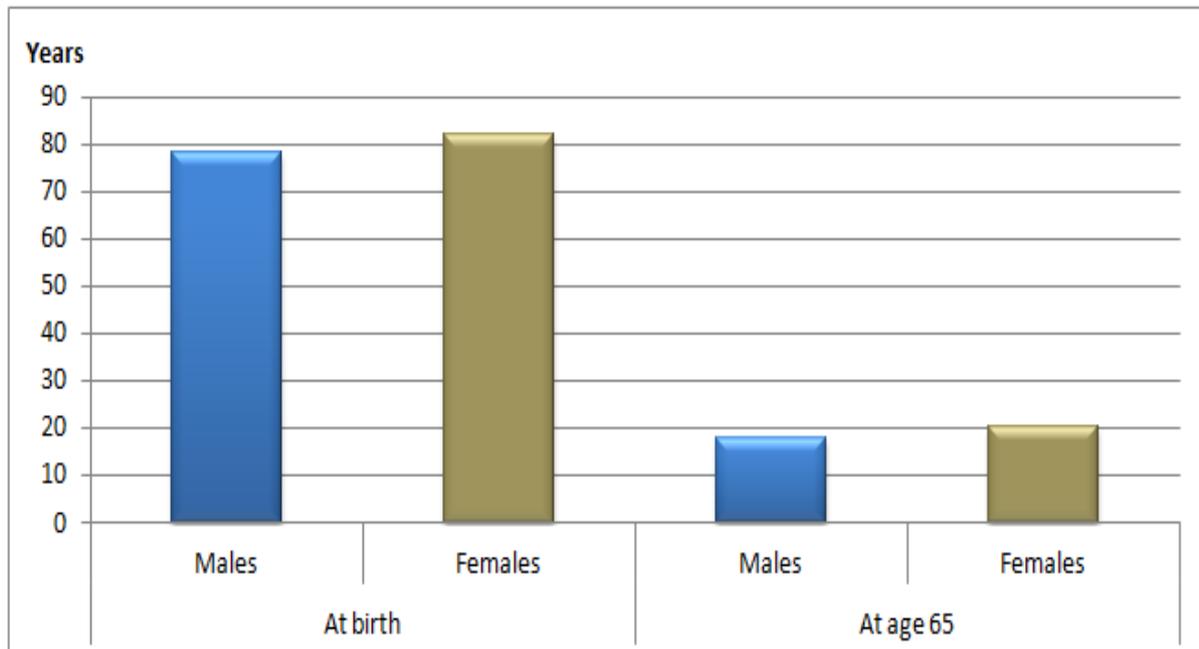
Bennett and Gabriel (2001) questioned the regulatory framework governing the policies which were later criticised by the Consumers' Association. The level at which pension plan contributions are set is very low. The Consumers' Association (2003) disputes that the level of income generated in future will be inherently insufficient to fully cater for the needs of the elderly during retirement. Furthermore, personal pension funds are linked to the performance of the stock market and a fall in share prices relating to equities will inevitably result in future losses (Banks, 2005). Emerging debates about private pension provisions triggered further developments to the pension system by the Conservative Government.

2.2.2.7 1995 – Pension Act

The increased availability of private pension plans brought a fair share of losses due to unfair activities in private schemes. Thus, the Conservative Government (1990 to 1997) strengthened the regulatory framework that governed private pensions through the Pension Act of 1995 (ONS, 2005). Effective in 1997, the Act made pension providers liable for breaches of their responsibilities. This prompted reforms to the supervision of the financial services industry whereby a single regulator, the Financial Services Authority (FSA), was established to improve the regulation of all financial services in the UK. The Consumers' Association (2003) argued that the future of public pension provision is unstable, so it is important that individuals are able to entrust private savings with secure and responsible providers.

Within the Beveridge welfare system, women received BSP payments at age 60. However, this was revised through the introduction of the 1995 Pension Act. The Act provided a pathway for the Conservative Government to propose an age equalisation of pension payment for both men and women to age 65. This was due to reinforcement of European Union directives in the 1990s to ensure the mainstreaming of gender equality (Sykes *et al.*, 2005). With this implementation phased in between 2010 and 2020, the BSP provision for women between age 60 and 65 will significantly decline (Foster, 2010). Women approaching age 60 will be disproportionately affected since they will need to work for extended years before BSP eligibility (Noone, Stephens and Alpass, 2011). Furthermore, increasing the length of working life inevitably reduces the level of income gained through SERPS, since accrued payments are governed by specific periods through which claims can be made (Bozio *et al.*, 2010). Despite this Banks and Blundell (2005), Barr and Diamond (2009) and Benyon (2010) accept that changes to the qualifying age of BSP are necessary to reflect increasing life expectancy. Life Tables produced by ONS reveals that life expectancy at birth and at age 65 in the UK is rapidly increasing (see **Figure 2.1**).

Figure 2.1 UK life expectancy rates from birth and at age 65 between 2008 and 2010



Source: Office for National Statistics (2011)

ONS (2011) confirms that life expectancy at birth in the UK has reached its highest level on record for both males and females, since mortality rates between 1980 and 1982 suggested that 26% of new born males would die before the age of 65 but mortality rates between 2008 and 2010 indicate that this rate has been reduced by 15%. While the provision of longevity and mortality rates among individual ethnic groups could offer useful insights into the way in which they may interact with the propensity of individuals to make provisions for retirement, ONS (2012) confirms that such data are not directly available since ethnicity is not routinely collected in the birth and death registration process. As there is no reliable source that can be used to assess the estimates of longevity and mortality by ethnic group, the rates for the BME group are commonly assumed to be the same as for the rest of the population (Coleman, 2011; ONS, 2012). Given the reduction in mortality rates and the increase in longevity, the Government urges individuals to plan carefully and make adequate provisions for their retirement. Increases in life expectancy will undoubtedly influence longer working lives and the ways in which people access pension schemes and make provisions for their retirement. Hence the promotion of greater individual responsibility for pension provision.

Foster (2010) agrees that individuals should plan and make adequate provision for their own retirement. However, pension provision for women is under significant scrutiny because

women are at a relative disadvantage to men (DWP, 2005; Pensions Commission, 2006). Tapia (2008) and Meyer and Bridgen (2008) argue that women are: generally part-time workers due to factors such as child care responsibilities, earn less during employment, are faced with interrupted careers and therefore have been denied the opportunity to join private and occupational pension schemes. Thus, the chances of women building up sufficient pension, other than the BSP, are limited. Noone *et al.* (2011) describe the situation as a social divide between men and women and predict that women will be heavily concentrated in the Tier 1 category of pension provision. As discussed further in Section 2.3.4.6, the role of women in the BME households is more pronounced and this leads to a higher rate of economic inactivity, particularly among women from Bangladeshi and Pakistani backgrounds. This suggests that some women within the BME group may not be able to plan and save adequately for old age, which increases their reliance on the BSP.

With the rate at which disadvantages of the UK pension system were emerging, reforms were needed to create more equitable provisions. Collard and Moore (2010) investigated pension provisions on a European and international level and suggested that the majority of the pension reforms that countries such as Australia, Canada, Denmark, Norway, Sweden and Uruguay had enacted represent the promotion of private pension savings and increased the standard of living for the elderly. Determined to develop strategies to match that of their European counterparts as well as to reduce the risk of financial difficulty among the elderly, the Labour Government announced additional reforms in 1997 which included the provision of a minimum level of retirement income for all (McConaghy, 2003).

2.2.2.8 1999 – *Minimum Income Guarantee (MIG)*

The election of a Labour Government in 1997, with Tony Blair as Prime Minister, marked radical changes to the reform of pensions in the UK (Brewer *et al.*, 2002). From the onset, the intentions of the Labour party were clear. The continuation of the Conservative Government agenda under Margaret Thatcher to reduce the cost of public pension provision was embraced by the Labour Government (Disney, Emmerson and Smith, 2004). However, the Labour priority was also geared at redistributing resources to the poorer people in society with much greater emphasis than the Conservative Government. The intended changes were set out in the Department of Social Security (DSS) Green Paper entitled *A New Contract for Welfare: Partnership in Pensions* in 1998 (DWP, 2006). Through the proposals in the Green Paper,

Minimum Income Guarantee (MIG) was introduced in 1999 to represent a Tier 4 level of pension provision (NAPF, 2010).

Implemented with a link to average earnings increase at a national level, MIG was intended to reduce the reliance on means-tested benefits for individuals who had uninterrupted working records. More importantly, it was designed to create a higher threshold of retirement income for the poorest pensioners (Price, 2006). Blake and Mayhew (2006), Hills (2006) and Sefton *et al.* (2008) describe this as an evident, income redistribution agenda. Its introduction quickly prompted debates as to whether, or not, individuals should avoid private pension schemes and rely on MIG. Blake (2000) argues that pensioners with private pensions would lose out on means-tested benefits, while pensioners with no savings get a fairer share of state provision through MIG. Sefton *et al.* (2008) agree and predict that while means-testing aids a fair re-distribution of retirement income, it will undoubtedly create a greater reliance on welfare from the state through the discouragement of individual savings. Despite controversial views surrounding a lesser need to save in private pension schemes due to MIG, greater individual retirement savings were promoted through further expansion of the private pension scheme to include stakeholder pension.

2.2.2.9 2001 – Stakeholder Pension Scheme

Given the increases in life expectancy and the pressures on the state to provide adequate levels of pension income in old age, the expansion of private pension provisions gathered momentum. The Tony Blair Labour Government was keen to propose and implement another Tier 3 provision of private pension (Tonks, 1999). It was destined to stimulate individual to save more for retirement and reduce public commitment. Numerous discussions resulted in the proposal of a stakeholder pension scheme in the Government Green Paper in 1998. Ring (2010) surmises that this move towards the private sector was essentially done as another cost containment strategy for state pension provision. This coincided with comments from the Social Security Minister, Alistair Darling, during this period:

‘..once stakeholder pensions are established, it is my intention to ensure that we amend the system further so that, if people stay in the state system, they will lose money.’

(Mann, 2006, page 3)

The stakeholder pension scheme was developed by the Labour Government in 2001 and became a statutory requirement for employers with five or more employees to offer stakeholder pension arrangement (Bozio *et al.*, 2010). Stakeholder pensions replicated personal pension plans that were already on offer, with the exception of relatively low administrative costs (Cabo and Garcia-Gonzalez, 2009). Furthermore, low income earners were a primary target for this scheme. Banks and Blundell (2005) speculate that this was a discreet aim to encourage workers at the lowest level of earnings to establish retirement savings within a private scheme. Price (2008) advocates the expansion of private pensions and argues that the income from BSP must be enhanced by other forms of income to eliminate financial distress among pensioners. The variety of providers and tiers of pension provision in existence at this point sparked further criticisms. Three key pension sources were evident: the state, employers and individuals. Mayhew (2001), Whiteside (2006) and Cabo and Garcia-Gonzalez (2009) recognise this and questioned the varying levels of provision linked into each tier to create a social divide (see **Figure 2.2**).

Figure 2.2. Classification of UK sources of support in old age up to 2001

	Tier 1	Tier 2	Tier 3	Tier 4
State	Universal flat rate pension (BSP)	Earnings related pension (SERPs)		Minimum Income Guarantee (MIG)
Employers		Occupational pensions		
Individuals			Private pensions (Personal Pension Plan and Stakeholder Pension)	

Source: Mayhew (2001)

Acknowledging the varying tiers of provision, Blake (2006) suggests that the increase in Tiers 2 and 3 provisions represents a universal BSP objective that is anachronistic. On the

other hand, Banks and Emmerson (2000), Bosworth and Burtless (2004), Disney *et al.* (2004) and Price (2008) inform that continuous reforms to both public and private provisions, which result in the various tiers of pension provision, are fundamental and form the basis of Government awareness to longevity. Macnicol (2002) argues that although the population over the age of 65 is projected to increase significantly by 2041, increasing life expectancy in middle and old age does not fully account for the ageing population in the UK. A contributing factor to the demographic changes in the UK population is the size difference in successive birth cohorts, which can be exemplified by the decline in birth rates between the late 1870s and 1940s, the high birth cohort after the Second World War followed by declines in fertility after the mid-1960s (Macnicol, 2002). The decline in mortality rates both at birth and at age 65, which gives people a better chance of living to the age to claim state pensions, is also considered as a key factor in the ageing of the population and pension reforms (Harper *et al.*, 2011).

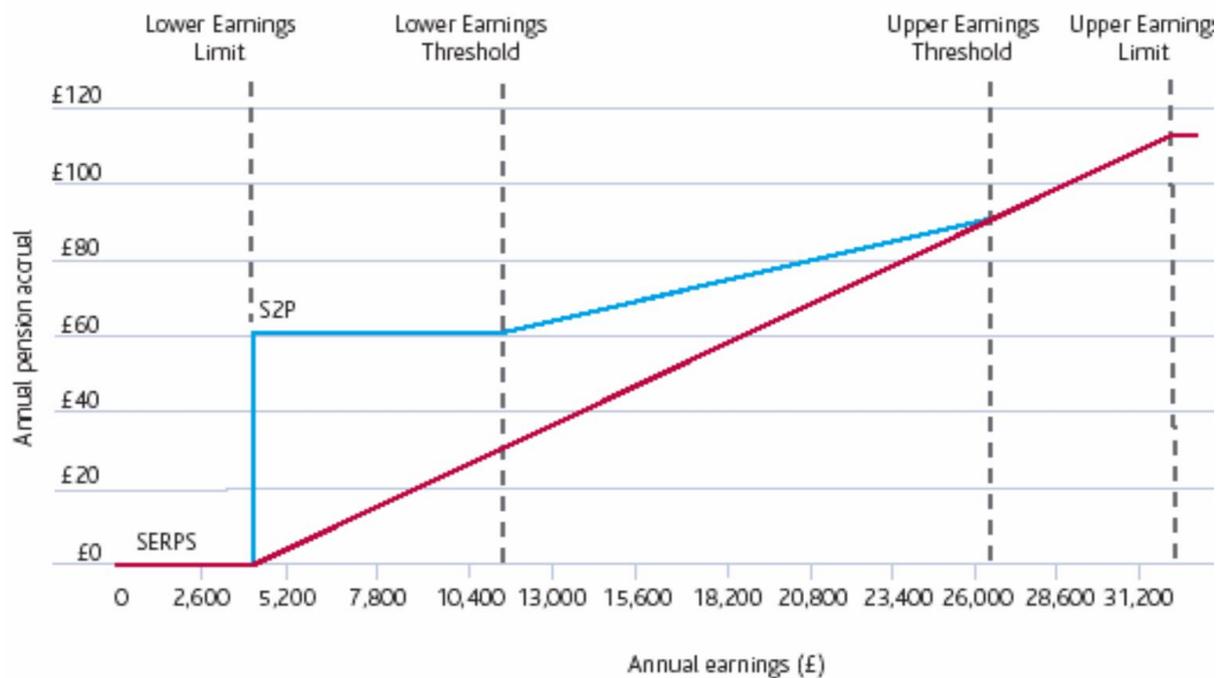
The debates presented in the literature for and against the division of pension tiers as well as debates on the factors influencing the ageing UK society suggest that the reforms will undoubtedly bring an end to early retirement trends. Conscious of the growing debates of social divide caused by the tiers of pension provision, the Labour Government was determined to consider further reforms. This was to enable less fortunate individuals such as low earners, carers and those with long term illness or disability, to build up a more generous retirement income.

2.2.2.10 2002 – State Second Pension (S2P)

Following the reduction of SERPS by the Margaret Thatcher Conservative Government and the contracting out provisions that were made to aid in the success, its permanence was bleak. With the large number of individuals who contracted out, SERPS provided the perfect scheme for the Labour Government to re-design and incorporate those excluded from private and occupational schemes (Emmerson and Smith, 2004). State Second Pension (S2P) swiftly became the new SERP. Introduced as an earnings related pension, its enforcement came through the Child Support, Pensions and Social Security Act of 2002 (Brewer *et al.*, 2002). S2P was geared at enabling those on low incomes particularly due to caring responsibilities to secure additional earnings during retirement.

To facilitate the S2P arrangement, two categories of entitlement were set up: a Low Earnings Threshold (LET) and an Upper Earnings Threshold (UET). These were implemented alongside the LEL and UEL used in SERPs to form three main earning bands of entitlement based on accruals (Attanasio *et al.*, 2004). Band 1 covers earnings from the LEL (£5304 in 2011/12) up to the LET (£14,400 in 2011/12), Band 2 covers earnings between the LET and the UET (£32,600 in 2011/12) and Band 3 covers earnings from the UET up to the UEL (£42,475 in 2011/12) (HMRC, 2011). The Pensions Commission (2004) compared the accruals rates of SERPS and S2P (see **Figure 2.3**) and concluded that S2P offers individuals caring for children under the age of six, disabled people and the elderly the fair chance of additional retirement earnings as though they have earned up to the LET.

Figure 2.3. S2P Accrual rates compared to SERPS: 2004/2005



Source: Pensions Commission (2004)

While S2P created the opportunity for certain groups to build up retirement earnings, the self-employed, unemployed and those caring for children over the age of twelve were not eligible. Clark and Drinkwater (2009) posit that individuals, particularly from ethnic backgrounds, are concentrated within self-employed activities and are at a disadvantage due to being excluded

from S2P arrangements. Sefton *et al.* (2008) deduce that the self-employed will be forced to save privately due to being ineligible for both S2P and MIG. With this in mind, Bosworth and Burtless (2004) and Hershey (2010) advise that, regardless of the nature of an individual's employment, the gradual shift from public to private provision signals the need for individual financial planning for retirement.

2.2.2.11 2003 – Pension Credit

Brewer and Emmerson (2003) assume that mounting disputes over MIG and private savings led to the replacement of MIG in 2003. Enforced through the State Pension Credit Act of 2002, Pension Credit was introduced. The MIG aim to provide individuals with a minimum level of retirement income remained a core feature of Pension Credit. Somewhat contradictory, the encouragement of individuals to make provisions for themselves was also included (McConaghy, 2003). Blackburn (2006) describes this as a state of confusion experienced by the Labour Government. By incorporating the two debatable components under one Act, this attempt was seen as a MIG critique silencing strategy (Cabo and Garcia-Gonzalez, 2009). Price (2006) also criticises this move and points out that UK pension reforms are being continually layered upon previous systems.

Layered systems were becoming apparent with the change from GRB to SERPS then to S2P. Barr and Diamond (2009) debate that this pattern was also visible in the minor change to MIG which resulted in the introduction of Pension Credit. Bozio *et al.* (2010) suggest that the decision to foster individual provision will bring a greater number of individuals into means-testing since there will be little incentive to save. On the other hand, Brewer and Emmerson (2003) praise Pension Credit and highlight that it has the potential to facilitate the urge for individual savings due to its structure. Two components, Guarantee Credit (PCGC) and Savings Credit (PCSC), form the structure of Pension Credit. While PCGC replaces the provision of MIG, PCSC aims to reward individuals who have attempted to make retirement provisions for themselves at a threshold in line with the BSP (Bozio *et al.*, 2010). Despite this, Sefton *et al.* (2008) dislike the fact that eligibility for Pension Credit is still via means-testing which creates complication rather than clarity. To add to this, further complications to existing pension provisions that would severely impact on retirement provisions were forthcoming with additional reform proposals.

2.2.2.12 2007 and 2008 – Pension Act

Debates surrounding the increasing reliance on means-testing over time prompted the Labour Government to revise the coverage of pension provisions. This was instigated by investigations on pension provision carried out by the Pensions Commission in 2006 with Lord Turner as the chair (Pensions Commission, 2006). Established as an independent body by the Labour Government in 2002, the Pensions Commission was set to explore the lack of individual savings despite the varied private options that were available (Emmerson and Wakefield, 2003; National Consumer Council, 2003). The recommendations from this investigation were influential. The Pensions Commission acknowledged that the stakeholder pension schemes developed in 2001 were largely unsuccessful in attracting savings from low income earners. They also pointed out that individuals were under-saving for retirement and there was a need to move away from a voluntary approach to occupational pension saving. They concluded that people should be free to make their own saving decisions and encouragements were made for earnings related pension savings through a National Pension Savings Scheme (NPSS) (Gough and Hick, 2009). Not only did Lord Turner make recommendations for greater individual savings through a workplace pension scheme, but he also proposed changes to the BSP.

The Report suggested that the state pension system was in need of reform in order to deliver pensions that were more generous, universal and non-means tested (Hills, 2006). Extended working life was also recommended along with greater publicising of existing options for people to defer their state pension, which include either extra state pension or a lump sum payment (DWP, 2010). Acknowledging the increase in longevity, a residency-based state pension for people over the age of 75 was proposed in addition to a gradual increase in the state pension age from 65 to 68 between 2024 and 2046 (Pension Commission, 2006).

The proposed rate of the state pension age increase was criticised by PricewaterhouseCoopers (PwC) following their review of the UK state pension system. They argue that the state pension age should be increased to 70 to reduce public debt and generate a more generous state pension that is less reliant on means-testing (PwC, 2010). Findings from their review concluded that although some people in their 60s are unable to work due to illness or injury, the vast majority are still fit to work and should continue to do so. The Labour Government acknowledged this but suggested that while incentives were being constantly improved to

encourage deferral of BSP at state pension age, individuals should not be forced to work up to the age of 70.

Macnicol (2005) questions the availability of jobs for the over 65 and advises that discriminatory practices on the basis of age will need to be addressed as well as the need for more flexible patterns of employment and less demanding job roles. Hogarth *et al.* (2009) agree and add that the economic recession in 2008 has further limited the availability of jobs for older workers while contributing to labour market competition among individuals seeking work due to the demand for employment exceeding the supply of jobs. Furthermore, older cohorts of workers usually experience longer durations of unemployment than younger workers and this may result in lower levels of income among the elderly prior to reaching an unstable state pension age (Disney and Emmerson, 2005).

The Report of the Turner Commission resulted in the passing of the Pension Act in 2007 followed by a second Pension Act in 2008. The 2007 Act warranted further reform to the state pension system in a number of ways. It reduced the total number of qualifying years of NI contribution for a full BSP. Previously set at 44 years for men and 39 years for women, the qualifying age was reduced to 30 years for all. This proposal was to ensure that individuals found it easier to guarantee BSP during retirement. The 2007 Act also proposed the restoration of the link between BSP and level of earnings between 2012 and 2015. This followed ongoing criticisms surrounding the linkage of BSP to RPI from earnings in 1980 which resulted in a less generous state pension. Bozio *et al.* (2010) confirm that this restoration is needed since the indexation of BSP to RPI meant that the value of state pension would continue to decline indefinitely. The 2007 Pension Act introduced changes to the S2P that was set up in 2002. With entitlement previously calculated based on earnings with different bands of accruals, proposals were made to implement a flat rate state provision by 2030.

Following the Lord Turner proposals for changes to the BSP, private pension reforms were established through the Pension Act of 2008 (Gran, 2008). When Gordon Brown became the new Labour Prime Minister in mid-2007, his Government aimed at encouraging more individuals to save to supplement the BSP during retirement based around three policies. Firstly, the 2008 Act aims to ensure that by 2012 all eligible employees between age 22 and the BSP age are automatically enrolled into an employer-sponsored scheme with the choice

of opting out if they deem it inappropriate to their needs (ONS, 2010). Secondly, employers must make a mandatory minimum contribution of 3% into the scheme for employees who do not opt out. Thirdly, National Employment Savings Trusts (NEST), originally known as personal accounts, were proposed with an implementation planned for 2012. NEST represents a DC pension scheme that is designed to guarantee workers on low and moderate levels of income as well as those without access to an occupational pension, a vehicle through which they could save privately towards retirement (Cox, 2012). Sefton *et al.* (2008) welcomed the scheme and confirmed that it represented the first move by the UK Government to cater for the self-employed. NAPF (2010) surmise that the proposals from the Pension Commission were measures designed to consolidate and simplify existing state and private pension schemes while increasing accessibility to both schemes for all.

Despite each Government's aim to extend and simplify private pension provision in the UK, debates were constantly growing about flexibility and ease of access at retirement. ONS (2012) report that while there was a surge of individuals who took out private pension plans in the 1980s, the number of people contributing to private pension schemes had fallen from approximately six and a half million in 2009 to six million in 2010. The PPI (2011) confirms that individuals with private pension plans had to purchase an annuity once they reached age 75. An annuity is a life policy that converts money from a pension fund into a secure income until death. Although members within these schemes were allowed to take an optional 25% tax free lump sum before they reach age 70, any remaining private pension had to be converted into an annuity. Ring (2010) criticises this approach and argues that the Government should grant individuals greater retirement provision choices for themselves rather than committing to a compulsory annuity. In response to such debates, the Conservative and the Liberal Democrat Coalition Government that came to power in 2010 sought ways to improve flexibility of private pensions.

2.2.2.13 2010 to 2014 - *The Coalition Government*

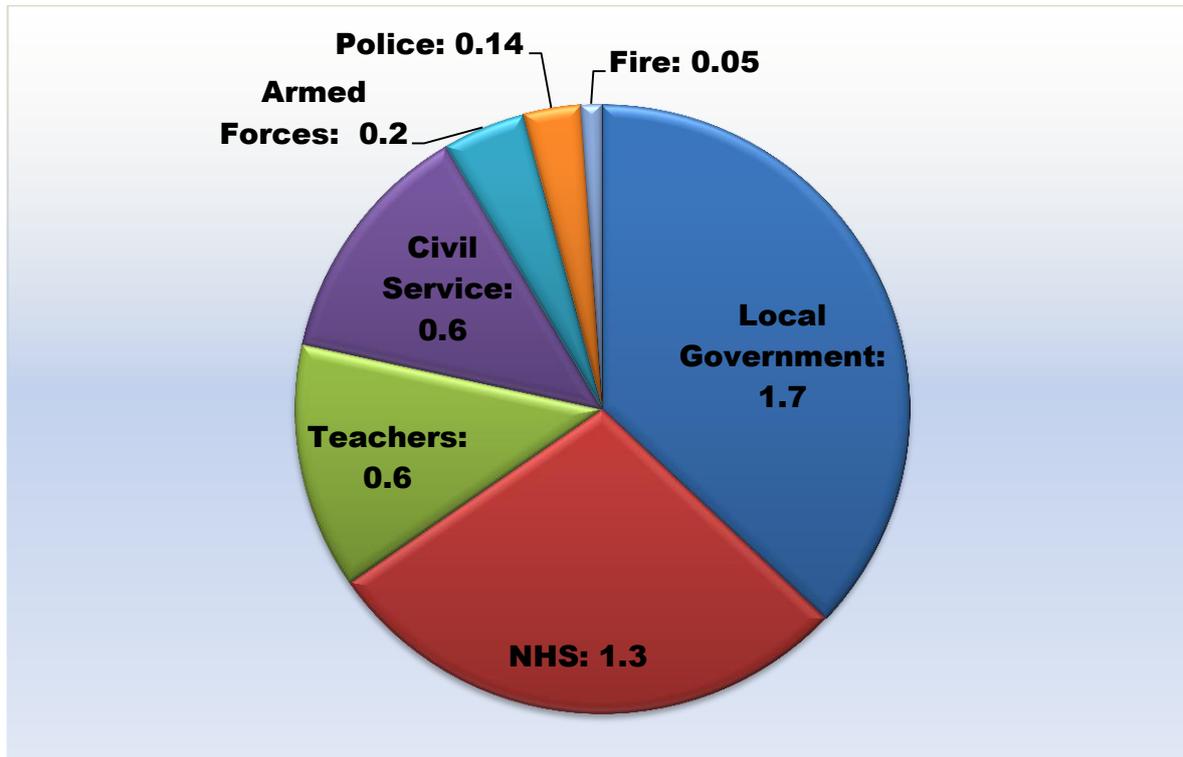
One of the policy objectives of the Coalition Government headed by David Cameron is to make private pension savings more attractive. In order to facilitate this, the Government lowered the age at which individuals are granted access to their private pension savings and a number of methods were put in place to support this. While the purchase of annuities remained an option for private pension savings, access to a lump sum was made available from the age of 55. In addition to this, capped drawdown and flexible drawdown were

introduced. Capped drawdown gives an individual the option not to purchase an annuity but to take a yearly income from the investment (Cutler and Waine, 2010). The maximum income that can be taken on a yearly basis is dictated by the Government Actuary's Department (GAD). Cutler and Waine (2010) further define flexible drawdown as a plan that will enable individuals to access their private savings and take an income without limit on the condition that they have a secure income that is being paid to out to them. This condition was put in place to ensure that pensioners do not squander their savings and fully rely on the state for pension provisions.

These options were welcomed by many who saw this move as a great opportunity for pensioners to monitor their own retirement income to a great extent. On the other hand, critics believe that with a 55% tax rate applicable to pension savings that exceed the lifetime allowance makes private pension savings unattractive. Mirrlees and Adam (2010) confirm that the lifetime allowance is the maximum amount of pension savings that can benefit from tax relief and the level at which this is set for 2011 to 2012 is £1.5 million. In order to encourage greater access to private pension savings among those over the age of 55, through his budget in 2014, the Chancellor George Osborne proposed the opportunity for pensioners to withdraw an increased amount of their private savings as a lump sum from 2015. This may effectively abolish the requirement to buy an annuity.

While private pension reforms were a key part of the Coalition Government's agenda, reviewing the long term affordability of public sector pension schemes was also a priority. Public sector workers in the UK benefit from a public pension scheme that is organised through a number of key occupational schemes that are sponsored by the Government. PPI (2010) confirms that seven main schemes comprise public sector pensions and the active members total approximately 5 million (see **Figure 2.4**). In order to assess the affordability and sustainability of public sector pension provision, the Gordon Brown Labour Government (2007 to 2010) appointed John Hutton, then a Labour Party Member of Parliament, in 2010 to chair an Independent Public Service Provision Commission (IPSPC) aimed at reviewing the pension provisions offered.

Figure 2.4. Active members in public sector pension schemes (millions), 2005



Source: Pension Policy Institute (2005)

The National Audit Office (NAO, 2010) informs that public service pension's deficit for four of the seven schemes amounted to over two billion pounds between 2008 and 2009. Cutler and Waine (2010) criticised the extent of this deficit and argue that while public workers should benefit from a good pension, it should not be at the burden of taxpayers. They further add that the majority of public sector pension schemes are of a DB nature while pension provisions within the private sector have seen a rapid decline in the number of DB schemes on offer and the rise in DC schemes which are more risky (Cutler and Waine, 2010).

The NAPF (2010) acknowledges the debates of generosity in public pension schemes compared to private schemes and admits that pensions have always been relatively generous in the public sector due to factors such as the possession of economies of scale and being better able to guarantee the risk of DB provision. They further state that public sector pensions should continue to provide a good standard of living in retirement, but reforms are needed to make them more transparent and affordable in the long term to ensure fairness with the private sector and to meet the challenges of increasing life expectancy (NAPF, 2010).

In making his final recommendations to the Coalition Government in March 2011, the recently ennobled Lord Hutton argued that the current pension provision offered to public sector workers is unfair, not justifiable and a complete overhaul was needed (HM Treasury, 2011). He stated that the Government should prioritise what is more viable for the state by introducing public sector pensions that are linked to career average earnings rather than being based on final salaries. Prior to the release of the IPSPC report, the Government announced a phased 3% increase in public sector workers contributions to make the schemes more affordable (Lazear, 2011).

The IPSPC report supported the increase in the amount of contribution that employees should make towards the public sector schemes and recommended an early implementation to create a sustainable provision (NAPF, 2011). Lord Hutton also suggested that the age at which public sector employees can claim their pension should rise in line with the BSP age to create fairness to all. Ellsion (2011) agrees and states that public sector workers are usually given the opportunity to retire at a younger age which puts other workers at a disadvantage, effectively supporting public sector careers through their taxes.

The Lord Hutton recommendations sparked widespread debates and mixed reactions towards the reform proposals. Trade unions which represented public sector workers acknowledge the financial burden caused by public sector schemes and its impracticality in the future, but remain adamant that the structure should remain the same. This resulted in a number of coordinated protests staged countrywide in the summer of 2011 with more planned in the near future. These protests are being organised to persuade the Government to reconsider the proposals before accepting them. Timmins (2011) criticises the increase in employee contributions over time. He claims that while it will result in the reduction of taxpayers' contributions in the short term, a high rate of public sector workers opting out of the schemes would reduce the amount of income needed to stabilise its structure (Timmins, 2011).

On the other hand, NAPF (2011) supports the Lord Hutton proposal and urges the Government to consider reducing their budget deficit by enabling public sector workers to benefit from pension through new reforms. Furthermore, an increase in longevity poses questions relating to the long term funding of the public sector scheme. The Lord Hutton recommendations were later accepted by the Coalition Government based on further consultation with trade unions and public sector workers (HM Treasury, 2011). Failure to

reach an agreement with the Government on public sector pension reforms, public sector workers from a coalition of trade unions engaged in a national one day strike in November 2011 which marked one of the largest protests in the UK.

With plans in place to reform private sector pension and public sector pension schemes, the Coalition Government was keen to further reduce Government spending on state pension provisions through the publishing of the Pension Bill in 2011 (Booth and Taylor, 2011). The Minister of Pensions, Steve Webb, was eager to build on previous legislation that reflected the decisions of the Coalition Government on pension structures. In passing the Pension Bill he stated:

'This Bill will radically transform the pensions landscape in this country. Millions of people, who currently have little or nothing put by for their retirement will, from 2012, find themselves enrolled in a workplace pension – setting them on the road to a more secure future.'

(DWP, 2011, page 1)

The Pension Bill proposed an amendment to the Pension Act of 1995 by increasing the state pension age for both men and women to 66 between 2018 and 2020 (DWP, 2011). This proposal instantly rekindled the gender debate. Noone *et al.* (2011) argue that this move is unfair since it reflects a rapid increase in the state pension age for women while having little impact on men. Lazear (2011) further adds that women approaching age 65 by 2018 will need to make appropriate financial arrangements in order to deflect losses. Barr and Diamond (2009) predicted the change to the state pension age since they suggested that pension systems with contribution rates, monthly benefits and state pension ages set for an earlier era are not consistent with the average age at which people retire coupled by increases in the life expectancy of the elderly.

Hills (2006) posits that if life expectancy was the only factor influencing pension reforms, then the solution could be to link the projected expenditure of pension benefits to per capita Gross Domestic Product (GDP) but issues such as the decline in fertility are at stake and needs to be taken into account. In addition to state pension age increases, the Consumer Prices Index (CPI) was proposed as the measure by which annual increases to state pension was calculated from April 2011 rather than the RPI (DWP, 2011).

The Pension Bill also proposed a full implementation of Automatic Enrolment as an employer sponsored scheme that was endorsed through the Pension Act of 2008. Introduced in 2012, the Automatic Enrolment scheme effectively abolished the statutory requirement for employers to offer stakeholder pensions to employees (DWP, 2011). Instead, employers are required to enrol eligible employees into a qualifying pension scheme. In addition to this, proposals were made to combine the BSP and the S2P to form a single tier of flat rate pension provision from 2016, which would create a less complicated pension system (DWP, 2011). In promoting a new structure for the pension system, the Coalition Government has made it clear that their proposals offer a sustainable solution to the challenges posed to the current variety of pension schemes.

2.2.2.14 Summary

The literature surrounding pensions provision in the UK provides evidence to suggest that each Government policy has played a major role in reforming the pension system (see **Appendix 1**). It is evident that the multi-tiered pension system suffers from a legacy of political debates that has resulted in pension reforms as well as complexity which inhibits its full understanding. The objectives of the pension reform can be considered as threefold. Whilst attempting to reduce fiscal imbalance, more efficient retirement resources were introduced to aid income redistribution and to achieve and enhance social equity. Addressing financial difficulties among pensioners, attempts were made to ensure that individuals were protected from a retirement income below a certain level through the implementation of Minimum Guarantee which later expanded to form Pension Credit. While such a scheme seeks to address the immediate crisis faced by pensioners, the structural arrangement poses questions of sustainability in the long term (Price, 2008). With the gradual increase in individual responsibility for pension provision, individuals who are not able to make adequate provisions for their retirement may be at a greater risk of low income levels in retirement.

The public sector pension schemes, which seemed to be a safe haven for many public sector workers, have recently been reviewed and will undergo an overhaul of the system following affordability reviews. Many public sector workers will have no option but to consider saving in private schemes to enhance their retirement provisions. Factors such as the recent economic crisis, increased management costs and affordability issues have contributed to the systematic decline of generous occupational pension schemes, with a number of schemes

scheduled to close within the next few years. The promotion of individual responsibility by the expansion of private pension provisions has had its fair share of criticisms. The lack of trust and security surrounding private pension will inevitably lead to fewer people directing savings into such schemes. In striking a balance of shared responsibility between state, employers and individuals, the changing nature of pension schemes has resulted in an unstable system. An unstable pension system will inadvertently impact upon the ways in which individuals plan and make provisions for their retirement.

The literature findings suggest that the pension reforms have not only affected the current generation of pensioners, but they also pose a threat to the standard of living of future pensioners. This will particularly affect the quality of life experienced in retirement by groups of people such as women and BME individuals due to the eligibility criteria in place for each tier of pension provision. The current tiered provisions along with the outline of proposed reforms make it evident that exclusion and inclusion criteria form the basis of each pension structure. This clearly impacts upon the ways in which individuals from different class, gender, age and ethnicity plan effectively for their retirement. While some individuals will benefit greatly from the structural arrangements of the pension system, others are set to be marginalised. In this regard, the section which follows will examine the influence of the pension structures as well as historical, social, economic and cultural constraints on the disposition of BMEs towards retirement saving.

2.3 The Socio-Economic Position of Black and Minority Ethnic Groups in the UK

2.3.1 Introduction

The aim of this section is to examine the socio-economic position of Black and Minority Ethnic (BME) groups in the UK and the effects of the UK pension structure in influencing their ability to plan for the retirement. According to Evandrou (2000), socio-economic status is evaluated by a combination of social and economic factors which take into account the experiences and realities that mould an individual's attitudes, lifestyle and social standing. Rooted within a sociological framework, the Bourdieu (1977) theory of field, capital and habitus provides some explanations of the relationship between systems and practices which contribute to the socio-economic status of individuals and the social inequalities they face in society (Potter, 2000).

Under the theoretical concept that social life cannot be purely understood from human behaviour, the Bourdieu notion of habitus and field were developed (Bourdieu, 1986). The UK pension system reflects the Bourdieu idea of an external social structure (field) that influences socially learned dispositions that affect certain patterns of behaviour and attitude (habitus). Maton (2008) hypothesises that whilst field influences habitus, social mobility can be promoted through the Bourdieu third concept of capital. Bourdieu deduces that capital represents an interaction of resources (economic, social, cultural and symbolic) which have the potential to enable individuals to exert control over their future (Bourdieu, 1986).

Growing debates about the differences in distribution of capital, according to Bourdieu, and the challenges faced by the BME group in adequately accessing the retirement resources needed to promote their quality of life in retirement have led to a number of landmark reports and research (see **Appendix 2**). The range of literature outlined in Appendix 2 is particularly relevant to this review since the majority of them forms a part of a coherent framework of current research which utilise the findings from major economic and social data surveys carried out in the UK (see **Appendix 3**). This research further contributes to the debate that certain factors, including education (cultural capital), social networks (social capital), level of income (economic capital) and ethnicity (symbolic capital), contribute to the socio-economic status of the BME group and the ways in which they plan and save for retirement. These realities are underpinned by recent media debates which have involved politicians, academics, practitioners and many individuals from government and private companies who are mainly concerned with future pension provisions for BME individuals.

Given the various reforms that have shaped the pension system over the past decades, the inequalities that BMEs encounter through the structural arrangements of the pension schemes will be taken into account. This will include the distribution and adequacy of retirement resources and the consequent impacts on BME's retirement provision. Previous research findings suggest that BMEs are also at a disadvantage due to historical and social factors which have influenced their retirement provision and quality of life. To substantiate these findings, a detailed review of both factors was carried out. To provide lucidity, this section is organised as follows: Section 2.3.2 will discuss the UK pension structure and the disposition of the BME group. Section 2.3.3 will examine the underlying historical factors which contribute to the intergenerational inequalities that BMEs suffer. Section 2.3.4 will review the

social factors which have contributed to disadvantages that BMEs face in planning for retirement.

2.3.2 UK Pension Structure and the Disposition of the BME Group

Planning for retirement can significantly impact upon the financial well-being of individuals at the end of their working lives. While the structure of the pension system is designed to ensure financial security in retirement, barriers to the system are prominent for the BME group. Barriers include influential variables such as patterns of employment and levels of income. With the direct impact that such variables have on an individual's ability to access the resources needed to boost their retirement, BMEs are at a disadvantage. To consider the extent to which BMEs are excluded from securing financial resources for retirement due to trends in their employment and their level of incomes, the structural arrangements of the main pension provisions (BSP, S2P, occupational pension, private pension and public sector pension) will be scrutinised.

2.3.2.1 The Structure of the BSP and S2P

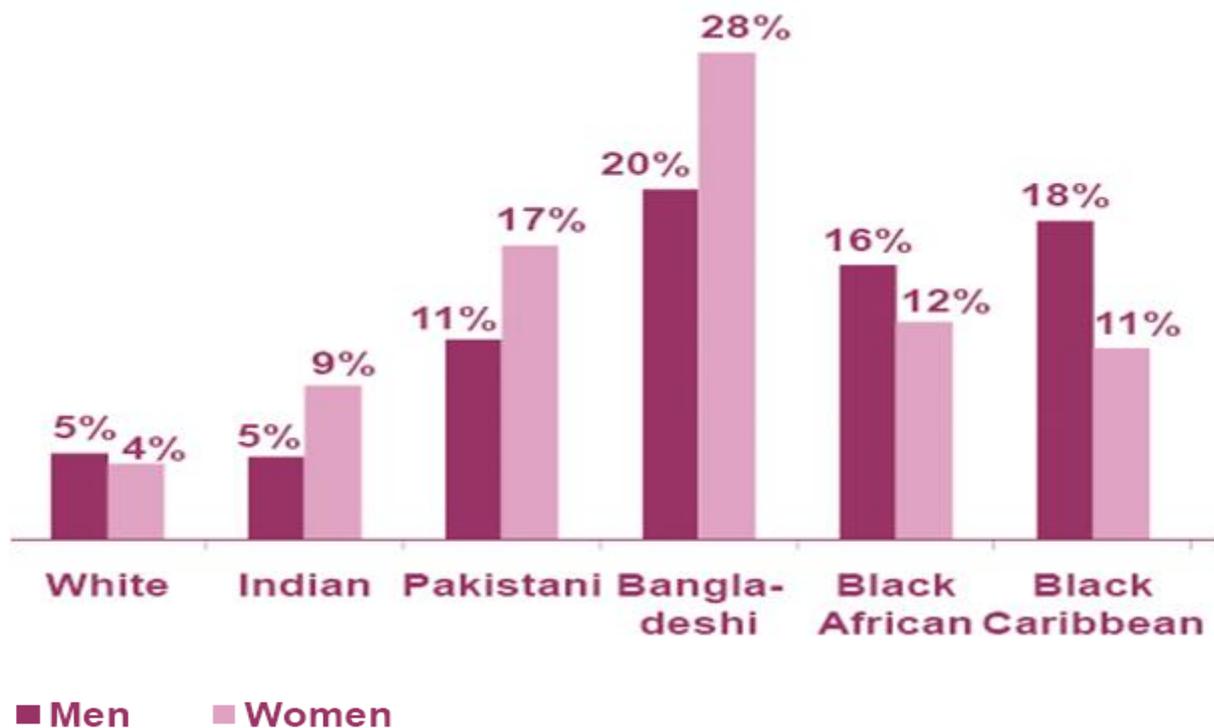
Pension reviews carried out over the years suggest that the generosity of state pension is continuing to decrease over time, with very few people having a clear idea of what their pension will be worth when they reach retirement (Pensions Policy Institute, 2003; Banks *et al.*, 2005; Ring, 2005; Blackburn, 2006; Dobson, 2007). Although the Pension Act 2007 seeks to up-rate the value of the state pension by restoring its link to earnings and the government has offered a 'triple guarantee' that the state pension would increase based on the highest rate of earnings, prices or 2.5%, the continual promotion of individual responsibility in retirement financing signals a weakening structure of the state pension system and the likelihood of financial difficulty in retirement among the elderly (Silcock, James and Adams, 2009).

Extensive research carried out by the Joseph Rowntree Foundation explores the links between ethnicity and low income in retirement. Their research findings suggest that individuals from the BME group suffer a higher rate of financial difficulty in retirement than the white British population due to factors including lack of access to various tiers of pension system and reliance on flat-rate system of BSP which is classified as the Tier 1 provision (Dorsett, 1998; Craig, Taylor and Wilkinson, 2002; McLeod, Owen and Khamis, 2001; Kenway and Palmer, 2007; Platt, 2007; Barnard and Turner, 2011). This is combined with the fact that earnings

related pension schemes are classified in the Tier 2 provision of pensions and are often associated with the wealthy minority who have sufficient income to make pensions contributions to supplement the BSP. Barnes and Taylor (2006) and Yeandle and Buckner (2009) validate this and point out that obstacles within the labour market have forced a number of BMEs into unemployment, part-time employment and self-employment.

The Labour Force Survey (LFS), which is maintained by the ONS, has been used extensively to examine the labour market position of BMEs in the UK. Quarterly results produced from this survey in 2007 confirm that, while unemployment rates for individuals from the white ethnic group peak at 5%, it ranges from 5% to 28% for the BME group (see **Figure 2.5**). A high rate of unemployed BMEs combined with dwindling benefits from the BSP will inevitably result in a high rate of BMEs in financial difficulty in retirement (Tackey, 2006).

Figure 2.5. Unemployment rates by ethnic groups in 2009



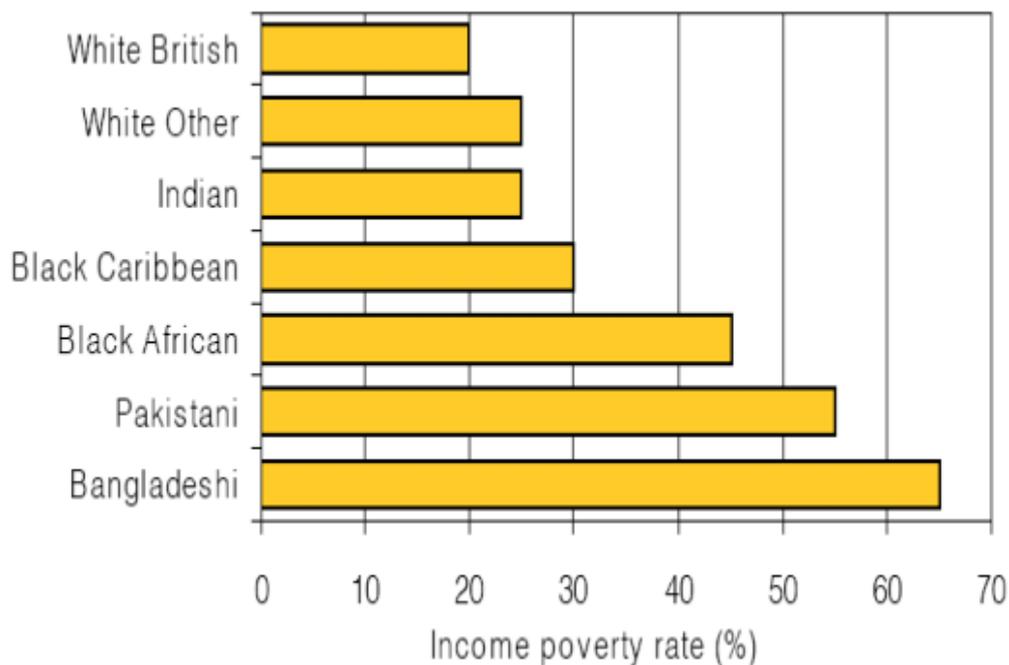
Source: Pension Policy Institute (2009)

The majority of research carried out on the employment status of BMEs, using the LFS survey, have concluded that BMEs are over-represented in part-time and low level position in

the labour market and as a result have less earnings compared to white UK individuals (Owen, *et al.*, 2000a; Blackaby *et al.*, 2002; Heath and Cheung, 2006; McDowell *et al.*, 2008; Seebohm, 2008; Clark and Drinkwater, 2009). Disney and Emmerson (2005) studied the structure of pension provisions and how the eligibility criteria affect individuals' decisions to save for retirement. They concluded that level of income is an important factor that can undoubtedly affect the ways that individuals plan and save for their retirement. With BMEs generally earning low level of incomes there is little propensity to save for retirement, which results in retirement incomes based solely on state provisions.

A report commissioned by the Joseph Rowntree Foundation carried out by between 2002 and 2005 highlights that income poverty rate ranges from approximately 25% to 65% among the BME group (Kenway and Palmer, 2007). This is particularly high when compared to the White British group which has an income poverty rate of 20% (see **Figure 2.6**). Warren and Britton (2003) warn that the level of state pension provided by the Government must be enhanced by other means of support to prevent recurrent low levels of income among elderly BMEs.

Figure 2.6. Income Poverty Rates by Ethnicity between 2002 and 2005



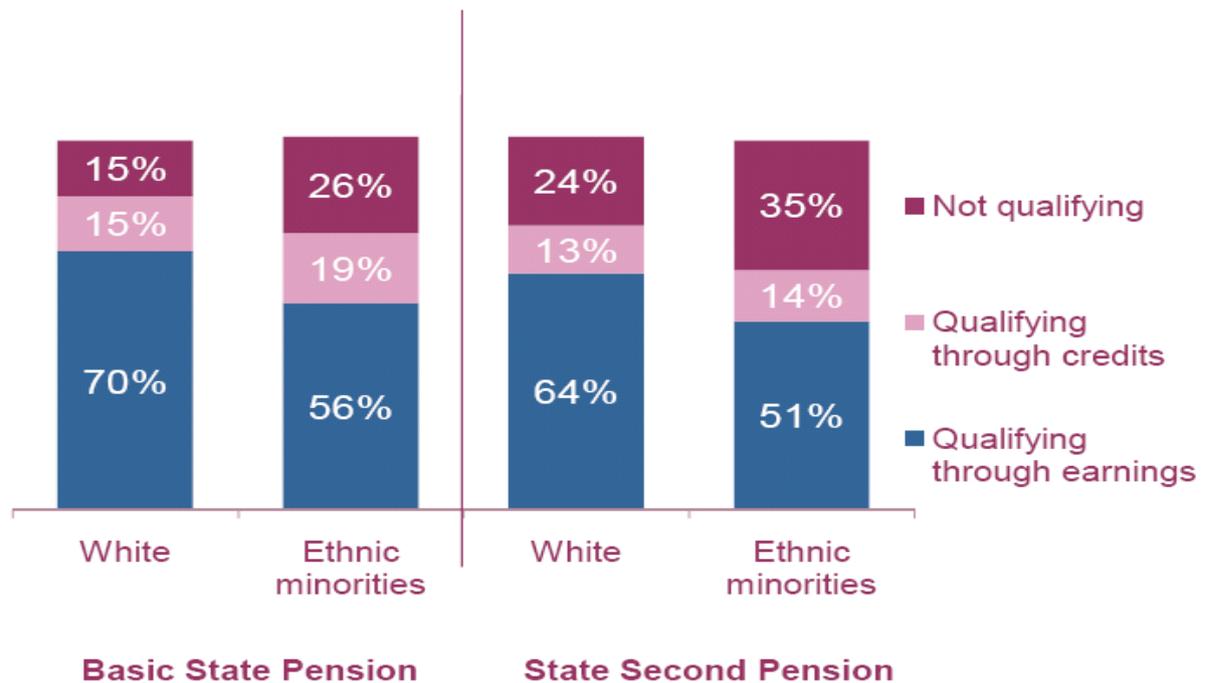
Source: Kenway and Palmer (2007)

Studies carried out over the years using the General Household Survey (GHS) draw attention to the fact that rates of self-employment are particularly high among BME individuals (Bell, 1997; Evandrou, 2000; Heath and Cheung, 2006). Data from the 1991 Population Census indicate that the BME group had a self-employment rate of 14.6 per cent compared to 12.3 per cent of Whites (Clark and Drinkwater, 2000). Further research carried out by Clark and Drinkwater (2007a and 2010) inform that BMEs often end up in self-employment due to labour market disadvantage such as lower employment rates, lower earnings, early exits from the labour market and segmentation into particular work sectors.

Further studies carried out using the Fourth National Survey of Ethnic Minorities reveal that discrimination against BMEs within the workplace is an important influence on their employment status and economic position in later life (Smith and Prior, 1996; Berthoud, 1998; Clark and Drinkwater, 2000; Bajekal *et al.*, 2004). Patterns of consistency within each of these studies highlight that BMEs are forced into self-employment due to a variety of barriers and are often motivated to embrace such an employment status due to the autonomy and flexibility it provides. Clark and Drinkwater (2000) and DWP (2006) refer to this as the 'push' and 'pull' factors of entering self-employment which presents challenges in securing a sustainable pension provision.

Despite the efforts to promote their economic wellbeing in retirement, self-employed BMEs face multiple barriers in accessing the needed resources. A clear example of this is the fact that the self-employed were excluded from additional retirement income through the GRB and were given restricted access to SERPS. The Pensions Commission (2005) reported that although the self-employed are able to accrue BSP provisions for retirement, they are not eligible for S2P. Like the self-employed, unemployed individuals are able to claim Pension Credit towards the BSP but not towards S2P. Sefton *et al.* (2008) posit that lack of access to S2P is an important reason why many self-employed and unemployed BMEs receive the basic level of pension. PPI (2006) analysed findings from the Family Resource Survey (FRS) between 2005 and 2006 and concluded that while 65% of all minority ethnic groups in the UK qualifies for S2P through earnings or credits, 35% did not qualify (see **Figure 2.7**).

Figure 2.7. Analysis of the Family Resources Survey 2005/06



Source: Pension Policy Institute (2006)

Although a proposal in the Pension Bill 2011 recommended a combination of the BSP and the S2P to form a single tier of flat rate pension provision to all individuals, this is only likely to take effect from 2030. This means that a self-employed BME, who will be retiring over the next decade, will not benefit from this reform. While the three disadvantaged categories of BMEs, namely unemployment, part-time employment and self-employment, are outlined in relation to their disposition towards saving for retirement through the structure of the BSP and S2P, one would assume that BMEs who are in fulltime employment stand a better chance of escaping financial difficulties in retirement.

While BMEs who are in full-time employment make contributions through the NI system, many are at a disadvantage since they will not benefit from the state pension schemes (Mawhinney, 2010). The amount of BSP and S2P received during retirement is closely linked to 30 years of NI contribution through employment and to a great extent, the level of earnings. Crosby (2010) adds that the length of working life for BMEs in the UK varies and there is a marked disparity between elderly people who are in receipt of the BSP and those who have no entitlement. This disparity is exacerbated by the fact that the first generation of BMEs in the UK is unlikely to build up sufficient NI contributions for full entitlement.

The age at which someone migrates to the UK is crucial if BSP is to be received at the age of retirement. Berthoud (1998) posits that migrants who entered the UK as adults will suffer the likely loss of not being eligible for BSP at retirement age. Despite the lowering of the NI contribution years following the Pension Act 2007, BMEs who migrated to the UK in their late 30s will still not be able to build up enough NI contribution for entitlement to state pensions. Evandrou (2000) acknowledges the issue of migration surrounding BMEs and suggests that having a shorter record of employment in the UK combined with differentials of income have contributed to the retirement disadvantages that they face.

Employed BMEs who do not qualify for state provisions will be forced to save privately or work extended years to qualify for state provision. There have been debates regarding the unimportance of the NI system and suggestions for its integration with the income tax system to provide a more rational system (Dilnot, Kay and Morris, 1984; Webb, 1994; Hills, 2004). Researchers have also argued that the state pension system clearly represents an unfair contributory scheme since BMEs who have contributed to the NI system throughout their employment in the UK, do not gain the automatic rights to benefit from it (Patel, 1999; Choudhury, 2001; Nesbitt and Neary, 2001; Clark and Drinkwater, 2008; Sveinsson, 2010). The complexity of the current structure of state pension provision clearly presents a major barrier to building up entitlements to retirement earnings. This places BMEs at a financial disadvantage in retirement than the average white UK national.

Critics of the state pension system have shown considerable interest in the proposal of a citizen's pension that is indexed to earnings, where a flat-rate state pension would be paid on the basis of 30 years of residency instead of a number of NI contribution years (Emmerson and Wakefield, 2004; O'Connell, 2004). It is suggested that through new residency based criteria, the poorest pensioners, which include BME individuals, women, the lower paid and the self-employed, would benefit most through an increase in their state pension through a citizen's pension. Noone *et al.* (2011) argue that many women who have spent years out of employment to raise their children and do not qualify for the full state pension will be placed in a more advantageous position. Lower paid workers usually depend heavily on means-tested benefit, but the majority fail to claim (McConaghy, 2003).

Sutherland (1998) posits that an advantage of a citizen's pension is the provision of adequate levels of income that would reduce the dependency on means-tested benefits. Furthermore,

the self-employed, who are currently excluded from building up a second state pension, would benefit from a flat-rate state pension. Emmerson and Wakefield (2004) admit that, while some will gain under the citizen's pension proposals, a significant minority, such as middle-aged men with full employment records, will lose out while existing pensioners will not be entitled to the benefits of this pension. The PPI advises that an implementation of a citizen's pension is possible, but a thorough transition plan would need to be in place before such a scheme can be considered (O'Connell, 2004).

2.3.2.2 *Occupational Pension Scheme Structure*

The type of occupation that an individual has is an important means for being able to adequately access retirement resources and plan effectively for retirement. Bell (1997) agrees and states that access to a good occupational pension scheme would mean that individuals are earning sufficient income to make a generous pension contribution. Lusardi (2003) confirms that such schemes are more likely to be associated with occupational class. Since BMEs are often largely concentrated within manual and unskilled jobs, accesses to these schemes are highly unlikely. In addition to this, BMEs who are self-employed are once again disadvantaged through the structure of occupational pension schemes. The schemes are designed to facilitate contributions from both employees and employers. With a lack of employer contribution, the self-employed are marginalised (Basu and Altinay, 2003). Although the Government has made proposals for the expansion of an employer sponsored scheme through automatic enrolments, the self-employed will continue to suffer disadvantage due to lack of employer contribution which is a necessity. This means that the self-employed will need to save much more into such schemes if the same level of benefits is to be realised (Mawhinney, 2010).

Defined benefit schemes are considered to be the traditional structural design of occupational pension schemes and have been dominant for decades. Due to factors including high servicing costs, stock market crashes, changes in the regulatory environment such as new financial reporting standards, introduction of minimum funding requirement following the Robert Maxwell pension scandal and increasing life expectancy, the closure of many of these schemes have led to a steady rise in defined contribution schemes (PPI, 2007). The withdrawal of many defined benefit schemes poses a number of disadvantages to the minority of BME individuals who now have access to an occupational scheme. The shift in investment risks from the employer to the individual generates inequalities in the value of pensions

offered by employers to old and new employees (Munnell, 2006). Although the value of a future pension is difficult to predict, benefits received through defined contribution schemes are generally lower than those received through defined benefits (Bozio *et al.*, 2010).

2.3.2.3 *Private Pension Scheme Structure*

Private pension savings should be of utmost importance to BMEs given the disadvantages faced in qualifying for the BSP, S2P and occupational pension. Access to private pension schemes depends on sufficient earnings and the amount of disposable income available to make a contribution. Whilst constant attempts are being made to extend private pensions provision, Disney (2000) confirms that BMEs are less likely to have a private pension due to their employment status. Blackaby *et al.* (2002) agree and point out that the most likely individuals to contribute to such schemes are managers and professionals due to the level of income they generally receive. Suffering labour market disadvantage, BMEs are left with little or no disposable income which hinders their ability to make contributions to private schemes.

Ginn and Arber (2001) and Steventon and Sanchez (2008) used data from the FRS to examine the extent to which private pension arrangements place BMEs at a disadvantage. Their results concluded that private pension arrangements have fuelled income inequalities among pensioners. Barnes and Taylor (2006) carried out a qualitative study in 2005 and the findings suggest that the numbers of white UK nationals who are in possession of private pensions is greater than those of BME group origin. Reports carried out by the Runnymede Trust in 2010 further revealed that 39% of BMEs are saving into a private pension, compared to 53% of white British individuals (Mawhinney, 2010). The lack of private pension savings among BMEs makes their reliance on state provisions more pronounced in retirement.

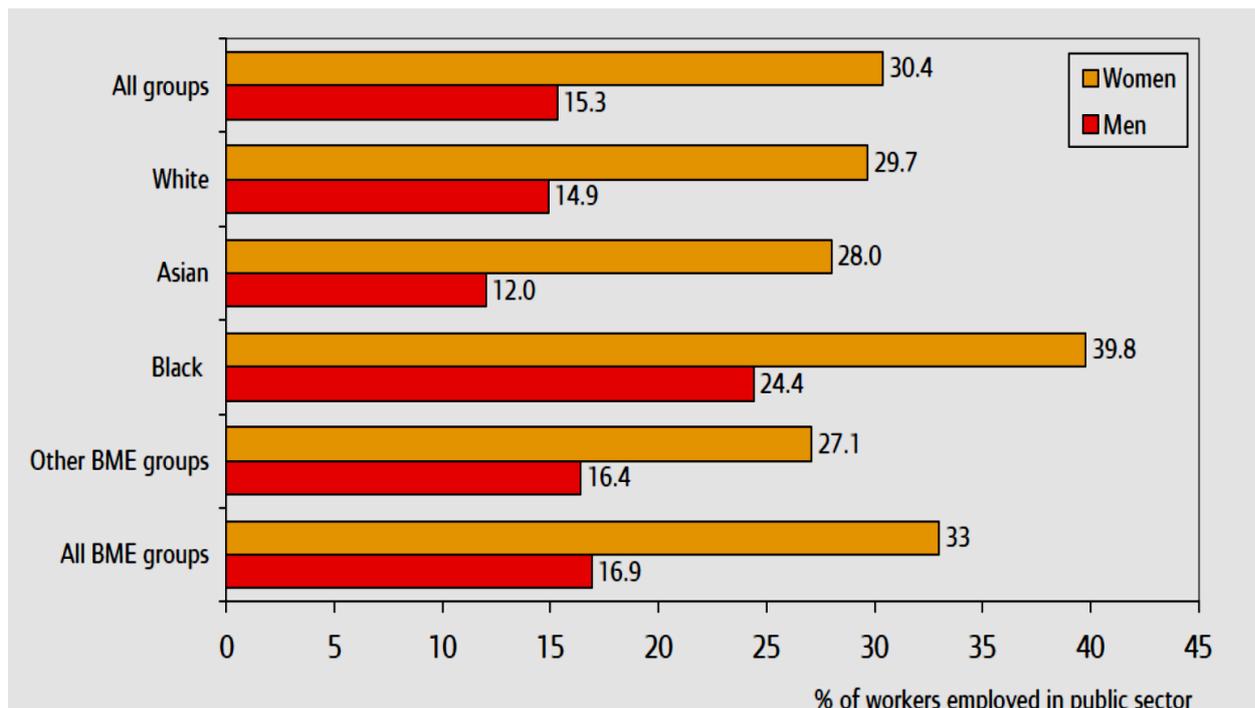
Households Below Average Income (HBAI) statistics reveal that the risk of financial difficulty among BME households is more pronounced than for white households (DWP, 2011). An examination of how taxes and benefits redistribute income between various groups of retired households in the UK reveals that households generally receive income from varied sources, which include: private pensions, investments, occupational pensions, non-government income such as those received from family and employment, state pension and state benefits (ONS, 2012). Research carried out by Mawhinney (2010) indicate that while

18% of households headed by a person from a white ethnic group were classified as being on low income, the figure was higher for BME households at 29%.

2.3.2.4 Public Sector Pension Scheme Structure

Given the disadvantages that some BMEs face in accessing occupational and private pensions, those with access to a public sector pension scheme are considered privileged. Sullivan (2004) used the 2001 Census data to highlight that just over a quarter of all public sector workers belonged to a BME group. Spence (2003) used the LFS to examine public sector employment by gender and ethnicity in Greater London between 2001 and 2003. The findings from this study showed that the BME group accounts for a higher proportion of the public sector labour force compared to individuals from the white ethnic group (see **Figure 2.8**).

Figure 2.8. Public sector employment by gender and ethnicity from 2001 to 2002



Source: Spence (2003)

Findings from research carried out using the LFS in 2006 further corroborate that BMEs are over-represented in public sector employment, with great proportions found within public administration roles, education and the healthcare sector (Heath and Cheung, 2006; Hatton,

2011). Proposed changes to the public sector pension structure from 2012 indicate a failing system that will disadvantage many BMEs employed within this sector. The fact that public sector employees will need to contribute more to their pension, work extended years and settle for a career average pension, BMEs will be forced to amend their retirement plans. In addition to this, the constant merger and outsourcing of government services in an attempt to cut costs will unquestionably result in considerable numbers of unemployed BMEs (Field, 2002). This may negatively influence BMEs pension benefits through the public sector pension scheme, thus affecting their retirement plans.

2.3.2.5 *Summary*

It is evident that each pension scheme implemented in the UK suffers from inequalities in their access and provision. While the enacted and proposed reforms attempt to simplify the eligibility of each structure through expansion or amalgamation of services, the majority of BMEs are not fully served. Strategic plans will need to be developed by BMEs if they are to escape financial difficulty in retirement. It is arguable that most of the reforms experienced follow a similar pattern of exclusion for BMEs, with employment status and levels of incomes playing a major role. Whilst the pension arrangements in the UK severely impact upon the ways in which BMEs plan for their retirement, the historical factors that help to form the core of the disadvantages faced by BMEs post-retirement have to be taken into account.

2.3.3 *Historical Factors*

The socio-economic status of BMEs is often linked to historical factors. Researchers suggest that the quality of life that BME elders experience during retirement in the UK is affected by the issue of migration (Berthoud, 2000; Platt, 2005; McDowell, Batnitzky and Dyer, 2008; Simpson and Finney, 2009; Sveinsson, 2010). Migration refers to the waves of movement of people from one area to another and encompasses the terms immigration and emigration. While immigration refers to the movement of people into a new country, emigration refers to the movement of people from their country (Platt, 2005). Following the Second World War which ended in 1945, a policy was introduced in the UK to encourage immigration between the periods 1945 to 1958. This was in an attempt to re-construct the British economy with an adequate labour force. As such, by 1960 approximately 96,000 BME individuals emigrated from their native homeland to the UK (Castles, 1995).

Individuals from the Caribbean and India were the first to immigrate between the early 1950s and late 1960s. This was followed by migrants from Africa, Pakistan and Bangladesh throughout the early 1970s and 1980s (Nazroo and Williams, 2006). Immigration has since played a significant role in the development of a multicultural society in the UK, with recruitments mainly geared towards jobs within the public sector. Lievesley (2010) states that approximately 3% of individuals aged sixty and older living in Britain belongs to a BME group but this figure is set to increase as more of these people who immigrated to the UK between the 1950s and 1970s become older. Ginn and Arber (2001) speculate that the issue of migration is the reason BME individuals have lower pension income at the end of their working life due to the lack of 30 years of NI contribution. This section will present literature findings to investigate the claims that BMEs are at a disadvantage in retirement due to the history of migration. This will include the impacts of migration on the types of occupation held by the majority of BME individuals and their eligibility for BSP.

2.3.3.1 Occupation

The employment patterns of BME individuals have been the centre of investigation in a number of research over the past decades. This follows the concentration of these individuals within disadvantaged trends of employment, as discussed in section 2.3.2.1, and public sector employment, as discussed in section 2.3.2.4. Furthermore, BMEs are disproportionately represented in low paid occupations throughout the UK (Field, 2002; Clark and Drinkwater, 2007b; Hatton, 2011). The first generation of BME migrants to the UK were mainly employed in the manufacturing industry and public sector services. Meagre levels of wages were received and private pension schemes were non-existent.

Phillips (1998) examined the post-war settlement of the BME group in the UK and points out that individuals within this group were treated with hostility, excluded from well-paid jobs and denied access to a number of resources such as public housing. Berthoud (1998) analysed findings from the FRS between 1994 and 1996 and reported the difference between the full-time average earnings of BMEs compared to white individuals. His findings suggest that BMEs received lower earnings in employment due to barriers faced in accessing well paid jobs. Even though a variety of Parliamentary Acts have since been enacted to dispel the difficulties that BMEs face in acquiring good jobs, disadvantages still exist.

The rise of the information era, automation and outsourcing of services in many sectors of employment led to job cuts among BMEs (Berthoud, 2000). The first generation of migrants were less likely to have the required level of skills needed to compete in employment sectors that have embraced the use of modern technology. Unable to compete successfully in the labour market and demand high wages due to lack of relevant skills and knowledge, the majority of this generation have had to settle for low-level, low wage jobs. Analysing data from the GHS between 1973 and 1993, Bell (1997) conceded that the older generation of BMEs are at a significant disadvantage due to migration; however he predicted that the difficulties will be lessened as younger migrants enter the UK. Ginn and Arber (2001) used the FRS to examine the pension prospects of BMEs. Their study concluded that these individuals will be disproportionately dependent on means-tested benefits during retirement due to a lack of occupational and private pension savings.

Following the first wave of BME migrants to the UK, various immigration policies were implemented to encourage much needed human capital mainly within the public sector. Anderson and Rogaly (2005) see the immigration system in the UK as a mechanism for protecting low-wage labour markets. Others believe that immigration requirements and controls act as a vehicle through which certain types of workers are established and entrapped within certain categories of employment (Blackaby *et al.*, 1996; Blackaby *et al.*, 2002; Waldinger and Lichter, 2003; Shelley 2007). BME workers are mainly found within manual and junior management positions and tend not to reach the same levels of seniority as white workers of the same age and experience (Cabinet Office, 2003). Reports also state that BMEs who work for private contractors end up working in jobs such as cleaning and catering within the public sector. These individuals are often on low rates of pay and denied access to occupational pension schemes (Heath and Cheung, 2006). Although the pattern and causes of exclusion from certain levels of employment vary considerably amongst BME, their under-representation in professional and managerial positions ultimately affects their ability to make contributions towards their retirement in later life.

The recruitment of migrant BME workers to the UK has been an ongoing process. This is evident through the introduction of the HSMP by the UK Border Agency (UKBA) in 2002 which was later replaced by different tiers of highly skilled workers in 2010 (UKBA, 2010). The aim of the programme was to attract individuals from outside the UK who are in possession of qualifications and skills required by businesses and organisations throughout

the UK. A number of BME individuals who fulfil the criteria have therefore been attracted to the programme. Consequently, the number of BMEs retiring in the UK could increase rapidly in future since this scheme leads to guaranteed settlement after a number of qualifying years of employment. The process of migration could therefore be seen as a contributory factor to a recurrent and pro-longed disadvantage that will affect a number of BME individuals in terms of their retirement behaviour (Crosby, 2010).

2.3.3.2 *Summary*

An examination of historical factors, as they relate to the BME group in the UK, indicate their underlying contributions to the intergenerational inequalities that BMEs suffer. The patterns of migration play a crucial role in relegating the employment status and BSP eligibility of BMEs. Their confinement within low-level occupations in the labour market and low levels of income also acts as a deterrent to accessing retirement resources and making adequate saving for retirement. With the hindrances faced due to historical reasons, the social factors which have contributed to the disadvantages faced by the BME group cannot be overlooked.

2.3.4 *Social factors*

The consideration of social factors is important in order to assume what shapes the perceptions and retirement behaviours of the BME group in the UK. Social factors may be described as the interrelation of issues that affect the lifestyle of people in society (Evandrou, 2000). The Bourdieu theoretical stance supports the view that social factors play a central role in the accumulation of capital (Maton, 2008). Although his work on capital has been criticised over its lack of conceptual clarity, Bourdieu emphasised that capital has the ability to order the status of individuals within a hierarchy, thus influencing social positions (Sullivan, 2002; Grenfell, 2008). This view is repeated by researchers who confirm that the diversity of social factors such as geographical clustering, culture, language barrier, education and gender influence the ways in which BME individuals gain access to retirement resources and plan effectively for retirement (Dustmann and Fabbri, 2000; Box *et al.*, 2001; Sin, 2001; Ginn, 2003; Chowdry *et al.*, 2009; Elias and Purcell, 2011). The influences of social factors on the future of BMEs have been widely investigated by researchers and policy makers. Increasing evidence garnered from such studies suggest that social factors are influential determinants of the socio-economic status of the BME group. This section will therefore

present a review of existing literature on each of the social factors identified to determine the ways in which they affect BMEs social standing and retirement provision.

2.3.4.1 Geographical Clustering

Phillips (1998) and Schuman (1999) used the 1991 Census data to examine the settlement and distribution of BMEs in the UK. They both revealed that the BME population distribution varies to that of the white population since different BME communities were found to be settled disproportionately in different parts of the UK. Reports published by the ONS (2005a) highlight that 85% of Africans, 61% of Caribbeans and 54% of Bangladeshis lived in London. It also pointed out that Pakistanis and Indians engaged in a more diverse form of settlement since Pakistanis mainly reside in West Yorkshire, West Midlands and Greater Manchester, while Indians were often concentrated in Greater London, East and West Midlands (Simpson and Finney, 2009). Further analysis carried out using the data collected in the UK 2001 Census revealed that persistent patterns of urbanised clustering were in existence (Bhattacharyya, Ison, and Blair, 2003; Nazroo and Williams, 2006; Simpson and Finney, 2009; Clark and Drinkwater, 2010; Runnymede Trust, 2010). Data from the 2011 Census indicated that BME individuals engage in a more diverse settlement pattern throughout the UK, but the majority of BMEs lives within the Greater London area (ONS, 2012).

Many researchers believe that the geographical areas in which BMEs live influence their socio-economic status. Clark and Drinkwater (2002) propose that the geographical concentration of BMEs and employment opportunities are positively correlated since unemployment rates are higher for BMEs in urbanised areas. Steventon and Sanchez (2008) analysed data from the FRS between 2005 and 2006 and add that BME communities can be categorised as having lower earnings than the rest of the country. These findings were validated by Simpson and Finney (2009) who reported that BMEs concentration in certain areas in the UK acts as a pull factor for new BME migrants, thus sustained patterns of economic disadvantages are recurrent.

Although there is evidence in support of the disadvantages posed to BMEs through patterns of geographical clustering, some researchers argue that BMEs suffer inequalities irrespective of the area in which they live (Dorsett, 1998). Furthermore, BMEs in rural areas are often neglected with little attention paid to developing strategies for service delivery that meets

their needs (Heath and Cheung, 2006; Simpson *et al.*, 2006; Clark and Drinkwater, 2007b). The Runnymede Trust (2010) highlights that BMEs tend to live in patterns of concentration due to discrimination posed in accessing resources such as well-paid jobs, education and adequate housing in rural areas. The research findings surrounding the segregation of BMEs into communities clearly represent a continuous debate as to forces that influence their geographical inclusion and exclusion. These debates are in tandem with the fact that culture plays a vital role in the patterns of BME population dispersal and their inability to make sufficient provisions for retirement.

2.3.4.2 *Culture*

The dynamic and interactive relationship shared by BME individuals is closely linked to their cultural norms. Clark and Phillips (2010) describe cultural norms as the behavioural patterns by which specific groups of people can be characterised. The available literature on the culture of BMEs in the UK focus mainly on four key features: family structure, family and community support, religious beliefs, and attitudes to savings and investments. Murphy (1996) used data from the 1991 Census to indicate that the family structure and household sizes of the BME group tend to be larger than the white population. Analysis of data from the GHS (1991-1996) further revealed that Black Africans and Black Caribbeans accounted for smaller household averages, while Bangladeshis, Indians and Pakistanis catered for higher number of household occupants due to the existence of extended family structures (Cooper, Arber, Daly, Smaje and Ginn, 2000; Evandrou, 2000). With levels of financial dependency high among breadwinners in extended households, family priorities usually take precedence which results in little or no disposable income left to save for retirement.

Evandrou *et al.* (2001) examined the living arrangements of older people in Britain using the British Household Panel Survey (BHPS, 1991-99) data. Their study concluded that parental dependency was common among many adult children. This is because BME elders usually spend the majority of their working lives investing heavily in their children's welfare than in their own future; with the hope of their children providing financial support to them when they retire (Amin and Parkinson, 2002; Runnymede Trust, 2007). Cultural norms among a number of BME individuals are a heavy reliance on family members, both within and outside the household as well as their community for a key source of social and economic support. Despite receiving low level of incomes, BMEs often provide financial support to relatives and friends overseas through remittance (Khan, 2008). Although BME remittances may

prove to be an important source of capital to families and friends in developing countries, it further lessens the ability to save towards retirement.

In addition to family and community support, religion represents a social institution which influences the economic progress of an individual (Khan and Bashar, 2008). Many BMEs, who are Muslim, abide by the Sharia law. This law requires Muslims to make charitable donations to help the needy, while avoiding savings and investments that yield interests (Mawhinney, 2010). These religious beliefs may impose negative effects on the amount of contribution made towards retirement once charitable donations have been deducted from incomes. Furthermore, the inability to receive interest on savings makes occupational and private pension provisions unattractive due to their non-compliance with Sharia law (Noland, 2005). In addition to this, attitudes to savings and investments among BMEs vary considerably. Qualitative interviews carried out with individuals from Bangladeshi communities suggest that low incomes and unemployment rates result in a relaxed approach to planning and saving for their retirement (Mawhinney, 2010). Likewise, a lack of trust in financial institutions combined with instabilities exposed through the recent economic downturn deters BMEs from saving when funds cannot be guaranteed in future. The findings also pointed out that there is a lack of financial awareness to the importance of planning for old age.

2.3.4.3 *Language barrier*

While English is not the native language of many BMEs, access to information and services is often hampered by a general lack of awareness and understanding of the financial resources and network available (Dustmann and Fabbri, 2000). In his study promoting financial inclusion, Khan (2008) reviewed BMEs experiences of disadvantage and the ways in which their access to, and use of, financial services are affected. Language barrier was identified as a contributing factor to their disadvantage. While the level of financial awareness scaled at 100 for the white population, an average of 61 was representative of the BME population (see **Figure 2.9**).

Figure 2.9. Financial awareness by ethnicity, 2008

Ethnic group	Financial Awareness, 100 scaled to White GB/Ireland
White GB/Ireland	100
Caribbean	69
Indian	64
Pakistani	61
Bangladeshi	56
Chinese	56
African	55

Source: Khan (2008)

Nesbitt and Neary (2001) acknowledged with the debate that English language deficiency among BMEs contributes to the inequalities faced in later life. However, in assessing the ability of Pakistani and Bangladeshi males to make pension decisions, they concluded that language was not as significant a barrier to making pension choices due to the support provided by children to parents in old age. Despite this, the ability to communicate in English clearly represents an important issue for BMEs. Semi-structured interviews carried out with BMEs in their chosen language highlight the difficult process of applying for pension benefits when there is a great dependency on family members to provide interpretation (Moriarty and Butt, 2004).

The difficulty to communicate in English by some BME individuals has resulted in many benefits to which they are entitled to go unclaimed. This is exemplified by the fact that the over £5 billion Pensions Credit Guarantee Credit (PCGC), which represents a means-tested minimum income guarantee for the over 60s (65 from 2010), go unclaimed each year since its introduction in 2003 due to lack of eligibility awareness (McConaghy, 2003; Age UK, 2011). Lack of interpretation services and written literature in the native languages of the BME group often hinders the ability to make informed decisions to enhance their life experiences

post retirement. Hence the Mawhinney (2010) urge to the Government to make financial literature more accessible to help BMEs maximise their potential of a better future in old age. Investigating the claim that language barrier has an impact on the job prospects of BME individuals; Dustmann and Fabbri (2000) used the Fourth National Survey of Ethnic Minorities to observe the association. They discovered that English language proficiency positively affects the employment opportunities of BMEs while a lack of speaking, reading and writing abilities limits the likelihood of job promotion. The Department for Education and Skills (Dfes, 2001) stipulates that a certain level of written and spoken English must be acquired before entry to certain jobs within the labour market, education and training can be guaranteed. This provides some level of explanation as to the reason many BMEs are concentrated within low-level, low-paid jobs throughout the UK. Bhattacharyya, Ison and Blair (2003) suggest that whilst BMEs are stereotyped by their categories of employment due to language barriers, many have sought ways to improve their future prospects through education and training.

2.3.4.4 *Education*

It is frequently stated that BME individuals possess a lower level of qualification than the white population and as a result they do not benefit as much from the economic rewards of education (Clark and Drinkwater, 2000; Connor, 2004; Rotheron, 2005). Findings from research undertaken by the DfES (2007) and Steventon and Sanchez (2008) substantiate this claim and point out that although students from BME communities are more highly represented within post-compulsory education and training than students from white communities, the number of those who attain a first degree is markedly lower than their white peers. Despite these findings, statistics reveal that there has been a constant improvement in BMEs performances, which is evident at General Certificate of Secondary Education (GCSE) level (DfES, 2006). National statistics provided by the DfES (2012) show the ethnicity, gender and percentages of pupils gaining 5 or more A* to C GCSE pass grades, including English and Mathematics from 2007 to 2011 (see **Figure 2.10**). The findings indicate that girls continue to outperform boys at approximately 62% and 55% respectively. Furthermore, Indians perform better on average than all other ethnic groups.

Figure 2.10. Percentages of pupils gaining 5 or more A* to C GCSE pass grades by ethnicity and gender from 2007/2008 to 2010/2011.

Ethnicity	2007/2008		2008/2009		2009/2010		2010/2011	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
White	60	69	66	74	72	79	55	62
Indian	75	83	79	86	85	90	71	79
Pakistani	54	65	61	72	70	78	49	57
Bangladeshi	57	69	66	74	72	80	57	63
Caribbean	46	62	56	70	64	78	42	55
African	55	68	66	74	72	81	52	63

Source: Department for Education and Skills (DfES, 2012)

Chowdry *et al.* (2009) state that while some BMEs are able to excel at GCSE and further education levels, hidden processes within HE may be accountable for the non-progression. Furthermore, research into the achievements of BMEs also point out that even with the same level of educational qualification, BMEs do not receive the same level of associated income given to individuals from white British backgrounds (Kendall, Rutt and Schagen, 2005). Kenway and Palmer (2007) agree and point out that despite improvements in the educational qualifications of BMEs; they are often overlooked in job interviews. Lindley (2009) and Elias and Purcell (2011) confirm that that while the overall returns to education may be positive on average, detailed examination reveals that some individuals often experience a decline in earnings due to being concentrated in low-level jobs.

Kenway and Palmer (2007) admit that the first generation of migrants in the UK suffer greater disadvantage in acquiring a good job compared to their white peers. However, they argue that the majority of second generation migrants, who possess qualifications from their

home country, are likely to suffer just as much as their previous generation due to the undervaluation of overseas qualification. This is clearly not the stance taken by the UKBA since recent attempts were made to attract skilled migrants to the UK through the Tier 1 points based immigration system (UKBA, 2010). The UKBA has made it evident that the skills and qualifications of migrant workers are considered valuable to promote Britain's global economic competitiveness. Kendall *et al.* (2005) found evidence to suggest that generalisations such as poor qualifications and unfair job distribution, which are often attributed to the BME group, can have negative intrinsic effects such as reinforcing stereotypes. This is because they have the potential to restrain the government from developing appropriate policy initiatives to tackle the wider social issues relating to pension deprivation faced by this group (Burr and Mutchler, 2007). In addition to the educational achievements, gender has emerged as having a considerable impact on the retirement provision of BMEs.

2.3.4.5 Gender

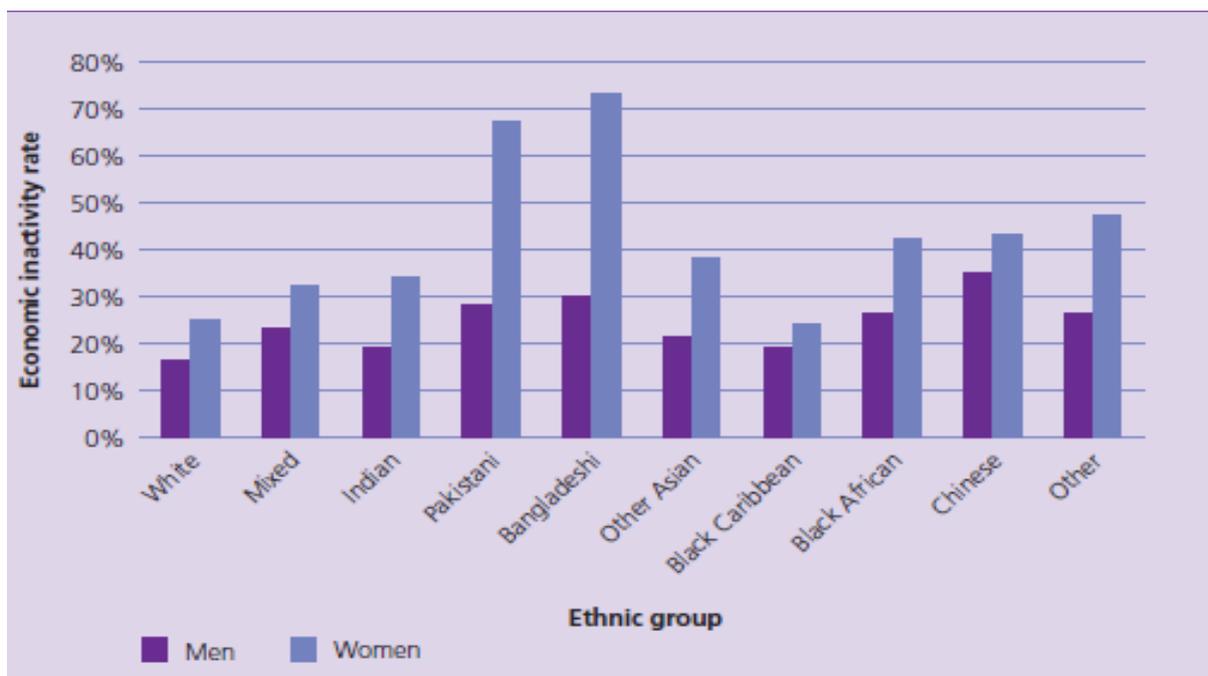
Extensive research carried out by Ginn and Arber (1991, 1996, 2001) has highlighted that there is a marked difference between the difficulties faced by men and women in making provisions for retirement. A woman's ability to plan effectively for retirement is likely to be affected by a combination of multiple life events such as childbirth, childcare and changes in employment patterns (Harmsen, 2001; Jacobs-Lawson, Hershey and Neukam 2004; Orel, Ford, and Brock, 2004; Price, 2007). On the other hand, men are less likely to have interrupted careers and generally receive higher levels of earnings than women. Furthermore, the closure in the retirement age gap between men and women from 2010 proposes a greater risk of financial distress to women (Foster, 2010). Researchers have argued that, in a similar way, an equalisation of the retirement age that was implemented through legislations in 1995, the Equal Pay Act introduced in 1975 and the Equality Act 2010 aimed at equalising pay should be strengthened to close the gendered gap which currently stands at 15% (Sefton, Evandrou and Falkingham 2011). Although all women are exposed to a gender disadvantage in planning for retirement, the difficulties experienced by women from BME backgrounds are greater (Warren, 2006). Buckner, Yeandle and Botcherby (2007) posit that this disadvantage is partly due to a higher number of dependent children present in BME households in comparison to the White British group and a high concentration of BME women within public sector employment.

2.3.4.6 Dependent Children in Households

With a larger number of dependent children under the age of 16 in BME households, the role of a woman in such families is more pronounced (Botcherby, 2006). In order to facilitate child-rearing and home making, BME women often experience longer periods of absence from employment which poses a negative impact on their pension wealth. Many are forced to do part-time work or remain unemployed to meet their obligations. As such, many BME women struggle to contribute to occupational and private pensions due to insufficient income and the types of jobs that they undertake (Ginn and Arber, 1996; Noone *et al.*, 2011).

Faced with little or no income, many BME women are dependent on the men in their households to meet their day to day financial needs (Jacobs-Lawson *et al.*, 2004). Research has shown that economic inactivity rates for women of BME origin vary (DWP, 2005). Women from Pakistani and Bangladeshi origin account for the highest percentages of inactivity, while the rate for women from a Black Caribbean origin is comparable to white women (see **Figure 2.11**). In addition to levels of inactivity among BME women caused by the number of dependent children, Warren (2006) confirms that BME women are highly concentrated within public sector employment in comparison to men.

Figure 2.11. Economic inactivity rates by ethnic group and gender, 2004



Source: Department for Work and Pensions (2005)

2.3.4.7 Employment Sector

Figure 2.10 brings light to the gendered pattern of employment among BMEs and the over-representation of BME women within public sector employment. Whereas BME men represent 16.9% of the public sector workforce in the UK between 2001 and 2002, 33% of women were embodied within this sector (Spence, 2003). Heath and Cheung (2006) corroborate this finding through analysis of the LFS from 2001 to 2004. Their research points out that while BME women were concentrated within public sector jobs, BME men were highly represented within the private sector workforce. With private sector employment generally offering more benefits in terms of level of salary received, BME women will have a lesser chance of building up additional funding towards their retirement (Sullivan, 2004). Qualitative research carried out by Healy, Bradley and Forson (2011) reveal that BME women still account for the highest proportion of public sector workers, which places them at risk in planning effectively for retirement due to continuous government cuts within the public sector.

2.3.4.8 Summary

The literature findings indicate that social factors are closely associated with the ability of BME individuals to plan for retirement and access relevant retirement resources. The array of social factors discussed in this section suggests that the quality of life experienced by the BME people in retirement may be negatively influenced by a combination of these factors. Furthermore, some of the cultural views that are intertwined within the BME sub-samples may be viewed as inhibiting factors that constrain the level of savings made for old age. There is also a clear linkage between BMEs and the segregation into certain categories of work despite the level of qualification that they attained. The majority of the literature reviewed is in unison that social factors contribute to the wider context of disadvantages that BMEs face in later life in the UK.

2.4 Gaps in the Literature

Through the review of extant literature on the UK pension system, BMEs socio-economic status and the disadvantages they face in planning for retirement, three main gaps for future research were identified. Firstly, the majority of pension literature suggests a gradual decrease in retirement responsibility from the UK Government to that of the individual. With new private pension reforms being implemented to boost individual savings, it is important that an analysis of BMEs income is carried out to assess their ability to save more effectively

for retirement. Secondly, the majority of the literature reviewed refers to BMEs as a homogenous group (Evandrou, 2000; Kenway and Palmer, 2007; Mawhinney, 2010). It is for this reason that further examination of the levels and experiences of financial and social exclusion of the BME group is undertaken because each sub-sample may encounter different experiences and disadvantages. Likewise, there may be significant differences in the socio-economic characteristics of each BME group which influences their ability to plan effectively for retirement.

Thirdly, despite growing research and policy agenda aimed at tackling BMEs' financial exclusion, there is insufficient research, data collection and analysis of the resources and strategies that BMEs exploit to survive in retirement (Crosby, 2010; Mawhinney, 2010). One issue that the literature has not fully addressed is the possibility that the very concept of retirement may be viewed differently among some BME individuals, compared to perceptions of retirement in mainstream society. Furthermore, the retirement plans of BMEs have not been fully explored to take into account, for example, flexible patterns of retirement and retiring in their country of origin. It is therefore important that the retirements plans of the BME group are explored to clarify whether individuals within each of the five sub-samples suffer disadvantages in later life due to lack of financial awareness, lack of opportunities, discrimination or through preferential reasons such as saving patterns.

2.5 Conclusion

The gaps identified above have augmented the purpose of the thesis which is to examine the economic position and socio-cultural factors that positively influence or inhibit provisions retirement provision among the BME group. To this extent, the review of literature has provided a background into the current socio-economic disadvantages faced by BMEs in the UK based upon the pension structure, historical and social factors. Synonymous with the underlying dynamics of the Bourdieu trilogy, the literature findings provide evidence to suggest that there is an interlocking relationship between the structure of the pension system in the UK and the ways in which individuals provide for retirement.

The UK pension system has experienced several reforms since the introduction of the BSP in 1908. Following reforms in the 1980s which linked retirement benefits to the RPI, the value of BSP has reduced significantly. Furthermore, the increasing promotion of individual responsibility for retirement provision represents a system incapable of meeting its intended

purpose. Despite BMEs reliance on state provisions brought about by labour market disadvantages, confining them to unemployment, part-time employment and self-employment, many are set to be marginalised due to the eligibility structure of BSP and S2P.

The pension provisions available in the occupational and private pension realm offer more striking disadvantages. The type of job held and level of income earned determine the types of provision and levels of contribution. As such, the number of white participants in these schemes is greater than those from BME backgrounds. Although many BMEs are employed within the public sector and have built up pension rights to occupational pensions, they are still faced with disadvantages. Recent proposals to re-structure the public sector pension schemes will result in increases in the level of employee contributions made and extended years of working before a pension can be realised.

Public sector workers have also been affected by the recent increases in job losses through downsizing, mergers and out-sourcing of government services. Thus, many BMEs are currently and potentially displaced in effectively making provisions for their retirement and accessing the needed resources to do so. The wide range of existing and proposed pension provisions across all tiers has led to further complications. The growing complexity of the system has left many bewildered at its structure and despite the gradual increase in individual responsibility in retirement income; many will be disproportionately dependent on the BSP due to low income and concentrated pattern of low-level employment. Furthermore, many BMEs are unable to build up sufficient entitlement to receive BSP in retirement due to a lack of sufficient NI contribution made throughout their working lives. The findings from this literature analysis indicate that the structure of the pension system, historical factors, cultural factors and low socio-economic status represent the fundamental causes of BMEs disposition towards retirement saving and contribute to their risk of financial difficulty in retirement.

Based on the structure of the UK pension system and the socio-economic characteristics of BME individuals, the findings in this chapter has identified a bi-modal distribution of retirement provision. The first peak is the significant representation of BME individuals in the public sector workforce who have well-defined benefit pension arrangements, although unfunded. With these arrangements, they will be doing better than average in retirement provision terms. The second peak relates to other BME individual with lower relative provisions for retirement, which is a concern. From the wide range of social, economic,

cultural and historical factors discussed throughout this chapter, it can be argued that a combination of these factors contribute to the low retirement provisions made by individuals within this group, rather than there being a single influential factor.

From the mass of factors considered in this chapter, three assumptions can be made. Firstly, there are a set of factors of which it can be argued that their existence and the likely importance are known. This includes lower levels of income, lower levels jobs, more part-time employment, migration, geographical clustering and language barrier. Secondly, there are other factors that are likely to have an overall impact, but their relative importance is not yet fully known due to gaps in extant literature. These include socio-economic differences, in terms of education, occupation and income that may exist within the sub-samples of the BME group. Thirdly, there are other possible factors that could be identified, but there is insufficient evidence in the literature to justify their consideration as being important. These may include factors such as remittances, questionable products being offered, low levels of trust in pension provisions, lack of interest in having a stake in British institutions, preferences for different forms of saving and investing and larger family size.

Having considered some of the current literature in this chapter, the findings have established the foundation upon which this research has been developed. To facilitate substantive and credible findings, the three main gaps identified in Section 2.4 along with the relative assumptions outlined above will be classified into three distinct chapters where each aspect can be thoroughly researched. Chapter 3, which follows, will consider some of the important and well known factors through an examination of the labour market characteristics and income of the BME group, in order to identify the extent to which they are able to make adequate savings for retirement in light of greater individual responsibility for pension provision. Chapter 4 will investigate the second set of factors and determine the existence of homogeneity or heterogeneity and the relative impact on retirement provisions. Chapter 5 will provide an insight into the last set of factors, that is, those with limited information in the literature regarding their importance, and explore the retirement strategies of BME individuals.

Chapter 3

The Labour Market Characteristics and
Income of the Black and Minority
Ethnic Group

Chapter 3

The Labour Market Characteristics and Income of the Black and Minority Ethnic Group

3.1 Introduction

This chapter contributes to the overall aim of the thesis by examining the economic position of the Black and Minority Ethnic (BME) group through their labour market characteristics and the key factors that affect their income levels. The ability to access pension schemes and plan effectively for retirement in the United Kingdom (UK) is significantly influenced by income levels and employment characteristics in the labour market. As highlighted in Chapter 2, Bourdieu (1986) recognises economic, social and cultural positions as various forms of capital that have the potential to foster social inequality in society as well as to promote the social standing of individuals. In order to understand the context in which the retirement plans of the BME group are being made, their economic position needs to be examined. Although the economic position of the BME group may be linked to social and cultural capital (Grenfell, 2008), this chapter focuses mainly on economic capital as a key indicator of access to retirement provision, and for which national data is available.

It is widely acknowledged that BME individuals from Africa, Caribbean, India, Pakistan and Bangladesh contribute significantly to the ethnic composition of the UK population (Heath and Cheung, 2006). However, they encounter differences in their labour market performance in comparison to other ethnic groups (Blackaby, Leslie, Murphy and O'Leary, 2002; McDowell, Batnitzky and Dyer, 2008). Chapter 2 highlighted that BMEs face disadvantaged trends of employment within the labour market in the form of high levels of unemployment, part time employment, self-employment and low level jobs. Likewise socio-cultural factors such as level of education, gender, geographical location and the number of dependent children present in households were identified as influential determinants of the type of employment held by BMEs. These factors have been linked to the low levels of income that

BME individuals receive throughout their working lives and the challenges that they face in planning and saving for retirement (Kenway and Palmer, 2007; Mawhinney, 2010).

Guided by the Bourdieu conceptual framework on capital, Modood (2004) theorises that while individuals seek to improve their economic capital, ethnicity fosters disadvantages and is maintained through the labour market, which functions as a social structure. The term ethnicity has led to widespread discussions surrounding what actually constitutes to an ethnic group. Bulmer (1996) defines an ethnic group as a sub-group within a larger population who have shared ancestry, cultural norms, religion, language and physical appearance. This idea was challenged by Modood *et al.* (1997) who further identified the term 'ethnic group' as a social construct which creates subjective levels of identification, stereotyping and social exclusion. Theories also put forward by Modood *et al.* (1997) and Modood (1998) suggest that the ethnic classification of groups in the UK has led to discrimination among groups such as BMEs in the labour market, which often results in greater employment disadvantages faced than their white counterparts. This coincides with reports that the majority of BMEs elders depend more heavily on the Basic State Pension (BSP) than the White British group due to economic constraints brought about by their employment characteristics (Warren and Britton, 2003).

Individuals are considered to be at risk of financial difficulty in old age if the BSP is not supplemented with individual savings (Price, 2006; Barr and Diamond, 2009; Ring, 2010; Foster, 2011). In an attempt to make recommendations based on the pension systems in the UK, one of the key aims of the Pension Commission established in 2002 was to review the provision of BSP (Price, 2008). Reports published through this Commission in 2004 and 2005 highlighted that longevity is increasing and individuals are under-saving for retirement (Pension Commission, 2006). In order to consider the long-term challenges faced by the pensions system, a further pension review (Turner Commission Report) carried out in 2006 recommended measures to meet the future challenges of financial difficulty in old age. As such, an Automatic Enrolment scheme was proposed in an attempt to encourage private savings with contributions from individuals and their employers.

Enforced through the Pension Act of 2008 and scheduled for commencement on 1 October 2012, Automatic Enrolment is aimed at individuals between the ages of 22 and the state pension age who are not enrolled into an occupational pension scheme (Johnson, Boulding

and Yeandle, 2010). While the current state pension age for men born before 6 December 1953 is 65, the current state pension age for women born after 5 April 1950 but before 6 December 1953 is between the ages of 60 and 65. However, the Pension Act of 2011 proposes an increase to the state pension age for both men and women to 66 between 2018 and 2020 (DWP, 2011).

The DWP (2011) estimates that 11 million people are currently without access to a pension scheme and the BME group represent one of the main targets to the Automatic Enrolment scheme. Reflecting on the success of increased individual contributions through similar Automatic Enrolment schemes implemented in the United States of America (401(k)) and New Zealand (Kiwisaver), Chuah and Devlin (2011) suggest that the UK may struggle to maintain opt-in rates mainly based on affordability issues. With many BME individuals disproportionately represented in low paid jobs throughout the UK, there is little propensity to save for retirement (Yeandle and Buckner, 2009). The impending questions behind the promotion of individual retirement savings are: to what extent are BMEs progressing within the labour market and what are the factors affecting their level of income?

3.1.1 Purpose of the Chapter

In an attempt to conceptualise BMEs position towards retirement savings, an assessment of their employment situation was carried out. The vast majority of extant literature on BMEs in the UK focuses on their disadvantageous position in the labour market and the inequalities that they face in adequately accessing retirement resources due to low levels of income (Blackaby *et al.*, 2002; Heath and Cheung, 2006; Khan, 2008; Li and Heath, 2008; Hatton, 2011). This thesis seeks to contribute to the expansion of such literature by focusing specifically on the labour market characteristics of BMEs and the key factors that affect their level of income. This contribution is undertaken in the following ways.

Firstly, in an attempt to identify the labour market characteristics of BMEs, the Modood (1998) theoretical stance on ethnic disadvantages in the UK labour market is incorporated and the employment characteristics of the BME group will be compared to that of the White British group, used as a control group. As such, an observation of employment characteristics, in terms of full-time employment, part-time employment, self-employment, unemployment, levels of inactivity, sectors of employment and occupational groups of employment of both ethnic groups was carried out. Secondly, multiple regression analysis

was undertaken to estimate the effects of key explanatory variables, identified in the review of literature in Chapter 2, on income as an economic resource which strongly influences access to retirement provisions. These comprised a combination of factors such as: education, employment type, employment sector, geographical location and number of dependent children in households. Based on the findings in this chapter, the policy implications that may arise for contributions in the Automatic Enrolment scheme due to the interplay between BMEs labour market history and their economic position are explored.

More specifically, the research objectives are: to examine the labour market characteristics of the BME group and the key factors influencing their level of income. The objectives of this chapter are linked to the primary aim of the thesis and are based on the argument that BMEs continually experience disadvantages within the labour market. With the employment characteristics of BMEs directly influencing their levels of income, it is hypothesised that a combination of these two factors may adversely influence their ability to save effectively for retirement.

This chapter proceeds as follows: Section 3.2 outlines the methodology adopted. Section 3.3 highlights the data used in the chapter. Section 3.4 presents the empirical analysis and discussion. Section 3.5 outlines the policy implications of the findings and Section 3.6 provides some conclusions. The following section presents the methodology that will be applied in the analysis of the data to address the specific research objectives highlighted above.

3.2 Methodology

The main focus of this chapter is to examine the labour market characteristics and incomes of the BME group in the UK. This was fulfilled through an examination of two issues which formed the main objectives of this chapter. The first objective was to examine the labour market characteristics of the BME group. The second objective was to examine the key factors influencing the level of income distribution among the BME group in comparison to the White British group. The findings garnered from these main issues will be used to evaluate the ability of BMEs to save effectively for retirement. It is acknowledged that the ability to save for retirement is dependent upon a combination of inter-related factors, however, the level of income received through employment represents a key indicator to an individual's ability to save (Mawhinney, 2010).

In order to address the first objective of examining the employment characteristics of the BME group, key employment variables were taken into account. These include: employment type (full-time, part-time, self-employed, unemployed and inactive), sectors of employment (private and public) and occupation. An assessment of these variables was carried out in relation to the White British group. The data source utilised in the empirical chapter is the UK quarterly LFS and the total number of observations that were used to fulfil this objective is 369,398. This sample included 344,044 White British individuals and 25,354 BME individuals.

Perhaps one of the most common approaches to observing past trend in the labour market position of individuals is through a graphical representation of the data through charts and tables. This technique was used to compare the labour market outcomes of different ethnic groups in the UK by authors including Dustmann and Fabbri (2000), Berthoud (2002), Heath and Cheung (2006), Tackey (2006), Kenway and Palmer (2007) and Clark and Drinkwater (2008). Similarly, trends in BMEs employment characteristics will be compared to the White British group through the application of charts. The graphical display of charts provides the advantage of simplifying the categorical nature of the data on employment types into frequencies according to the different ethnic groups. Whilst the use of graphical representation in the analysis of data has its benefits, it raises the issue of Type I and Type II error. Type I error occurs when the null hypothesis is rejected when it is actually true and Type II refers to failing to reject the null hypothesis when it is false (Norusis, 2008).

Pallant (2010) suggests that a more robust technique for identifying disparities between groups is the use of statistical tests to identify mean differences between the two ethnic groups. A means comparison helps to determine whether the difference between BMEs and the White British group is statistically significant or just a random occurrence. There is a wide variety of statistical techniques that can be used to analyse data and they can be classified into two different groups: parametric and non-parametric (Dancey and Reidy, 2004). While the parametric technique offers a more robust analysis of the data, it requires that the data are drawn from a normal distribution. Conversely, non-parametric techniques do not conform to a normal distribution assumption but are usually less powerful and inflexible in terms of the conclusions that can be drawn (Tabachnick and Fidell, 2007).

Pallant (2010) informs that non-normal data distribution is a common occurrence for large samples and whilst non-parametric methods of analysis are normally required, parametric techniques can still be applied if the sample size is larger than 100 observations. Both parametric and non-parametric techniques are available for exploring the differences between groups and this includes the independent sample t-test versus the Mann-Whitney U test. The independent sample t-test is a parametric technique which is used to compare the mean of two groups while the Mann-Whitney U test compares the median of two groups through ranking of the data under non-parametric assumptions (Dancey and Reidy, 2004).

With all the variables utilised to fulfil the first objective being non-normal, the Mann-Whitney U test could be considered as being more appropriate than a t-test. However, the Mann-Whitney U test is more applicable to small sample sizes and is more suitable for analysing ordinal and continuous variables rather than nominal variables (Pallant, 2010). Thus, the t-test has been chosen as a means comparison statistical technique between the two groups because it is a more powerful technique and its validity in testing a non-normal population can be guaranteed through considerations invoked by the Central Limit Theorem (CLT). The CLT suggests that the distribution of the sample mean gives a good approximation of the population mean, therefore as the sample size increases it will approximate to a normal distribution based on the population mean (Norusis, 2008). Considering that the chosen sample size is 369,398, Dancey and Reidy (2004) advise that t-test can be applied to such large samples as the test is not seriously affected by violation of normality assumptions due to its robustness with large sample sizes. Pallant (2010) also confirms that if a test is robust, the validity of the test result will not be affected by data that deviates from normality.

The choice of t-test as a means comparison between BMEs and the White British group also raises the question of Type I and Type II errors. These errors will be minimised through the application of confidence intervals which are estimates of where the population mean may lie. As a common approach used in research, a 95% confidence level is applied with a probability value (p-value) of 0.05 (Tabachnick and Fidell, 2007). This signifies that if the probability of the mean results in a p-value that is less than 0.05, the findings are considered to be significant and a disparity exists between the two ethnic groups of concern.

The Levene test of equality of variance will also be used to assess whether the populations from which different samples are drawn are equal. Pallant (2010) informs that if the p-value of the Levene test is equal or less than .05, then equal variance between the two groups is not assumed. Whilst the t-test will confirm whether the difference in the mean between the two groups is significant, it does not state the strength of the difference between the groups which is otherwise known as effect size. Tabachnick and Fidell (2007) posit that eta squared is one of the most widely used tests to calculate the effect size statistics. Eta squared will therefore be used to estimate the magnitude of the difference between BMEs and White British group and will be calculated using the formula:

$$t^2 / t^2 + (N1 + N2 - 2)$$

The formula above is defined where t refers to the *t* statistics, N1 refers to the number of observations in the White British group and N2 refers to the number of observations in the BME group. The findings will be interpreted where values of .01 indicate a small effect, .06 denotes a moderate effect and values of .14 or above equals a large effect as recommended by Pallant (2010).

The second objective is to examine the key factors influencing the difference in income distribution among the BME group in comparison to the White British group. Based on findings presented in the literature review in the previous chapter, the following equation represents a theoretical model of the factors contributing to the low income of BME individuals:

Equation 1.

$$INCOME = \alpha + \beta_1 ETHNICITY + \beta_2 EMP_TYPE + \beta_3 EMP_SECTOR + \beta_4 EDUCATION + \beta_5 LOCATION + \beta_6 GENDER + \beta_7 CHILDREN + \beta_8 OCCUPATION + \beta_9 AGE + \beta_{10} MARRIED + \varepsilon$$

Based on the above equation, it is hypothesised that income is determined by influential variables such as: ethnicity, the type of employment held, the sector of employment that an individual is employed in, their educational qualification, their geographical location, gender, the number of dependent children in households, the type of occupation held, age and marital status.

There are a variety of approaches that can be used statistically to explore the relationship between variables in a dataset and this includes: correlation, partial correlation, Pearson Chi square test, factor analysis, simple linear regression, multiple regression and logistic regression (Norusis, 2008). Correlation represents one of the most commonly used statistics in examining the strength of the relationship between two or more continuous variables. On the other hand, partial correlation is used to explore the relationship between two variables while controlling the effect of a third variable influencing the relationship (Dancey and Reidy, 2004). Norusis (2008) points out that the Pearson Chi square test is frequently utilised to test the significance of the relationship between two categorical variables.

Factor analysis is often used to identify patterns of correlation among large sets of dependent variables by condensing them into a smaller and more manageable set of underlying factors (Tabachnick and Fidell, 2007). While the simple linear regression is used to examine the effect of one independent variable on a dependent variable, the multiple regression technique provides an extension of the simple linear regression and correlation analyses and is used to explore the ways in which multiple independent variables predict a continuous dependent variable (Dougherty, 2007). With a similar approach to multiple regression, logistic regression explores the predictive power of several independent variables but through the use of a categorical dependent variable (Pallant, 2010).

Given the specific nature of the second objective which is to examine the effects of several independent variables on income as a continuous dependent variable, the multiple regression technique is more appropriate for this analysis and will be applied. Tabachnick and Fidell (2007) support the use of multiple regression analysis and highlight its effectiveness in analysing real-life data with large sample sizes. The use of multiple regression is further supported by a theoretical model which originates from findings in Chapter 2 and the discussion of variables presented in section 3.3.5. In estimating income differences in the labour market between BMEs and the White British group, the multiple regression technique was also employed by Berthoud (1998) and Heath and Cheung (2006).

Although multiple regression offers a valuable technique for data analysis, it relies upon certain assumptions about the data and this includes: having a generalisable sample size, no missing data, a linear relationship existing between the independent and dependent variables (linearity), outliers are omitted or transformed, the residuals of the dependent variable scores

should be normally distributed (normality), the variance of the residuals are approximately equal for all predicted dependent variable scores (homoscedasticity) and independent variables should not be highly correlated (multicollinearity) (Norusis, 2008). Dancey and Reidy (2004) surmise that despite the data assumptions surrounding the use of multiple regression, most of the tests used in its analysis are quite robust and are not over-sensitive to violations of assumptions. Nevertheless, Pallant (2010) point out that in an attempt to reduce the risk of errors, the assumptions underlying the multiple regression analysis should be taken into account.

Conforming to the assumptions of multiple regression and the specific objective surrounding its usage, the data were inspected. In order to create a reliable sample size, the original sample of 369,398 observations was further filtered to exclude all observations with missing income data. As a result, the self-employed, unemployed and inactive individuals were excluded. The ONS (2011) confirms that income questions are not posed to respondents who are self-employed and as a result, missing data occurs for each of these individuals. The unemployed and inactive individuals were also excluded as they have no income reported. After excluding the observations with missing data, the total number of observations is 153,052. This sample included 144,825 White British individuals and 8,227 BME individuals.

The use of the above sample size is supported by Tabachnick and Fidell (2007) who recommend that the sample size used in a study should be calculated as $N > 104 + 8M$ where N is the number of participants and M denotes the number of independent variables. The number of independent variables used in this chapter is ten, namely ethnicity, employment type, employment sector, education, location, gender, children, occupation, age and marital status. Therefore the number of participants needed for the regression analysis is $N > 104 + (8 * 10) = 184$. This suggests that the findings generated through the data analysis can be generally applied to the population (Dancey and Reidy, 2004).

In an attempt to adhere to the additional underlying data assumptions of multiple regression, a preliminary data analysis was carried out. This was done to determine the assumptions of a linear relationship (linearity), no outliers (very high or very low scores), residuals normally distributed (normality), the variance of the residuals are derived from same distribution (homoscedasticity) and that no high correlation exists between the independent variables

(multicollinearity). As such, a basic multiple regression model, based on the theoretical findings as expressed earlier in Equation 1, was tested and the combined observations from the White British group and the BME group were taken into account. The model includes the theorised factors contributing to the low income of BME individuals and takes the following form:

Equation 2.

$$INCOME = \alpha + \beta_1 EMP_TYPE + \beta_2 EMP_SECTOR + \beta_3 EDUCATION + \beta_4 LOCATION + \beta_5 GENDER + \beta_6 CHILDREN + \beta_7 OCCUPATION + \beta_8 AGE + \beta_9 MARRIED + \varepsilon$$

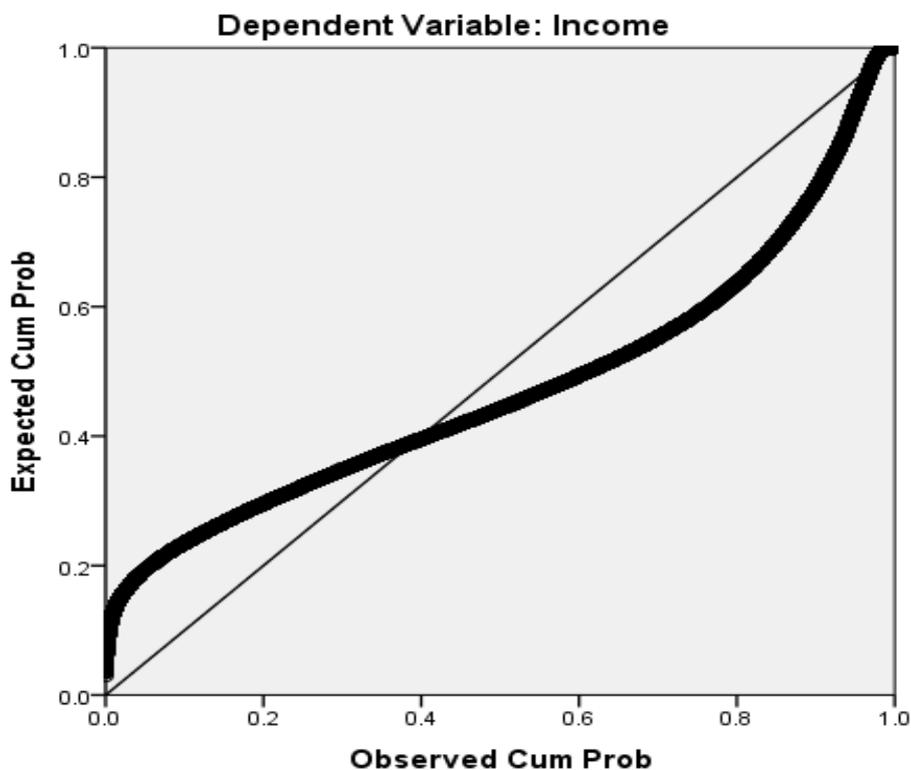
The above equation is defined where *INCOME* represents the dependent variable of interest is determined by: α which represents the constant; β is the slope term that relates to the value of the independent variable; *EMP_TYPE* indicates an individual being in full-time or part-time employment; *EMP_SECTOR* refers to employment within the private sector or public sector; *EDUCATION* denotes the academic achievement of individuals; *LOCATION* represents an individual's region of residence; *GENDER* signifies whether an individual is female or male; *CHILDREN* refers to the number of dependent children under the age of 16 living in a households; *OCCUPATION* signifies the job role held; *AGE* indicates the age range of 16 to 75; *MARRIED* refers to being single or married and ε which represents the error term. The regression model is being evaluated where five null hypotheses are tested and these are: a curvilinear relationship exists with the dependent variable, there are outliers, the residuals are not normally distributed about the predicted income values, the residuals of the predicted income values have unequal variance to all the predicted values and that the independent variables are highly correlated.

Considering the aspect of linearity, it is well documented that income generally shares a curvilinear relationship with other variables in a regression analysis (Dougherty, 2007). Previous research carried out by Dustmann and Fabbri (2000), Heath and Cheung (2006), Clark and Drinkwater (2007b) confirmed this hypothesis and utilised the transformation of income variable through the use of logarithmic transformations. Tabachnick and Fidell (2007) advise against the use of logarithmic transformation due to difficulties in its interpretation. However, Dougherty (2007) suggests that the use of a logarithmic model is superior to the use of a linear model to estimate economic variables such as income as it modifies the scores in the non-normal variable using mathematical formulas to achieve a

more normal distribution. Although all the variables used in the analysis have a non-normal distribution as discussed further in Section 3.3.6, income represents the most substantially positively skewed variable. As such, a log transformation was applied to reduce the skewness of the income values and enhance normality of the data. The non-linearity assumption of income will be cross-checked through the examination of residual plots generated from preliminary standard multiple regression analysis to support the use of logarithmic transformation.

An assessment of the normal P-P plot of regression standardised residuals (see **Figure 3.1**) confirms the claims of an income curvilinear relationship put forward by Dustmann and Fabbri (2000), Heath and Cheung (2006), (Dougherty, 2007) and Clark and Drinkwater (2007b). This results in the null hypothesis being accepted and a log transformation of income was carried out.

Figure 3.1. Normal Probability Plot of Regression Standardised Residuals



Source: UK Labour Force Survey (2006 to 2011)

In order to choose the correct functional form of log transformation, a Box Cox test was carried out. This is done because the use of an incorrect functional form, which fails to account for non-linearity, can result in a Type I or Type II error (Asteriou and Hall, 2007). The Box Cox test was undertaken where the geometric mean of income was obtained and transformed into a semi-logarithmic model ($\log(\text{income}) = \alpha + \beta_1 \text{EMP_TYPE} + \beta_2 \text{EMP_SECTOR} \dots + \varepsilon$) and a double log model ($\log(\text{income}) = \alpha + \beta_1 \log \text{EMP_TYPE} + \beta_2 \log \text{EMP_SECTOR} \dots + \varepsilon$). Both models were estimated and the residual sum of squares was observed. Asteriou and Hall (2007) recommend that the model which produces the lowest residual sum of squares (RSS) should be chosen as the correct functional form. Since a lower RSS was given in the semi-log model, it was chosen as the functional form with which the multiple regression analysis was carried out to improve the accuracy of the estimates.

Outliers often occur when variables in the data have very high or very low scores (Pallant, 2010). A data screening was carried out and the standardised residual plot presented through the request of a scatterplot was observed. Where outliers exist in the dependent variable, transformation or deletion was applied to improve the normality of the data. Tabachnick and Fidell (2007) recommend that outliers can be detected on scatterplots generated from the multiple regression process through observations that have a standardised residual of more than 3.3 or less than -3.3. The scatterplot generated highlights that there is no presence of an outlier. This may be due to the fact that data cleaning was carried out prior to the analysis where the total number of observations which was originally 369,398 was filtered to 153,052 to exclude all the observations with missing income data. The null hypothesis on outliers is therefore rejected.

Normality of the data was assessed through case-wise diagnostics to identify observations with a standardised residual value of more than 3.0 or less than -3.0 (Pallant, 2010). In the sample a total of 1,899 observations recorded a residual value above 3.0. In this case, Tabachnick and Fidell (2007) recommend checking the values of the Cook's distance generated as a part of the residual statistics to identify observations having values of more than 1.0 which would suggest that these observations will have an impact on the regression model. The highest recorded value for the Cook's distance in the sample is .86 which suggests that the data meet the requirements of normality so the null hypothesis was rejected. The normal P-P plot of the regression standardised residuals was used to determine homoscedasticity of the data. It was observed that the residual plots were not the same

dispersion for all the values of the predicted since the cluster of values gets wider as the income value gets larger. The null hypothesis of homoscedasticity is therefore accepted. Dougherty (2007) advises that the use of a logarithmic regression is more plausible in this case since it will make the regression model homoscedastic. With a semi-log model chosen to analyse the data, the issue of homoscedasticity will be resolved.

An observation of the correlation matrix revealed that none of the variables were highly inter-correlated. A collinearity diagnostics was also carried out to test for multicollinearity and it shows that the multicollinearity assumption was not violated. This was confirmed by a high tolerance ($> .57$) and low variance inflation factor ($VIF < 1.76$) (Tabachnick and Fidell, 2007). The tolerance is an indicator of how much of the variance in a particular variable is not accounted for by other variables (Dougherty, 2007). The results suggest that the predictor variables in the model do not overlap in their prediction of income and the null hypothesis is therefore rejected.

Having met all the underlying assumptions of multiple regression, the semi-log regression model is estimated to evaluate the model as well as each of the independent variables within the model. The semi-log model is estimated as:

Equation 3.

$$(LOG)INCOME = \alpha + \beta_1EMP_TYPE + \beta_2EMP_SECTOR + \beta_3EDUCATION + \beta_4LOCATION + \beta_5GENDER + \beta_6CHILDREN + \beta_7OCCUPATION + \beta_8AGE + \beta_9MARRIED + \varepsilon$$

The regression results indicate that 46.7% (adjusted R^2) of the variance in income is predicted by the model and the overall relationship was significant ($F_{9, 153042} = 14911.75$, $p < 0.05$). With this result, the null hypothesis could be rejected since it suggests that a direct relationship between the dependent and the independent variables exists. Before a conclusion is drawn, the independent variables will be observed for their contribution to the prediction of income. The variables are assessed through their standardised beta coefficient, the corresponding significance value ($p < .05$) and the relative part correlation coefficient. Norusis (2008) informs that by checking these three key outputs from the regression analysis, it reveals the unique contribution made by each variable and aid in the relevant elimination.

The standardised coefficients of beta provide a good measure of contribution since it converts the values of each of the variables to the same scale in order to facilitate comparison. Norusis (2008) further states that researchers often include irrelevant variables in a regression model which increases the RSS and does not contribute significantly to the model. The goal of this chapter is to build an unbiased model which represents the important variables predicting income. Of all the variables, location made the least significant contribution with a standardised beta coefficient of 0, a p value of .842 and a part correlation coefficient of .000. The location variable was deleted from the regression model.

Based on the nature of the objective which is to identify the variables influencing the difference in income distribution among the BME group in comparison to the White British group, the data were split to compare the effect of a pooled and a separate regression analysis run for each of the ethnic groups on the RSS value. Dancey and Reidy (2004) confirm that a small RSS indicates a better fit of the model to the data. The regression model takes the form for the pooled and ethnic split regression:

Equation 4.

$$(LOG)INCOME = \alpha + \beta_1EMP_TYPE + \beta_2EMP_SECTOR + \beta_3EDUCATION + \beta_4GENDER + \beta_5CHILDREN + \beta_6OCCUPATION + \beta_7AGE + \beta_8MARRIED + \varepsilon$$

The RSS of the pooled regression is 56234.73 with a significant relationship ($F_{8, 153043} = 16775.827, p < 0.05$) while the RSS for the split regressions totals 56114.364. The RSS for the BME group is 3003.967 with a significant relationship ($F_{8, 8218} = 812.122, p < 0.05$) and the RSS for the White British group is 53110.397 with a significant relationship ($F_{8, 144816} = 16039, p < 0.05$). The RSS achieved through splitting the data by ethnicity regressions revealed that by running separate regressions by ethnic groups, it will result in better models fitted to the data. Blackaby *et al.* (2002) also support the use of separate income models to estimate the earnings of ethnic groups due to a better structural stability given to the model and the easy interpretation of the findings generated. By running separate regressions for BMEs and the White British group, it reflects the importance of interest in identifying the difference between the ethnic groups.

With the influential debate on gender differences within the labour market and its impact on the level of income that men and women received, the data will be further split to account for

both ethnicity and gender. Dougherty (2007) suggests that dummy variables can be used in this instance. He admits, however, that if the interaction with the dependent variable is significant, the regression does not test the main effects but simply highlights the difference between the genders. So it is important that both the interaction and the effects are considered (Dougherty, 2007). Pallant (2010) agrees to the use of dummy variables in a regression but also suggests that greater precision of the model fit can be achieved through the use of separate regressions where the RSS of the separate and combined regressions can be compared by their RSS, the relevant p value and the corresponding F-statistics. A comparison of separate gender and combined gender regressions resulted in a lower RSS for the separate gender regressions followed by a larger F-statistics and supported by a significant p value. The employment trend findings for employment sector also bring to light the importance of comparison by gender since, while the sector differences by ethnicity were all insignificant, the analysis of men and women by ethnicity provided a different result. The sample data is therefore split by ethnicity and gender and the final regression model is estimated as:

Equation 5.

$$(LOG)INCOME = \alpha + \beta_1EMP_TYPE + \beta_2EMP_SECTOR + \beta_3EDUCATION + \beta_4CHILDREN + \beta_5OCCUPATION + \beta_6AGE + \beta_7MARRIED + \varepsilon$$

The model was estimated where the null hypothesis is that all the independent variables are unimportant for predicting income ($H_0: \beta_i = 0$) and the alternate hypothesis is that at least one independent variable is useful for predicting income ($H_1: \beta_i \neq 0$). Pallant (2010) recommends the use of an Ordinary Least Squares (OLS) regression model in respect of Equation 5. Given inconsistencies that may arise in the parameter estimates of the OLS model due to the clustering of values that may exist at a limiting value, Asteriou and Hall (2007) highlight that a tobit model, also referred to as a censored regression model, may provide a better estimate of the relationship between the non-negative dependent variable and the independent variables. Having estimated both the OLS and the tobit models, where the estimation results were identical, the OLS results are presented.

This section has identified the methodology that was applied to achieve the two objectives of this chapter which are: to examine the employment characteristics of the BME group to determine the extent of their disparity in the labour market and to examine the key factors influencing the difference in income distribution among the BME group in comparison to the

White British group. The following section presents the data source and variables utilised to fulfil the objectives of this chapter.

3.3 Data

3.3. Data Source

The availability of microdata has resulted in the estimation of employment characteristics and income of different ethnic groups in many studies. Clark and Drinkwater (2008) and Li and Heath (2008) confirm that the two most prominent datasets used to assess labour market income and employment trends in the UK are the Labour Force Survey (LFS) and Annual Survey of Hours and Earnings (ASHE). ASHE seeks to collect labour market data directly from employers based on the income and work patterns of individuals and as a result the self-employed are excluded. On the other hand, the LFS collects information from individuals themselves and therefore the self-employed are not exempted (Ormerod and Ritchie, 2006).

An advantage that the LFS has over the use of ASHE is that in addition to the provision of labour market data about respondents, the LFS provides details such as human capital information in the form of the highest qualification of each individual interviewed (Lindley, 2009). Furthermore, the ethnic minority boost in the LFS is larger than the ethnic sample in ASHE and as a result the LFS facilitates extensive research on BME individuals (Dustmann and Fabbri, 2000). Consistent with research carried out by Dustmann, Fabbri, Preston and Wadsworth (2003), Spence (2003), Heath and Cheung (2006), Clark and Drinkwater (2008) and Li and Heath (2008) into the labour market performance of BMEs in the UK, data derived from the LFS Office for National Statistics (ONS) is used in this chapter.

First conducted in 1973, the LFS was carried out biennially and represents a major government survey in the UK that serves the purpose of collecting data based on labour market characteristics (ONS, 2011). An annual LFS survey was launched in 1984 but was replaced by a quarterly survey in the spring of 1992. With a sample size of approximately 60,000 households included in the quarterly surveys, the LFS provides an extremely useful source of information whereby extensive analysis can be carried out to monitor the social and economic progress of individuals and groups and also aid in policy making. Spanning a wide range of policy and research interests, the LFS currently represent the main source of statistics that is collected on a quarterly basis to highlight the characteristics of people who

work as self-employed as well as the reason individuals take on part-time or temporary work (ONS, 2011). Governed by European regulations, the LFS is designed to meet the Statistical Office of the European Union (Eurostats) requirements.

3.3.2 *Scope of the Survey*

As one of the largest continuous surveys carried out in the UK, the LFS is intended to be representative of the entire population. A combination of sampling strategies is used to facilitate the coverage of the population in the survey. ONS (2011) confirms that in order to provide estimates for the overall population, population weighting is applied on the sample data collected by the LFS. The weighting used in this case is reciprocal of a simple random sampling technique and compensates for different rates of non-response among various ethnic groups. The ONS (2011) reveals that an unclustered sample of addresses to which mails are delivered in England, Wales and the southern part of Scotland are usually drawn from the Royal Mail Postcode Address File (PAF). In northern Scotland, samples are drawn from the telephone directory while the Government's central register of domestic properties provides the sample for Northern Ireland (ONS, 2011). The LFS sample includes individuals such as those residing in private households, National Health Service (NHS) accommodation and students who live in halls of residence (Chamberlain, 2002). An estimated 60,000 respondents are interviewed in the survey each quarter (Clark and Lindley, 2009).

3.3.3 *Survey Design*

The LFS is based on the rotating panel design which is made up of five waves. Each individual is interviewed five consecutive times, once in each wave, before being eliminated from the survey (ONS, 2011). This means that each quarter of the LFS represents individuals completing their first, second, third, fourth and final wave of interviews. The method of data collection for individuals entering the first wave of the survey is face to face interviews, whereas subsequent interviews are carried via the telephone. The survey is uniquely designed to include a core set of questions that are asked in each wave, along with a set of other questions which vary by wave. Comprised of two parts, the first section of the survey collects information relating to the basic demographics of individuals while the second section seeks to unearth information relating to other characteristics such as education and training, economic activity, earnings and health status (Chamberlain, 2002). The LFS maintains a high response rate through the use of proxy responses, whereby information about a respondent can be gathered only from a related adult member of the same household (ONS, 2011).

3.3.4 *Sample selection*

Building on previous research including a 34 year period (1972 to 2005) analysis of the labour market disadvantage of BMEs carried out by Li and Heath (2008), the chosen sample is based on the rotating panel design of the quarterly LFS. This period of analysis is 2006 to 2011 and was selected for the following reasons. In 2006 a new definition for the term unemployed was implemented in the LFS to facilitate a more precise definition on an international level (Clancy and Stam, 2010). Whilst ‘unemployed’ previously referred to individuals who were not in employment, from 2006 this term took on the new international definition which was recommended by the International Labour Organisation (ILO). As such the term unemployed currently refers to individuals who are jobless, but have been actively seeking employment (ONS, 2011).

With unemployment levels representing a key aspect of employment characteristics, this chapter maintains uniformity by restricting the analysis to data from 2006. Furthermore data collected prior to 2006 were collected on a seasonal basis. Eurostats advises that in order to promote comparability of findings between the UK and other European countries, it was imperative that a transition from seasonal quarters to calendar quarters was introduced (see **Table 3.1**). Calendar quarters form the basis of the analysis and data are restricted to the last quarter of 2011 which represents the latest available data from the LFS at the time of data analysis.

Table 3.1. The change from seasonal to calendar quarters

Seasonal Quarters	Calendar Quarters
Winter (December to February)	Q1 = January to March (JM)
Spring (March to May)	Q2 = April to June (AJ)
Summer (June to August)	Q3 = July to September (JS)
Autumn (September to November)	Q4 = October to December (OD)

Each quarter of the LFS contains an approximation of 80% overlap of the same individual (Clark and Drinkwater, 2009; ONS, 2011). In order to avoid repeat observations on the same individual, it is customary to carry out observations on only one of the five waves of the LFS (Heath and Chung, 2006; Clark and Drinkwater, 2008; Drinkwater and Garapich, 2011). On

this basis, the surveys for five waves are taken into account, but only one wave of interviews is included. Waves 1 and 5 represent the only two waves in which information about income is collected (Dickens, Riley and Wilkinson, 2009).

Previous research carried out by Clark and Drinkwater (2008) recommends the use of Wave 1 in the analysis of income since unlike Wave 5 where telephone interviews are carried out, Wave 1 interviews are carried out face-to-face and therefore receive a higher response rate than those carried out in subsequent waves. As such, wave 1 data are pooled over a six year period (2006 to 2011) to cover 24 quarters (from the 1st quarter of January 2006 to the 4th quarter of December 2011) of the LFS to construct a new dataset. Although the sample of the LFS is made up individuals up to the age of 99, the sample used in this chapter is restricted to individuals between the ages of 16 and 75. These ages represent the minimum and maximum ages allowed for participation in the Automatic Enrolment scheme (DWP, 2011). Furthermore, the ONS (2011) acknowledges that the BME sample over the age of 75 is small. Lievesley (2010) informs that retired BME elders often engage in return migration, hence the limited sample sizes available to researchers.

The sample of the LFS includes the main ethnic groups in the UK. Dustmann and Theodoropoulos (2010) and Hatton (2011) highlight that BME individuals are often the main focus in public debate due to the social and economic disadvantages they face in the UK. Representing the largest number of non-white individuals in the UK, five main ethnic groups (African, Caribbean, Indian, Pakistani and Bangladeshi) were chosen to represent the BME group (ONS, 2002). Despite the large sample size of the LFS, the BME group had small sample sizes in each Wave 1 quarter of the survey. In order to generate sufficient observations, the sample data for each of the five chosen BME sub-samples were merged to boost the overall size of the BME group sample, as consistent with Clark and Drinkwater (2007a, 2007b).

The labour market characteristics and income of the BME group in the UK have been constantly compared to that of the White British group. Modood *et al.* (1997) highlighted distinct differences in the labour market experience faced by both groups. Owen *et al.* (2000) and Twomey (2001) further focused on the rate of unemployment among BMEs in comparison to the unemployment levels of White British individuals. Examining

improvements in the labour market position of BMEs, Blackaby *et al.* (2002) highlighted inconsistencies in the labour performance of both groups.

Modood (2004) and Conor (2004) also investigated educational achievements among different ethnic groups and incorporated BMEs and White British individuals. Heath and Cheung (2006) further researched the ethnic inequalities that BMEs face in seeking to improve their labour market position and compared their routine jobs outcome and low hourly rates of pay to the White British group. Kenway and Palmer (2007) and Clark and Drinkwater (2009) also utilised the ethnic comparison of BMEs and the White British group to highlight patterns of self-employment and risk of financial difficulty among BMEs. In addition to this, McDowell, Batnitzky and Dyer (2008) and Berrittella (2012) researched the diversity of experience by both ethnic groups in relation to gender, education and labour market outcomes.

Dustmann and Theodoropoulos (2010) suggest that by incorporating the White British group into an analysis with the BME group, it highlights the income and employment disparities that exist within the labour market. This is not surprising given the Modood (1998) theoretical view that it is difficult to disentangle the influences of ethnicity on the disadvantaged employment outcomes experience by non-white ethnic groups in the UK society. On this premise, the White British group was included in the dataset as a comparator. After excluding all cases that did not refer to: 2006 to 2011, Wave 1, BMEs, White British, ages 16 to 75 and excluding observations with missing data, the sample used to fulfil the first objective of exploring labour market characteristics was comprised of 369,398 observations (see **Table 3.2**).

Table 3.2. The sample data used to fulfil the first objective

Ethnic groups		Frequency	Percent
White British	Female	178,661	51.9
	Male	165,383	48.1
	Total	344,044	100.0
BME	Female	13,226	52.2
	Male	12,128	47.8
	Total	25,354	100.0

In order to fulfil the second objective of examining the key factors that influence income, the original sample of 369,398 observations was filtered to exclude observations with missing income data. This resulted in a sample size of 153,052 (see **Table 3.3**).

Table 3.3. The sample data used to fulfil the second objective

Ethnic groups		Frequency	Percent
White British	Female	75,606	52.2
	Male	69,219	47.8
	Total	144,825	100.0
BME	Female	3,991	48.5
	Male	4,236	51.5
	Total	8,227	100.0

3.3.5 Variables

The main focus of this chapter is to examine the labour market characteristics and incomes of the BME group in the UK. This is carried out through an examination of the employment characteristics of BME individuals and an examination of the factors which influence income distribution among BMEs and the White British group. The LFS provides a comprehensive range of influential factors which affect the labour market performance of individuals (Blackaby *et al.*, 2002; Spence, 2003). Explanatory variables that have been discussed in Chapter 2 and identified by previous studies have been taken into account and this includes ethnicity, income, occupation, employment type, employment sector, educational qualification, geographical location, gender and number of dependent children in households. As recommended by Heath and Cheung (2006) and Lindley (2009) age and marital status have been included in the analysis as control variables.

3.3.5.1 Variable Definitions

- *Ethnicity (BMEs and White British group)*

Complexities surrounding the definition of an ethnic group have been identified through ethnicity questions posed in the UK Census carried out in 1991 (Bulmer, 1996). Failing to capture the ethnic differences within the population through the use of eight main categories (White, Black Caribbean, Black African, Indian, Pakistani, Bangladeshi, Chinese and Other), the classification of ethnic groups in all government surveys changed according to new

classification used in the 2001 UK Census with effect from the spring of 2001 (Platt, Simpson and Akinwale, 2005; Smith, 2002). The new ethnicity categories provided individuals with the opportunity to choose a more self-defining classification through the use of ethnic groupings such as White (British, Irish, Other White), Mixed, Asian or Asian British (Indian, Pakistani, Bangladeshi, Other Asian), Black or Black British (Black Caribbean, Black African, Other Black), Chinese and Other (Heath and Cheung, 2006). As such, the LFS utilises a range of classification methods in order to identify individuals consistently (ONS, 2011). This includes allowing individuals to self-report their belonging to one of the different ethnic groups (ONS, 2011).

Afkhami (2012) argues that although the use of ethnic classification helps to identify inequalities among different groups of people, the idea that ethnicity is associated with a fixed category is being increasingly challenged. Whilst the use of the 2001 ethnic classification is recommended by the ONS as a national standard to aid in consistency, local and regional government have recognised the need for a detailed breakdown of the 2001 ethnic classification in an attempt to provide a more accurate identification of individuals (Platt *et al.*, 2005).

As pointed out in section 3.3.4, the BME group refers to non-white individuals from five ethnic backgrounds. The terminology used to classify these five ethnic backgrounds varies from ‘BME’, ‘Black, Asian and Minority Ethnic (BAME)’, ‘minority ethnic’ and ‘ethnic minority’ and are often used interchangeably (Aspinall, 2002). However, the term ‘BME’ is the most commonly used within the UK policy circle to represent individuals of non-white descent and has been adopted (DWP, 2011). The term White British group refers to individuals who have identified themselves as being from a white UK background. A comparison of the BME group with the White British group utilises the six largest ethnic groups in the UK and is poised to facilitate a clearer understanding of the differences in labour market outcomes between the five sub-samples of the BME group (BMEs) and the White British group.

- *Income (INCOME)*

This variable refers to the gross weekly pay that individuals receive in their main job. Central to the ability of BMEs to save for retirement, income is the economic variable of interest and represents the dependent variable. As one of the strongest determinants of quality of life in

old age, the level of income received during employment is the key to accessing pension schemes such as occupational pensions and private pension savings. This is because an individual who receive a higher income in employment, has a higher probability of saving for retirement than a low earner. With many BMEs encountering income inequalities in the labour market, substantial variations between the incomes of BMEs and White British ethnic group are often reported (Berthoud, 2002; Blackaby *et al.*, 2002). By using income as the dependent variable, the factors contributing to a lower income on average for the BMEs than the White British group can be assessed (Kendall *et al.*, 2005). Kenway and Palmer (2007) further suggest that the disadvantages that BMEs face within the labour market is best assessed through their income.

- *Occupation (OCCUPATION)*

The type of job that an individual has is an important means for being able to adequately access retirement resources and plan effectively for retirement. The LFS records nine major occupation groups of individuals in the UK and these ranges from elementary jobs to managers and senior official roles (ONS, 2011). Occupational segregation within the labour market contributes to the earnings differentials between BMEs and White British individuals. Clark and Drinkwater (2007a) and Hatton (2011) argue that BMEs receive lower income in employment due to barriers faced in accessing well-paid jobs. Furthermore BMEs are under-represented in senior level jobs, tend to be concentrated in job roles such as caring, cleaning, catering and clerical jobs and given limited scope for job progression (Field, 2002). Following Heath and Cheung's (2006) assessment on the income of BMEs in the labour market and the application of occupation as an explanatory variable, occupation has been included in the analysis as a having an important effect on BMEs income.

- *Employment type (EMP_TYPE)*

This variable indicates the main employment type reported by an individual and is classified into employed (full time and part time), self-employed, unemployed or economically inactive. According to the standard ILO definition, an individual who carries out paid work for more than one hour per week is referred to as being employed (ONS, 2011). Section 3.3.4 provides the ILO definition for being unemployed. Similarly, the term 'self-employed' indicates the individuals who work for themselves for the purpose of earning a profit and employs no other person (Clancy and Stam, 2010). On the other hand, individuals who are

without a job but do not meet the ILO criteria of unemployment are considered to be economically inactive (Heath and Cheung, 2006). Clancy and Stam (2010) confirm that the economically inactive category of employment type includes individuals who are permanently sick or disabled.

The type of employment that an individual has plays a central role in influencing the level of income that they receive. Blackaby *et al.* (2002) posit that the employment characteristics of BMEs differ considerably to the White British. Tackey (2006) agrees and adds that the average number of BME individuals in full-time employment is remarkably lower than the White British Group and barriers to full-time employment often force many BME individuals into part-time working. Whilst part-time working does not solely limit the ability of BMEs to save for retirement, it is the level of income that they receive in their relevant job role that helps to influence their retirement savings ability (McDowell *et al.*, 2008). Clark and Drinkwater (2000) also find that BMEs are over-represented in self-employment as an attempt to overcome obstacles that they face in securing good jobs. Likewise, high levels of inactivity among BMEs are often recorded (ONS, 2005; Seebohm, 2008; Froy and Pyne, 2011). With the employment characteristics of BMEs cited as an important indicator of the level of income they receive, employment type has been included in the analysis.

- *Employment sector (EMP_SECTOR)*

Employment sector represents a binary variable and specifies whether an individual's employment is within the private or public sector. Spence (2003) and Sullivan (2004) surmise that the employment sector in which an individual is employed helps to determine the level of income received. Heath and Cheung (2006) revealed diversity in the ethnic composition of both sectors of employment. They argued that women from a BME background tend to be more employed within the public sector than women from a white British background, while the presence of BME women within the private sector was lower than that of white British women. Although BME men are well represented within private sector employment, clear patterns of under-representation in professional and managerial positions are evident (Sullivan, 2004). Following the hypothesis by Spence (2003) and Heath and Cheung (2006) that discrimination in both sectors of employment influences the low level income of BME individuals, employment sector represents an important variable in the analysis.

- *Educational qualification (EDUCATION)*

This variable denotes the academic achievement of individuals. In order to capture the range of educational qualification held by individuals, the LFS uses various categories ranging from ‘no qualification’ to a ‘higher degree’. The higher degree category includes qualifications such as PhD, Masters and postgraduate certificates (ONS, 2011). Educational qualification is frequently cited as having an impact on income received in employment (McGuinness and Bennett, 2007). A major interest has been whether BME individuals receive the same returns to education as the White British group (Connor, 2004; Bhattacharyya *et al.*, 2003; Kendall *et al.*, 2005; Lindley, 2009). Connor (2004) points out that whilst the return to education may be good on average, some individuals benefit from an increase in income while others experience a decline. Lindley (2009) also confirms that a decline in earnings is often associated with being concentrated in low level jobs. Through their study of minority ethnic pupils, Kendall *et al.* (2005) applied education qualification as a variable in their analysis and revealed that BMEs do not receive the same level of associated income given to individuals from White British backgrounds due job recruitment processes.

The Modood (2004) explanation of the difference in income based on educational outcome is that BMEs are often overlooked for good jobs and the only available ones are often below their qualification level. Bhattacharyya *et al.* (2003) recognise that educational achievement by ethnicity influences income and posit that the disadvantages posed to BME individuals result in over-education in the labour market. Modood (2004) further explains that educational discrimination due to ethnicity is partly the reason some BMEs do not value education as much as their white peers and end up in low level jobs. Elias and Purcell (2011) found evidence to suggest that the lack of educational qualification within the labour market can result in lower level of income due to under-education. With the strong association hypothesised between educational qualification and income received in employment, education has been chosen as a variable.

- *Geographical Location (LOCATION)*

Geographical location indicates an individual’s region of usual residence and includes people residing in England, Scotland, Wales and Northern Ireland. The geographical location of BMEs is considered important in explaining job opportunities (Clark and Drinkwater, 2002). Berthoud (2002) and Simpson and Finney (2009) also proposed that the ethnic concentration

of BMEs in urban areas is associated with low levels of earnings and high levels of unemployment and economic inactivity. Utilised in the analysis of BME's income by Clark and Drinkwater (2007b) and Nazroo and Williams (2006), location was seen to play a significant role in explaining the social inequalities that BMEs face. Whilst Steventon and Sanchez (2008) explain that ethnic clustering in particular locations is positively associated with the benefits of religious gathering and the close proximity of extended family network, its direct impact on income cannot be overlooked. As a result, location has been included.

- *Gender (GENDER)*

This variable refers to an individual being a male or a female. Ginn and Arber (2002) suggest that women's position within the labour market influences their low income and the relative under-savings made in private pension schemes. Women's employment tends to be concentrated within low-paid occupations and, as a result, males are more likely to have a higher income from employment on average than women (Warren, 2006). (Noone, Stephens and Alpass, 2011) posit that the gender related pay gap between men and women can be accounted for by the social and cultural barriers that women face in accessing certain professions.

Conforming to the Modood (1997) theory on ethnic influence within the social context, Ginn and Arber (2001) state that whilst gender impacts on income levels, the interplay between gender and ethnicity in creating disadvantages to BME women is of great concern. BME women are hypothesised as having a lower labour market participation rate than White British women due to family responsibilities brought about by a gendered division of labour within their household (McDowell *et al.*, 2008). Gender is therefore included in the data for analysis so that the impact of gender according to ethnic groups can be tested for its influence on the level of income that males and females received.

Number of dependent children in households (CHILDREN)

This variable signifies the number of dependent children under the age of 16 present in households. Steventon and Sanchez (2008) and Lindley (2009) suggest that the presence of dependent children in households increases the probability of part-time work and unemployment due to childcare issues. Botcherby (2006) highlights that BME families are usually larger than White British families and is often comprised of three or more children under the age of 16. The welfare system of child benefit support in the UK links the level of

financial support to the number of children in households and the work status of parents or guardians. This results in a lower level of benefit given to claimants with a full-time job and earnings over a given threshold (Steventon and Sanchez, 2008). However, from January 2013 the government decided to withdraw gradually child benefit support from families through an income tax charge where an individual within the household earns more than £50,000 per year, while fully withdrawing child benefit support where an individual earns over £60,000 per year (HMRC, 2012).

Brewer and Joyce (2012) argue that high rates of part-time employment exist among parents or guardians due to issues such as child care costs and the withdrawal of child benefit from households based on their level of income. Where families in the UK consist of large number of dependent children; there may be a related risk of low pension incomes due to difficulties in maintaining the needs of the household (Platt, 2002). McDowell *et al.* (2008) further posit that individuals with no dependent children are more likely to seek promotion in their job which leads to a higher income than an individual with children. The positive association between children in household and income results in the inclusion of the number of dependent children in the analysis.

- *Age (AGE)*

Age is measured in years and refers to individuals between the ages of 16 and 75 in line with the age requirements of the Automatic Enrolment pension scheme (Johnson *et al.*, 2010). Age has been included in the analysis since it has been cited as being an influential factor to income earned from employment since income generally rises throughout the early stages of an individual's working life then decline as a person gets older (Heath and Cheung, 2006). Heath and Cheung (2007) also suggested that age and the income of an individual are positively correlated due to increasing work experience, promotion given to more experienced workers and annual earnings increment. Bhattacharyya *et al.* (2003) hypothesised that a positive correlation between the age and income of BMEs might not be evident as with the White British group. They explained that BME individuals over the age of 21 tend to remain in education for longer durations than white British individuals and this contributes to their high rates of part-time working, unemployment, inactivity and low levels of income (Bhattacharyya *et al.*, 2003).

- *Marital status (MARRIED)*

The marital status of individuals is being controlled for and signifies whether an individual is ever-married (including divorced, separated or widowed) or single. Marital status is found to be an important predictor of income as it helps to determine the type of employment held. Heath and Cheung (2007) states that single men often have a higher rate of unemployment than married men, while married women tend to have a lower labour market participation rate than single women. Similarly, marriage is associated with higher levels of income for men due to marriage bias (Bardasi and Taylor, 2005). Dale, Lindley and Dex (2006) provided convincing explanations that being married significantly increases the probability of economic inactivity among BME women since they usually marry at an earlier age than white British women and often assume a gendered family role due to large immediate and extended families.

Given the theoretical underpinning of the inclusion of each of the chosen variables in the analysis, the following section provides a summary of the characteristics of each of the variables defined.

3.3.6 *Descriptive Statistics*

In an attempt to gain an overall view of the data used to achieve the first objective of this chapter, **Table 3.4** provides a description of the sample data comprising of 369,368 observations. This includes a description of the employment variables which are: full-time, part-time, self-employed, unemployed, inactive, occupation group and sector of employment. Likewise, **Table 3.5** provides a description of the sample data of 153,052 observations used to achieve the second objective of examining the factors that influence income. This includes income, employment type, employment sector, educational qualification, location, occupation, gender, children, age and marital status. To facilitate a more detailed view of the data, both samples are split according to the two ethnic groups of concern.

Table 3.4. Description of the sample data 1

This table presents the descriptive statistics for the variables: employment type (full-time, part-time, self-employed, unemployed and inactive), occupation and employment sector as defined in Section 3.3.5.1. The sample data have been split by ethnicity and the descriptive statistics for the BME group and the White British group is provided. The period of observation is 2006 to 2011 and the total number of observations is 369,398.

Ethnic groups		Full-time employment	Part-time employment	Self employed	Unemployed	Inactive	Occupation	Employment sector
White British Group N = 344044	Mean	.56	.22	.09	.04	.34	2.77	1.25
	Median	.00	.00	.00	.00	.00	2.00	1.00
	Minimum	.00	.00	.00	.00	.00	.00	1.00
	Maximum	1.00	1.00	1.00	1.00	1.00	9.00	2.00
	Std. Deviation	.50	.42	.28	.19	.47	2.99	.43
	Skewness	-.26	1.33	2.96	4.86	.70	.76	1.17
	Kurtosis	-1.93	-.23	6.79	21.60	-1.52	-.75	-.63
	K-S test Sig. Value	.00	.00	.00	.00	.00	.00	.00
BME Group N = 25354	Mean	.51	.17	.08	.07	.38	3.35	1.25
	Median	.00	.00	.00	.00	.00	3.00	1.00
	Minimum	.00	.00	.00	.00	.00	.00	1.00
	Maximum	1.00	1.00	1.00	1.00	1.00	9.00	2.00
	Std. Deviation	.50	.38	.26	.25	.49	3.23	.43
	Skewness	-.04	1.76	3.22	3.42	.50	.40	1.17
	Kurtosis	-2.00	1.10	8.36	9.71	-1.75	-1.27	-.63
	K-S test Sig. value	.00	.00	.00	.00	.00	.00	.00

Table 3.5 Description of the sample data 2

This table presents the descriptive statistics for the variables: income, employment type, employment sector, educational qualification, location, occupation, gender, children, age and marital status as defined in Section 3.3.5.1. The sample data have been split by ethnicity and the descriptive statistics for the BME group and the White British group is provided. The period of observation is 2006 to 2011 and the total number of observations is 153,052.

Ethnicity		Income	Employment type	Employment sector	Educational Qualification	Location	Occupation	Gender	Children	Age	Marital status
White British Group N=144825	Mean	432.32	0.73	0.70	26.16	10.37	2.67	0.48	0.60	41.43	0.68
	Median	350.00	1.00	1.00	31.00	10.00	2.00	0.00	0.00	42.00	1.00
	Std. Deviation	404.59	0.44	0.46	8.34	4.87	2.96	0.50	0.90	12.74	0.47
	Skewness	25.77	-1.03	-0.86	-1.50	0.04	0.81	0.09	1.44	-0.03	-0.77
	Kurtosis	2637.00	-0.94	-1.25	0.72	-0.78	-0.65	-1.99	1.59	-0.83	-1.41
	Minimum	1.00	0.00	0.00	2.00	1.00	0.00	0.00	0.00	16.00	0.00
	Maximum	55000.00	1.00	1.00	31.00	20.00	9.00	1.00	9.00	75.00	1.00
	K-S Sig. Value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BME Groups N=8227	Mean	424.84	0.74	0.70	26.82	9.50	0.45	0.51	0.87	37.94	0.71
	Median	346.00	1.00	1.00	31.00	9.00	0.00	1.00	0.00	37.00	1.00
	Std. Deviation	428.39	0.44	0.46	8.03	3.44	1.63	0.50	1.07	10.86	0.45
	Skewness	24.03	-1.11	-0.88	-1.73	0.32	3.81	-0.06	1.13	0.38	-0.93
	Kurtosis	1319.41	-0.76	-1.22	1.45	0.60	13.91	-2.00	0.79	-0.42	-1.14
	Minimum	5.00	0.00	0.00	2.00	1.00	0.00	0.00	0.00	16.00	0.00
	Maximum	25000.00	1.00	1.00	31.00	20.00	9.00	1.00	6.00	75.00	1.00
	K-S Sig. Value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The descriptive statistics are presented to highlight the mean, median, minimum and maximum values, the standard deviation, the skewness and kurtosis and the test of normality result of each of the variables. The mean and median represent measures of central tendency and relates to the average value and the middle value of the data points respectively. The minimum, maximum and standard deviation values refer to the dispersion or spread of the data. The minimum and maximum values denote the lowest and highest values of the data range while the standard deviation value indicates the variation of the data around the mean. Skewness and kurtosis measures the shape of the distribution and provides an indication of the symmetry, defined as the concentration of data at the low or high end of the scale, and peakedness, defined as the concentration of data around a single value, respectively (Pallant, 2010).

In order to assess normality of the data, the skewness and kurtosis values are observed since in a normal distribution, these values should be equal to zero (Norusis, 2008). While the skewness and kurtosis values are useful in providing an indication of data normality, they are quite sensitive to large sample sizes. In this case, Tabachnick and Fidell (2007) recommend a visual inspection of the shape of the data using a histogram or formal tests of normality such as the Kolmogorov-Smirnov test (K-S test) or the Shapiro-Wilk test. Pallant (2010) advises that the K-S test is a more useful test of normality for large sample sizes of over a thousand observations while the Shapiro-Wilk test is better applied to small sample sizes. Tabachnick and Fidell (2007) suggest that the K-S test incorporates the data points depicted in a histogram to produce a more powerful test of normality. Since the normal distribution of the sample data is a key assumption to many statistical techniques, the K-S test is used to provide a formal confirmation of normality or non-normality in the distribution of the data. A K-S test significant value of more than .05 indicates normality of the data while a significant value of .00 suggests a violation of the assumption of normality (Pallant, 2010).

Table 3.4 highlights that the five employment categories (full-time and part-time employment, self-employed, unemployed and inactive) all have skewness and kurtosis value that deviates from zero. Although the skewness for full-time employment for BMEs is at a nearly normal value of -0.4, the K-S test confirms that non-normality exists among the five categories with a significant value of .00. The average full-time and part-time employment rates for the White British group are 56% and 22% respectively and 51% and 17% for BMEs respectively. The data for full-time employment are dispersed at a standard deviation of 50%

for both ethnic groups while the part-time employment data has a standard deviation of 42% for the White British and 38% for BMEs. The White British group has a mean of 9%, 4% and 34% for self-employed, unemployed and inactive respectively and these have a standard deviation of 28%, 19% and 47% respectively. On the other hand the mean for self-employed, unemployed and inactive among the BME group is 8%, 7% and 38% respectively with a standard deviation of 26%, 25% and 49%.

The occupation variable has nine occupation groups. The mean and median values indicate that on average, BMEs and the White British group can be found in different occupation groups. Non-normality is evident for this variable since both ethnic groups have a positive skewness value, a negative kurtosis value and a K-S test significant value of .00. In public and private sectors of employment, a similar standard deviation value of .43, skewness value of 1.17 and kurtosis value of -.63 was observed for both the White British and the BME group. The K-S test further indicates non-normality of data for employment sector.

Table 3.5 further highlights non-normality in the data used to accomplish the second objective of the chapter which is to examine the key factors influencing the difference in income distribution among the BME group in comparison to the White British group. The income variable refers to the gross weekly pay that individuals receive in their main job. The gross weekly mean and median income for the White British group in the dataset are £432.32 and £350 respectively while the gross weekly mean and median income for the BME group are £424.84 and £346 respectively. The data indicate that the highest gross weekly income for BMEs is £25,000 while the highest gross weekly income for the White British group is £55,000. The income variable is dispersed with a standard deviation of 404.59 for the White British and 428.39 for BMEs. The distribution shape of income for both ethnic groups shows the highest skewness and kurtosis values for the sample and the K-S test confirms non-normality of the data. High kurtosis values for the income data among both ethnic groups indicate that the income data have high and sharp peaks and variability exists in the dataset due to a few extreme values.

The data for the employment type variable, in this instance comprising of full-time and part-time employment only, and the employment sector variable also record a non-normal data distribution with negative skewness and kurtosis values that deviate from zero in both cases. Non-normality for both variables is further confirmed by the K-S test which records a

significance value of .00. Non-normality was also observed for the education variable, which ranges from 1, representing a higher degree, to 31, which signifies no qualification. The modal educational qualifications for the White British group and the BME group are 26 and 27 respectively. This indicates that the most frequently occurring educational qualification for white British individuals in the sample is at the level of the intermediate General National Vocational Qualification (GNVQ), while the equivalent educational qualification for BME individuals is the Royal Society of Arts (RSA) diploma. The minimum and maximum values are the same for both ethnic groups at 2 and 31 respectively, while the standard deviation is at 8.34 for the White British and 8.03 for BMEs. Both groups recorded a negative skewness value which indicates that the education data points are clustered towards the maximum values. The kurtosis value for the White British group is .72 and 1.45 for BMEs.

The data points for the location variable indicate that there are 20 geographical locations in the sample. The modal areas of residence for the BME group and the White British group are recorded at 9 and 10 respectively. While 9 represents 'Outer London', 10 signifies 'Rest of the South East'. The standard deviation for this variable is 4.87 for the White group and 3.44 for the BME group. The skewness value for the White British group is .04, which signifies that the symmetry of the data is nearly normal. However the kurtosis value shows a flat distribution through a negative value of -0.78 and the K-S test reports non-normality in the data. The skewness and kurtosis values for BME's location also deviate from zero and the K-S test also confirms non-normality of the data.

The occupation variable used in the fulfilment of the second objective also contains nine occupation groups. These occupation groups are defined where 9.00 represents the highest occupation group and 0.00 represents the lowest category of occupation. The mean occupation group for the White British is 2.67 but is at 0.45 for the BME group. This suggests that on average, BMEs within the sample data tend to occupy lower level jobs within the occupation groups. The skewness and kurtosis value for the White British group is .81 and -0.65 respectively which indicates that the data is non-normal. Skewness and kurtosis values that deviate from zero was also evident for the BME group. The K-S test also shows a significant value of 0.00, denoting that non-normality exists for both ethnic groups in this variable.

The minimum and maximum values for the gender variable are 0 and 1 respectively, where 0 denotes male and 1 denotes female. The central tendency for this variable is represented by a mean of .48 and .51 for the White British group and the BME group respectively. This suggests that there are more men in the sample data for the White British group while the BME sample data are comprised of more females than males. The gender variable for both ethnic groups record a skewness and kurtosis value higher than zero and the K-S test confirms that the data is abnormal.

The ONS (2012) reports that 1.7 is the average number of dependent children under the age of 16 and those aged between 16 and 18 and in full-time education in UK family households in 2011. The sample data used indicate that on a range of a minimum value of zero and a maximum value of 9.0, the average number of children in the White British household under the age of 16 is 0.6. However, from a minimum value of zero to a maximum value of 6.0, the average number of children in the BME household under the age of 16 is approximately 0.9. The low figure for both ethnic groups is supported by an analysis of 2011 Census data. The 2011 Census data indicated that although the number of children in households under the age of five has increased between 2001 and 2011, the number of children in households aged five to 16 had decreased, leading to a slight decrease overall in the total number of dependent children over the same period (ONS, 2013). A positive skewness and kurtosis values for the number of dependent children under 16 for both ethnic groups along with the K-S test results show that the data are not normal.

From a minimum value of 16 and a maximum value of 75, it is observed that BMEs have a lower mean age than the White British group at 37.94 and 41.43 respectively. This is reflected in the negative skewness value at -.082 for the White British group and at positive value of .38 for the BMEs. The kurtosis value is -0.83 and -.042 for the White British group and BMEs respectively. The standard deviation value for the White British group is 12.74 and at 10.86 for BMEs and the K-S test also confirms that these data suffer from non-normality. Observing the marital status variable, the data are dispersed at a minimum value of zero and a maximum value of 1.00. Zero indicates an individual being married while 1.00 signifies that an individual is single. BMEs have a mean marital status value of .71 while the White British group has a mean value of .68. This suggests that BMEs in the combined sample data were more likely to be single than White British individuals. The standard deviation for both groups is similar at .47 and .45 for the White British and BMEs

respectively. Negative values for skewness and kurtosis were observed for both ethnic groups and the K-S test further confirms that non-normality exists for this variable.

The descriptive statistics of the sample data indicate that the majority of the data vary from normality. It is generally argued that a significant violation of a normal distribution in a dataset should adhere to specific statistical techniques (Pallant, 2010). With considerations given to the range of statistical techniques available for data analysis, appropriate and effective statistical techniques were chosen in light of abnormality in the datasets. This includes the use of a t-test to compare the mean of the employment characteristics of BMEs and the White British group. In addition to this, multiple regression analysis was chosen to examine the factors which contribute to the difference in income distribution among the BME group in comparison to the White British group.

Having presented the basic features of the data that were used in this chapter, the following section provides the findings which have been generated through the application of the methodology presented in Section 3.2. These findings will be presented in two sections, each relative to one of the two objectives of this chapter. It will also include a discussion of the findings in relation to the hypothesis that BMEs continue to experience disadvantages in the labour market and the factors which influence their levels of income may negatively impact upon their ability to save effectively for retirement.

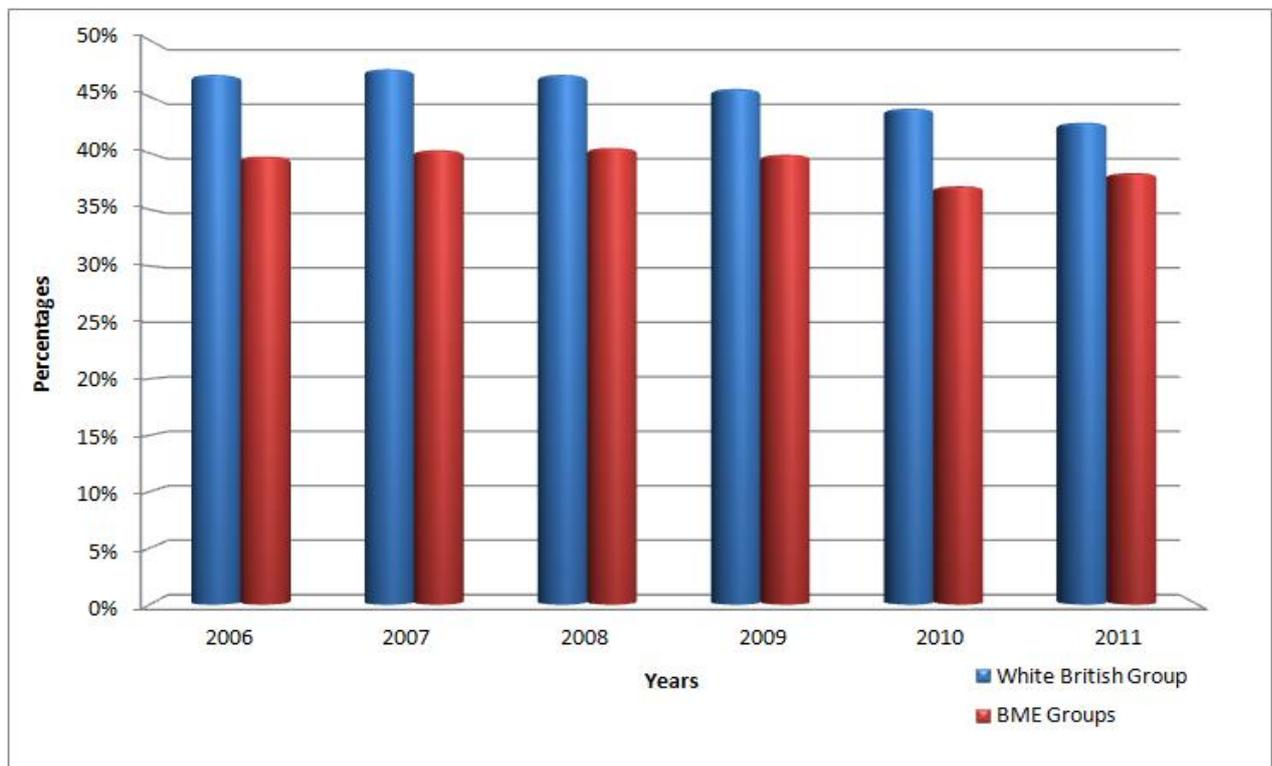
3.4 Empirical Analysis and Discussion

This section provides the findings and discussion of the data analysis. Section 3.4.1 will present findings in the employment characteristics such as full-time employment, part-time employment, self-employment, unemployment, levels of inactivity, both private and public sectors of employment and occupation types of BMEs and the White British group in an attempt to determine any differences in the labour market. The findings from these observations will be substantiated through the use of t-tests as a more robust method of group comparison to determine statistical significance in the comparison of the mean in the employment characteristics of BMEs and the White British group. The strength of the difference between the two groups will also be assessed through the use of eta squared. Section 3.4.2 will provide an analysis of the key factors influencing the difference in income distribution among BME individuals in comparison to the White British Group through the use of multiple regression analysis technique.

3.4.1 *Employment Trends Findings*

Examination of the data reveals the trends in the full-time employment status of the BME group in comparison to the White British group. Consistent with findings reported in a research carried out by Clark and Drinkwater (2007a), BMEs continue to experience a lower rate of full-time employment in comparison to the White British group. While BMEs average full-time employment rate between 2006 and 2011 peaks at 38%, an average full-time employment rate of 45% is realised by the White British group (see **Figure 3.2**).

Figure 3.2. Full-time employment rates among BMEs and the White British group (2006 to 2011)



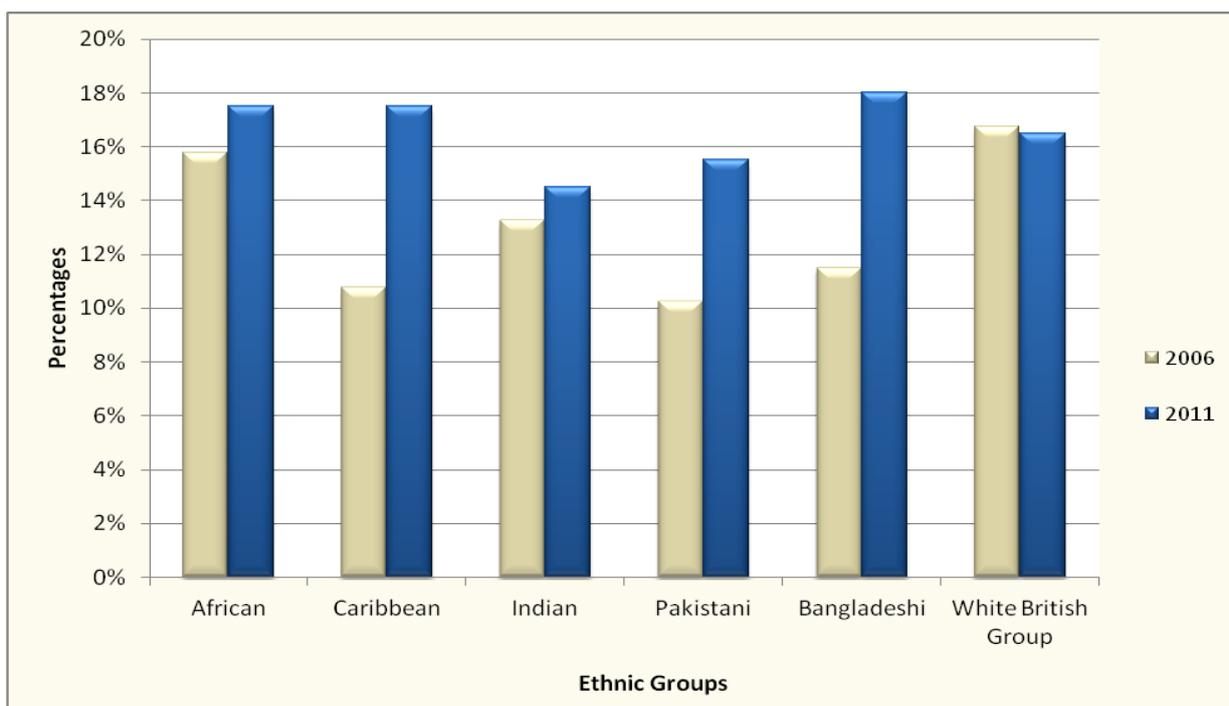
Source: UK Labour Force Survey (2006 to 2011)

An independent samples t-test was carried out to compare the means in full-time employment rates for BMEs and white British individuals over the six year period and the test reported a significant difference in the mean between the two groups with $p < .05$ (2 tailed) for each year. The Levene test for homogeneity of variance across the six years of analysis reveals that the variance for BMEs and the White British group are not the same since $p < .05$. Therefore equal

variance is not assumed. The magnitude in the difference of the mean for 2011 was calculated ($t(3685.014) = -4.178$, mean difference (mean (M) = .5390 for the White British group with a standard deviation (SD) of .498 and M = .5003 for BMEs with a SD of .500) = -.0387, with 95% confidence interval ranging from -.05687 (lower bound) to -.02054 (upper bound)) and the eta squared reported a large effect of .421. This large negative effect confirms that there is substantial difference between the White British group and the BME group in terms of full-time employment (Pallant, 2010). The null hypothesis is therefore rejected and there is a disparity in the full-time employment rates among BMEs and the White British group.

Figure 3.3 shows further disparity between the two groups. In general, BME individuals are more concentrated within part-time employment in comparison to the White British group. This increase in part-time employment is more pronounced for individuals from Caribbean and Bangladeshi backgrounds, who experience an increase of 7% and 6% respectively from 2006 to 2011. On the other hand, the White British group has experienced a slight decrease in the number of individuals entering part-time employment with a 0.3% decrease between 2006 and 2010. The increase in BMEs part-time work status suggests their non-progression within the labour market in terms of acquiring full-time employment.

Figure 3.3. Part-time employment rates among BMEs and the White British group (2006 versus 2011)



Source: UK Labour Force Survey (2006 to 2011)

Similar to the t-test results for full-time employment, the Levene test for part-time employment between 2006 to 2011 reveals that the variance for BMEs and the White British are significantly different at the $p < .05$ value so equality of variance was not assumed. The mean difference between the two groups also shows a significant difference between the part-time rates for each year with a relative $p < .05$ (2 tailed) where $F =$ a large value of 1792.82 (indicating a large difference in the variance), $t (28927.3) = -21.361$, mean difference ($M = .2233$ for the White British group with a SD of .416 and $M = .1696$ for BMEs with a SD of .375) $= -.05369$, with 95% confidence interval ranging from $-.05862$ (lower bound) to $-.04876$ (upper bound) (see **Table 3.6**). The eta squared was calculated for the combined years of the analysis (2006 to 2010) and a large effect of -1.29 was evident. The null hypothesis is also rejected for part-time employment rates as there is a difference in the mean rates of BMEs and the White British group.

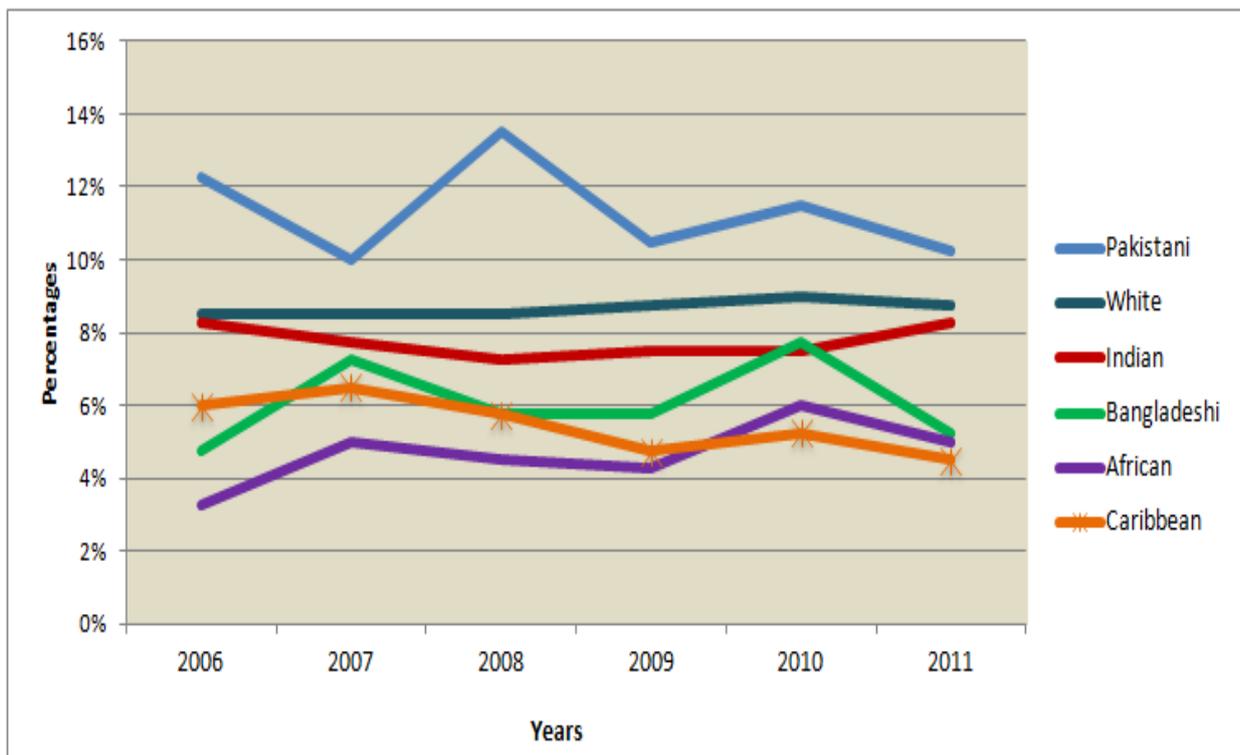
Table 3.6. Independent samples t-test for part-time employment rates

		Equality of Variances		t-test for Equality of Means					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Part-time employment	Equal variances assumed	1792.826	.000	-19.529	353885	.000	-.05369	-.05908	-.04830
	Equal variances not assumed			-21.361	28927.309	.000	-.05369	-.05862	-.04876

Findings from the individuals who reported being in self-employment reveals that individuals from Pakistani backgrounds cater for the highest rate of self-employed individuals in the UK. This finding is substantiated by economic activity rates by ethnic groups that were published by the ONS (2012). Clark and Drinkwater (2010) state that Indians had the highest rate of self-employment in the 1980s and 1990s, however, improvements in their educational qualification have contributed to their labour market progression and their rate of self-employment has been surpassed by the Pakistani group. Clark and Drinkwater (2000) hypothesise that BMEs decision to enter self-employment may be as a result of blocked upward mobility including discrimination and differences in earnings between BMEs and white British individuals, which forces BMEs to work for themselves.

While the average self-employment rate for Pakistanis is 11.5%, this is closely followed by individuals from the White British group who has an average self-employment rate of 9%. The average rate for Indian, Bangladeshi, Caribbean and African is 7.8%, 6.7%, 5.7% and 4.7% respectively. This suggests that there is little difference in the self-employment rates among all the sub-samples of the BME group and the White British group, with the white group having more individuals in self-employment than those from four of the BME sub-samples (see **Figure 3.4**). The hypothesis that a difference exists between the BME group and the White British group was rigorously tested through an independent samples t-test to confirm or reject the null hypothesis that there is no difference between the groups for their self-employment characteristics.

Figure 3.4. Self-employment rates for BMEs and the White British group, 2006 to 2011



Source: UK Labour Force Survey (2006 to 2011)

The Levene test reveals that an equality of variance is not assumed between the two groups at $p < .05$ for all the years and while the mean differences between the groups were significant at $p < .05$ in 2007, 2009 and 2011, there were no significant differences in the means of 2006, 2008 and 2010 as indicated by a $p > .05$ (see **Table 3.7**).

Table 3.7. Self –employment mean differences between 2006 and 2011

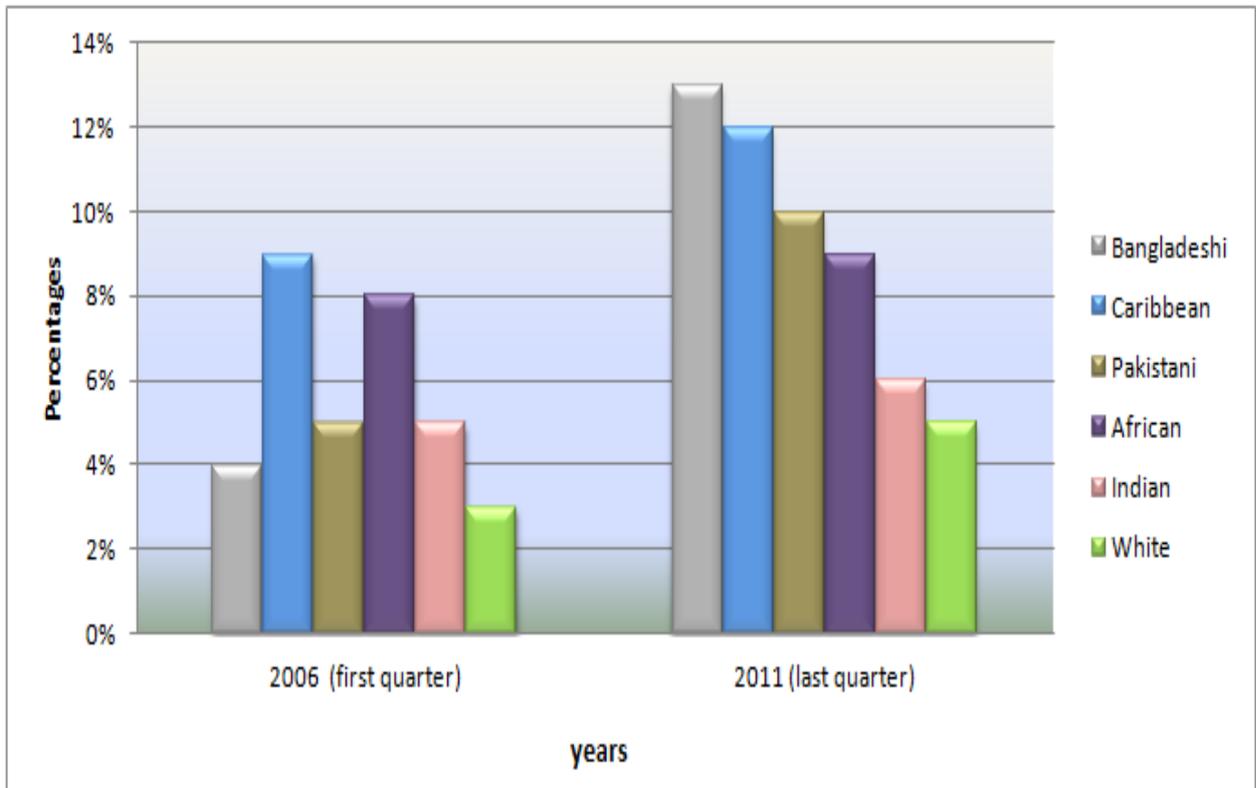
year	Employment type		t-test for Equality of Means			
			Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
2006	Self employed	Equal variances not assumed	.075	-.00740	-.01554	.00073
2007	Self employed	Equal variances not assumed	.021*	-.00971	-.01798	-.00143
2008	Self employed	Equal variances not assumed	.151	-.00614	-.01454	.00225
2009	Self employed	Equal variances not assumed	.000*	-.01541	-.02342	-.00740
2010	Self employed	Equal variances not assumed	.075	-.00793	-.01665	.00079
2011	Self employed	Equal variances not assumed	.001*	-.01471	-.02362	-.00581

* The mean difference is significant at the .05 level

The significant mean difference in 2007, 2009 and 2011 is somewhat evident in Figure 3.4, given the fact that the self-employment rates for the Pakistani group were lower in these years. The null hypothesis is therefore rejected for self-employment for the years 2007, 2009 and 2011 while the null hypothesis is accepted for the remaining three years of the analysis. The effect size statistics were applied to the significant years (2007, 2009 and 2011) to test the magnitude of the mean difference and a large effect was identified for each year with an eta squared of -.812, -.234 and -.219 respectively. These effect size values indicate the variance in self-employment as explained by the two ethnic groups.

The graphical representation of unemployment levels shows that although disparities exist between BMEs and the White British group, they were less significant differences between the Indians and the White British group in 2011 with unemployment figures of 6% and 5% respectively. **Figure 3.5** indicates that unemployment rates were higher for the BME group in the last quarter of 2011 with the highest rate accounted for by the Bangladeshi group. While the unemployment rate for the Bangladeshi has risen from 4% in the 1st quarter of 2006 to 13% in the last quarter of 2011, the White British group has experienced an increase of only 2% during the same time period. Barnes and Taylor (2006) and Yeandle and Buckner (2009) validate these findings and point out that obstacles within the labour market have forced a number of BMEs into unemployment.

Figure 3.5. Unemployment levels among BMEs and the White British group, 2006 to 2011

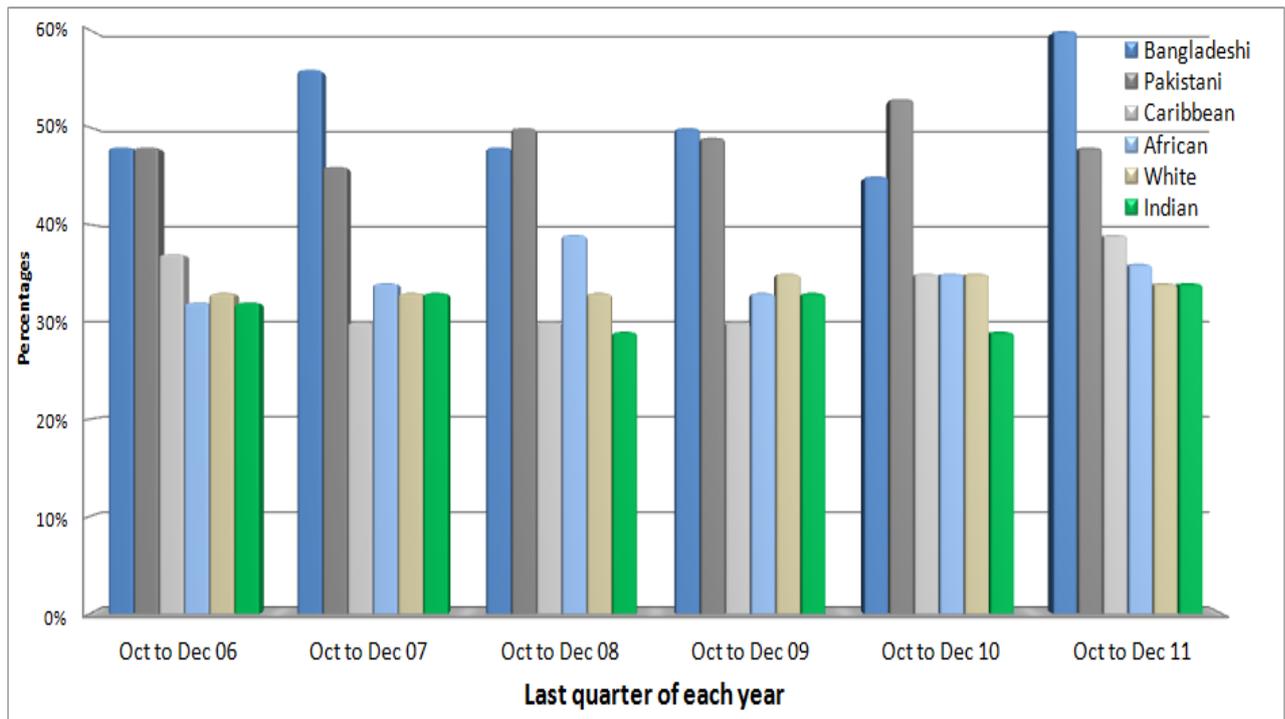


Source: UK Labour Force Survey (2006 to 2011)

The Levene test resulted in equal variances not assumed between the groups with $p < .05$ and the t-test shows that there is significant difference in the mean between the two groups where $F = 331.456$ (indicating the difference in the variance), $t(4589.93) = 7.558$, mean difference ($M = .0447$ for the White British group with a SD of $.20667$ and $M = .0765$ for BMEs with a SD of $.26586$) = $.03181$ and $p < .05$ with a 95% confidence interval ranging from $.02356$ (lower bound) to $.04006$ (upper bound). The eta squared was calculated for the 2011 which represents the final year in the analysis and an effect size of 1.0 was achieved. The null hypothesis is therefore rejected since BMEs encounter disparity in the labour market since they account for a higher amount of the variance in unemployment rates.

In addition to the high levels of part-time employment and unemployment rates faced by BME individuals, the inactivity level reveals a similar trend. While the inactivity rate for the White British group remains at an approximate constant level of 34% over the six years, the BME group have experienced varying levels of inactivity (see Figure 3.6).

Figure 3.6. Inactivity levels among the BME group and the White British group, 2006 to 2011



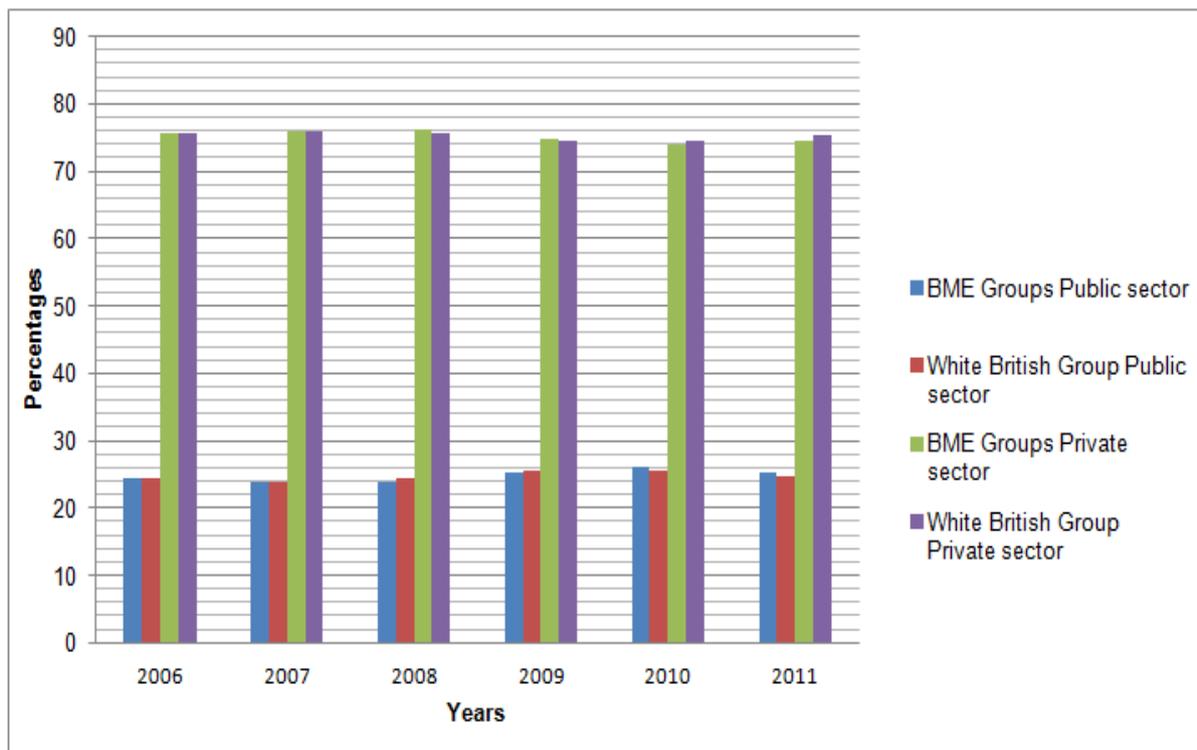
Source: UK Labour Force Survey (2006 to 2011)

The above figure on inactivity levels indicates clear disadvantages suffered by the Pakistani and Bangladeshi groups. While Indians, Africans and Caribbeans have a similar average to the White British group at 32%, 33% and 34% respectively, the Bangladeshi and Pakistani groups accounted for the highest averages of inactivity rates at 51% and 49% respectively. Approximately 60% of the Bangladeshi within the sample analysed in the last quarter of 2011 were inactive. When the inactivity rate for the last quarter of 2011 is combined with the unemployment figure for the last quarter of 2011, the total number of Bangladeshis that were representative of both categories peaked at 73%. Conversely, the combined rate for the White British group totalled 39%. These findings aid in the validation of the research hypothesis that disparities exist between BMEs and the White British group within the labour market. Froy and Pyne (2011) acknowledged the fact that there has been an increased policy focus on the levels of unemployment and economic inactivity in the UK. However, Berrittella (2012) surmise that many BMEs are often inactive due to long term sickness, being in full-time education and the need to care for their family.

In order to reduce Type I error, that is rejecting the null when it is in fact true, the t-test which represents a robust test was carried out to compare the mean difference between BMEs and the White British group. Checking the homogeneity assumptions of group variance, the Levene test shows that equal variance is not assumed between 2006 and 2011 with each year recording a p value of less than .05. Assessing the differences between the groups, t-test for equality of means highlights a p value of less than .05 (2-tailed) which indicates that there is a significant difference in the inactivity rates between BMEs and the White British group, and this finding supports the rejection of the null hypothesis. The test of the strength of the difference between the two groups over the six years indicated a large effect with an eta squared value of 5.22.

In comparing the employment sectors of the BME group and the White British group, it appears that both groups share a similar percentage in both private and public sector employment (see **Figure 3.7**).

Figure 3.7. Public and private sector employment among the BME group and the White British group, 2006 to 2011.



Source: UK Labour Force Survey (2006 to 2011)

Figure 3.7 indicates that the private and public sector averages across both groups for 2006 to 2011 are approximately 75% and 25% respectively. Before the null hypothesis is accepted, a confirmation of a significant difference in the mean between the groups was tested for the six years through the use of the independent samples t-test. The mean difference ($M = 1.25$ for the White British group with a SD of .431 and $M = 1.25$ for BMEs with a SD of .432) = 0, the F statistics reported a low variance of .017 where $t(227001) = .065$, $p = .948$ (2-tailed) and the confidence interval ranges from -.007 to .008 representing the lower and upper bound respectively. The Levene test confirms that the employment sector variable does not violate the assumptions of equal variance at a p value of .896. The null hypothesis is accepted since the findings indicate that there is no significant difference between the two groups.

Given the theoretical hypothesis which underpins the inclusion of employment sector into the comparison of BMEs and the White British, a more detailed view of the data was taken and the both groups were split into males and females. This is in recognition of claims made by Spence (2003) that BME individuals, particularly women, account for a higher proportion of the public sector labour force compared to the White British group. The findings from 2006 to 2011 reveal that 37% of BME women are found in public sector employment compared to 34% of white British women (see **Table 3.8**).

Table 3.8. Public and private sector employment by ethnicity and gender, 2006 to 2011

Ethnic groups	Sex	Employment sector	Percent
White British Group	Female	Private	66
		Public	34
	Male	Private	84
		Public	16
BME Groups	Female	Private	63
		Public	37
	Male	Private	85
		Public	15

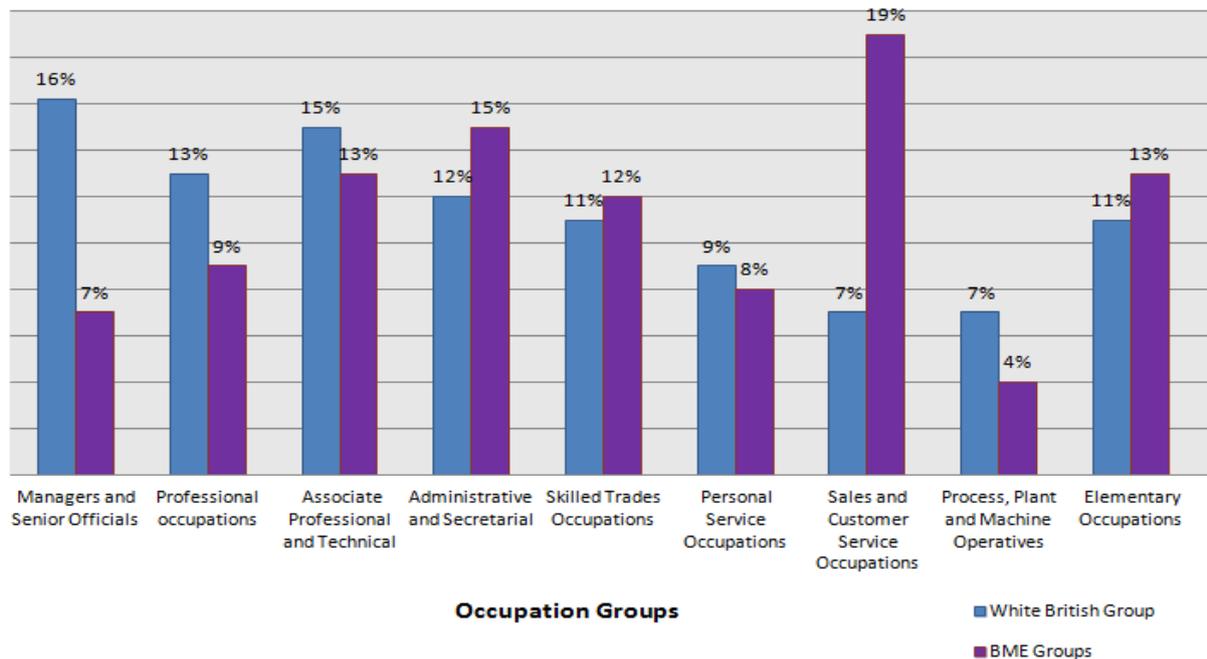
The table above highlights that the rates for BME and white British men are similar at 15% and 16% respectively. Similar to the overall finding of both groups, the majority of men and women in the sample data can be found within private sector employment which is mainly

comprised of BME men (85%), closely followed by white British men at 84%, then white British female at 66% and BME women at 63%.

Checking the assumptions of equal variance between females according to the two ethnic groups reveal a significance of $p < .05$ and a large F statistics of 56.897 so equal variance was not assumed between the two groups of women. The t-test reveals the following: women mean difference (BMEs $M = 1.37$, $SD = 4.83$ and the White British group $M = 1.34$, $SD = .475$) = .026, $t(108701) = 4.077$, $p < .05$. This suggests a significant difference in the employment sector outcome for women from BME and white British origin. The assumptions of equal variance between males however, revealed a significant variance of $p > .05$ at a p value of .143 (2-tailed) which was supported by a small F value of 2.141 and equal variance was assumed. Assessing the difference in the mean between BME men and white British men, the t-test shows a mean difference of -.003 with a confidence interval ranging from -.011 (lower bound) to .005 (upper bound) and a p value of .466 (2-tailed). The findings from the t-test indicate that there is no significant difference in the employment sector rates of men from both ethnic groups.

The type of occupation held by BMEs brings further light to the disadvantages they face within the labour market (see **Figure 3.8**). The majority of BME individuals are found to be concentrated within low level jobs such as sales and customer services roles and account for 19% of that occupation category in comparison to the White British group with only 7% being employed within a sales and customer services role. This is synonymous with the hypothesis put forward by Berthoud (1998) who speculate that BMEs often receive lower earnings in employment due to disadvantages faced in accessing well-paid jobs. Examining the post war settlement of BMEs in the UK, Phillips (1998) further added that the BMEs were treated with hostility, excluded from good jobs and their employment were likely to be concentrated within low level occupations.

Figure 3.8. The major occupation groups of BMEs and the White British group, 2006 to 2011



Source: UK Labour Force Survey (2006 to 2011)

The Levene test highlights that the occupation group variance of BMEs and the White British are not the same at $p < .05$ and an f value of 107.3. The t -test also shows a mean difference of .574 and a t (3206.69) which equals 9.952 and $p < .05$. The 95% confidence interval of the difference is .461 and .687 at the lower and upper bound respectively. A large effect size of 3.18 was achieved through eta squared and the null hypothesis was rejected since there is clearly a difference in the occupation outcome of the BME group and the White British group.

The majority of the findings in the analysis of employment characteristics between the two ethnic groups conforms to the hypothesis and provides evidence to suggest that there is a marked disparity between the employment outcomes of BMEs and the White British group. With the employment characteristics of an individual been hypothesised as having an influential impact on the level of income that BMEs receive, the following section presents the findings of the key factors estimated as having an influence in the income difference between BMEs and the White British group. This is in fulfilment of the second objective of this chapter.

3.4.2 Multiple Regression Findings

Having fulfilled all the underlying data assumptions as consistent with the use of multiple regression analysis, **Equation 5** outlined in Section 3.3 was estimated where the null hypothesis is that all the independent variables are unimportant for predicting income ($H_0: \beta_1 = 0$) and the alternate hypothesis is that at least one independent variable is useful for predicting income ($H_1: \beta_1 \neq 0$). Using seven independent variables, the following results were generated for men and women from the BME group and the White British group. The model for the BME men reported accounted for 44.7% of the variance in income ($R^2_{adj} = 44.6\%$) while the model for BME women accounted for lower variance at 41.6% ($R^2_{adj} = 41.5\%$).

The amount of variance as explained by the model was lowest for White British men with an adjusted R^2 of 39.6% but was for 42.3% (adj) for White British women. It was noted that the adjusted R^2 for the White British group across gender remained the same while it was adjusted by -.001 to give the adjusted R^2 for the BME group (see **Table 3.9**). Tabachnick and Fidell (2007) explain that the adjusted R^2 corrects the value of R square (the proportion of the variance in dependent variable explained by the independent variable) to give a better estimate of the value of the population. The observation of little or no change between the adjusted R^2 and R^2 can be explained by the use of large sample sizes (Pallant, 2010). The standard error of estimate refers to the standard deviation of the error term and the square root of the mean square for the residuals in analysis of variance.

Table 3.9. Model Summary

Ethnicity	SEX	R	R Square	Adjusted R Square	Std. Error of the Estimate
White British Group	Female	.651	.423	.423	.62198
	Male	.629	.396	.396	.57733
BME Groups	Female	.645	.416	.415	.60539
	Male	.668	.447	.446	.59622

The overall relationship in each of the regression model was significant where ($F_{7, 75598} = 7927.87, p < 0.05$) for White British female, ($F_{7, 69211} = 6480.99, p < 0.05$) for White British men, ($F_{7, 3983} = 405.21, p < 0.05$) for BME women and ($F_{7, 4228} = 487.87, p < 0.05$) for BME

men (see **Table 3.10**). With these result, the null hypothesis is rejected since it is evident that there is a direct relationship between the independent variables and the dependent variable.

Table 3.10. Analysis of Variance

Ethnicity	SEX		Sum of Squares	df	Mean Square	F	Sig.
White British Group	Female	Regression	21468.949	7	3066.993	7927.872	.000
		Residual	29245.997	75598	.387		
		Total	50714.945	75605			
	Male	Regression	15121.272	7	2160.182	6480.995	.000
		Residual	23068.732	69211	.333		
		Total	38190.004	69218			
BME Groups	Female	Regression	1039.570	7	148.510	405.211	.000
		Residual	1459.772	3983	.367		
		Total	2499.342	3990			
	Male	Regression	1214.005	7	173.429	487.878	.000
		Residual	1502.957	4228	.355		
		Total	2716.961	4235			

Predictors: (Constant), Marital Status, Educational Qualification, Occupation, Dependent children in households, Employment sector, Employment type, Age
 Dependent Variable: LOG (INCOME)

Table 3.11 summarises the estimates of the parameters of the variables in **Equation 5**. The model column in the table highlights the regression model that was estimated for each sub-group. The B value is the unstandardised coefficient which represents the values for each variable in the regression model that is used for predicting income and the standard error column represents the relative error term that is associated with the B coefficient. The standardised beta coefficients are obtained through placing all the variables on the same scale so that a standard measure of the contribution of each variable in the model can be obtained. Dancy and Reidy (2004) point out that a large standardised beta value associated with a variable indicates the large effect that it can have on the dependent variable. The t. and sig. columns represent the t-statistics and the relative p value which are used to assess whether the coefficient of a variable is significantly different to zero. As mentioned in Section 3.3 the confidence intervals give an estimate of where the population mean may lie through the provision of a range (lower bound and upper bound).

Table 3.11 Parameter estimates of the multiple regression analyses

Ethnicity	Gender	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
			B	Std. Error	Beta			Lower Bound	Upper Bound
White British Group	Female	(Constant)	4.925	.013		382.380	.000	4.900	4.950
		Employment type	1.050	.005	.635	217.518	.000	1.040	1.059
		Employment sector	-.224	.005	-.133	-47.265	.000	-.233	-.214
		Educational Qualification	-.005	.000	-.048	-17.126	.000	-.005	-.004
		Dependent children under 16	.026	.003	.028	8.978	.000	.020	.032
		Occupation	.004	.001	.013	4.777	.000	.002	.005
		Age	.003	.000	.049	13.118	.000	.003	.004
		Marital status	.128	.006	.072	19.832	.000	.115	.140
	Male	(Constant)	4.565	.014		332.936	.000	4.539	4.592
		Employment type	1.369	.008	.543	181.623	.000	1.354	1.383
		Employment sector	-.086	.005	-.047	-15.677	.000	-.096	-.075
		Educational Qualification	-.007	.000	-.075	-25.179	.000	-.007	-.006
		Dependent children under 16	.070	.003	.087	27.169	.000	.065	.075
		Occupation	.004	.001	.015	4.978	.000	.002	.005
		Age	.007	.000	.128	32.573	.000	.007	.008
		Marital status	.216	.006	.137	34.658	.000	.204	.228
BME Groups	Female	(Constant)	4.885	.054		90.493	.000	4.779	4.991
		Employment type	1.008	.021	.610	49.158	.000	.968	1.048
		Employment sector	-.192	.020	-.119	-9.635	.000	-.231	-.153
		Educational Qualification	-.003	.001	-.033	-2.700	.007	-.005	-.001
		Dependent children under 16	-.012	.010	-.015	-1.145	.252	-.032	.008
		Occupation	.014	.006	.030	2.470	.014	.003	.026
		Age	.006	.001	.088	6.539	.000	.004	.008
		Marital status	.056	.023	.032	2.407	.016	.010	.101
	Male	(Constant)	4.910	.054		90.311	.000	4.803	5.016
		Employment type	1.304	.025	.601	51.297	.000	1.255	1.354
		Employment sector	-.320	.023	-.160	-13.787	.000	-.365	-.274
		Educational Qualification	-.003	.001	-.026	-2.304	.021	-.005	.000
		Dependent children under 16	-.024	.009	-.034	-2.728	.006	-.041	-.007
		Occupation	.023	.006	.047	4.069	.000	.012	.034
		Age	.004	.001	.052	3.941	.000	.002	.006
		Marital status	.127	.025	.071	5.058	.000	.078	.177

Dependent Variable: LOG (INCOME)

A 95% confidence level with a probability value (p-value) of 0.5 was applied to the analysis as consistent with Tabachnick and Fidell (2007). The correlation matrix of variables (see **Table 3.12a and Table 3.12b**) shows the strength of the relationship (Pearson Correlation) between the variables used in the analysis and are considered significant at the 0.05 (2 tailed) level.

The standardised beta coefficients across the four groups indicate that employment type made the strongest unique contribution to their income levels. A unit change in employment type will have the strongest impact on white British women who have a standardised beta coefficient of .635. Reviewing the correlation matrix, income is positively correlated to employment type at $p < .05$ (2-tailed) (see **Table 3.12b**). BME women reported the second highest standardised beta coefficient for employment type at .610; this was followed by BME men (.601) then white British men (.543). These four groups had a confidence interval ranging from 4.539 (lower bound) to 5.016 (upper bound). The type of employment sector that individuals worked in was seen to play a significant role in the income of white British women, BME women and BME men but was ranked as the sixth significant factor for white British men. This suggests an employment pattern which is determined by both gender and ethnicity as argued by Ginn and Arber (2001).

Table 3.12a Correlation matrix of BMEs independent variables

This table reports the correlation matrix of the eight variables used in the regression analysis of BME men and women.

Ethnicity	SEX			Income	Age	Dependent children under 16	Educational Qualification	Employment sector	Employment type	Marital status	Occupation
BME Groups	Female	Income	Pearson Correlation	1							
			Sig. (2-tailed)								
		Age	Pearson Correlation	.110	1						
			Sig. (2-tailed)	.000							
		Dependent children under 16	Pearson Correlation	-.099	-.141	1					
			Sig. (2-tailed)	.000	.000						
		Educational Qualification	Pearson Correlation	-.011	-.018	-.041	1				
			Sig. (2-tailed)	.499	.252	.010					
	Employment sector	Pearson Correlation	-.139	-.146	-.082	.080	1				
		Sig. (2-tailed)	.000	.000	.000	.000					
	Employment type	Pearson Correlation	.471	.044	-.211	-.024	-.034	1			
		Sig. (2-tailed)	.000	.006	.000	.137	.034				
	Marital status	Pearson Correlation	.010	.350	.206	.021	-.087	-.050	1		
		Sig. (2-tailed)	.515	.000	.000	.177	.000	.002			
	Occupation	Pearson Correlation	.023	.030	-.046	-.030	.002	-.020	.004	1	
		Sig. (2-tailed)	.155	.062	.003	.057	.888	.210	.787		
Male	Male	Income	Pearson Correlation	1							
			Sig. (2-tailed)								
		Age	Pearson Correlation	.112	1						
			Sig. (2-tailed)	.000							
		Dependent children under 16	Pearson Correlation	.001	.033	1					
			Sig. (2-tailed)	.928	.031						
		Educational Qualification	Pearson Correlation	.011	-.001	.025	1				
			Sig. (2-tailed)	.487	.957	.103					
Employment sector	Pearson Correlation	-.156	-.124	-.018	.052	1					
	Sig. (2-tailed)	.000	.000	.236	.001						
Employment type	Pearson Correlation	.287	.162	-.032	-.008	-.088	1				
	Sig. (2-tailed)	.000	.000	.037	.587	.000					
Marital status	Pearson Correlation	.122	.459	.351	.032	-.092	.166	1			
	Sig. (2-tailed)	.000	.000	.000	.037	.000	.000				
Occupation	Pearson Correlation	.031	.034	-.036	-.008	.010	-.013	-.013	1		
	Sig. (2-tailed)	.047	.028	.020	.592	.515	.384	.415			

Correlation is significant at the 0.01 level (2-tailed).
 Correlation is significant at the 0.05 level (2-tailed).
 Ethnicity=BME Groups,SEX=Female,;Listwise N=3991
 Ethnicity=BME Groups,SEX=Male,;Listwise N=4236

Table 3.12b Correlation matrix of the White British group independent variables

This table reports the correlation matrix of the eight variables used in the multiple regression analysis of White men and women

Ethnicity	SEX			Income	Age	Dependent children under 16	Educational Qualification	Employment sector	Employment type	Marital status	Occupation
White British Group	Female	Income	Pearson Correlation	1							
			Sig. (2-tailed)								
		Age	Pearson Correlation	.035	1						
			Sig. (2-tailed)	.000							
		Dependent children under 16	Pearson Correlation	-.090	-.223	1					
			Sig. (2-tailed)	.000	.000						
		Educational Qualification	Pearson Correlation	-.052	.074	-.050	1				
			Sig. (2-tailed)	.000	.000	.000					
	Employment sector	Pearson Correlation	-.134	-.148	-.035	.074	1				
		Sig. (2-tailed)	.000	.000	.000	.000					
	Employment type	Pearson Correlation	.466	-.096	-.264	-.074	-.029	1			
		Sig. (2-tailed)	.000	.000	.000	.000	.000				
	Marital status	Pearson Correlation	.027	.592	.122	.018	-.138	-.133	1		
		Sig. (2-tailed)	.000	.000	.000	.000	.000	.000			
	Occupation	Pearson Correlation	.016	.039	.029	.006	-.018	.003	.058	1	
		Sig. (2-tailed)	.000	.000	.000	.114	.000	.405	.000		
Male	Male	Income	Pearson Correlation	1							
			Sig. (2-tailed)								
		Age	Pearson Correlation	.124	1						
			Sig. (2-tailed)	.000							
		Dependent children under 16	Pearson Correlation	.132	-.153	1					
			Sig. (2-tailed)	.000	.000						
		Educational Qualification	Pearson Correlation	-.051	.004	-.001	1				
			Sig. (2-tailed)	.000	.330	.837					
Employment sector	Pearson Correlation	-.017	-.095	.007	.039	1					
	Sig. (2-tailed)	.000	.000	.086	.000						
Employment type	Pearson Correlation	.251	-.014	.080	-.060	.012	1				
	Sig. (2-tailed)	.000	.000	.000	.000	.001					
Marital status	Pearson Correlation	.203	.589	.205	-.037	-.070	.097	1			
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000				
Occupation	Pearson Correlation	.028	.035	.036	-.009	-.009	.043	.056	1		
	Sig. (2-tailed)	.000	.000	.000	.018	.020	.000	.000			

Correlation is significant at the 0.01 level (2-tailed).
 Correlation is significant at the 0.05 level (2-tailed).
 Ethnicity=White British Group,SEX=Female,;Listwise N=75606
 Ethnicity=White British Group,SEX=Male,;Listwise N=69219

The findings on educational qualification supports the claims of Conor (2004) who suggests that although the returns to education generally results in an increase in income, individuals often experience a decline in their income. The inclusion of educational qualification in the four regression models proved to be statistically significant at $p < .05$. However a negative relationship was observed for men and women from both ethnic groups. BME men and women have a -0.3%, i.e. $(100 * -.003)$ % decrease in income with a unit change in educational qualification and a decrease of -.5% and -.7% for white British women and men respectively. Rubb (2003) and Lindley (2009) confirm that a decline in earnings is often associated with being concentrated in low level jobs or over-education with the labour market.

Although there is a correlation between BME women and dependent children present in households at $p < .05$ (2-tailed) (see **Table 3.12a**), the presence of dependent children was not significant in predicting the income of BME women at the $p < .05$ level. However, the presence of children positively influenced the income of the White British group individuals but negatively affected the income of BME men. The income level of BME men is expressed where, *ceteris paribus*, when there is a unit change in the number of dependent children under 16 present in households, BME men have a 2.4% decrease in their income. This is significant at the $p < .05$ level with a lower and upper bound confidence interval of -.041 and -.007 respectively.

Occupation was the fifth most influential factor in predicting the income of BME women with a standardised beta value of .04, a t-statistics of 4.07, a relative significant value of $p < .05$ and a confidence interval ranging from .01 to .03. In contrast to women, the income of BME men was influenced by occupation as being the penultimate factor in the model which statistically influences their income. For every unit increase in the occupation of BME men, income increases by 2.3% that is, $(100 * .023)$ %. Occupation was found to be the least most influential variable on the incomes of White British male and female with a standardised beta coefficient of .015 ($t(4.97)$ and $p < .05$) and .013 ($t(4.77)$ and $p < .05$) respectively.

Again, *ceteris paribus*, the results suggest that age is significant in predicting income at the $p < .05$ level and has a positive impact with each unit change in age across all the different groups in the analysis. This is confirmed by Heath and Cheung (2007) hypothesis that age income of an individual are positively correlated due to more work experience and yearly

increases in income provided by most jobs. Marital status was more influential for White British men with a t-statistics of 32.57, a standardised beta coefficient of .13 and a corresponding $p < .05$. While being married was statistically significant in predicting the income of the three remaining groups, a marriage and income association which is mediating by gender can be assumed given similar claims made by Bardasi and Taylor (2005).

The aim of this section was to examine the key factors influencing the income distribution between the BME group and the White British group. The findings have highlighted seven independent variables that were entered into the model. All were statistically significant in influencing the income of white British men and women and BME women. On the other hand, six were statistically significant in predicting the income of the BME men. This shows that, while the effects of the different variables may be different in terms of the amount of variance in the income value that they account for, men and women from both ethnic groups have similar factors which determine their income. The only deviation from similarity is the number of dependent children in the household. This was not statistically significant in predicting the income of BME women, but had a contribution of -.015 to the model.

The following section considers the policy implications of the findings for retirement saving within the Automatic Enrolment pension scheme.

3.5. Policy Implications

Automatic Enrolment seeks to ensure that individuals who are without access to a workplace pension scheme are provided the opportunity to make private savings towards their retirement. The Department for Work and Pensions (DWP, 2011) confirms that the implementation of an earnings trigger aligned to this scheme will facilitate contributions from those who have reached a qualifying earning threshold. This is currently set at £9,440 (in 13/14 terms) per annum. Employers also have the right to enroll workers between the ages of 16 to 21 and 65 to 75 upon request, provided that they earn a minimum of £5,668 (in 13/14 terms) per annum (DWP, 2013). The minimum contribution level in 2012 was set at 2% whereby workers and employers have to contribute a minimum of 1% respectively. However, both levels of contribution are set to increase in 2018 to a combined 8% (5% minimum from employees and 3% minimum from employers) (DWP, 2011). The emergent transition from government to individual responsibility, in ensuring that adequate provisions are made for retirement, indicates the need for individuals to plan more effectively for old age.

In examining the labour market characteristics of the BME group in comparison to the White British group, five employment types were analysed and these include being in full-time work, part-time work, unemployed, inactive and self-employed. It can be acknowledged that all individuals who are unemployed and inactive will not have the necessary income from employment to save within the Automatic Enrolment scheme, which is implemented as a workplace related pension scheme. The research findings suggest that BME individuals are experiencing increasing rates of unemployment and inactivity in comparison to the White British group. Furthermore, BMEs part-time employment rate has also increased steadily from 2006 to 2011 and this is compounded by their employment in low level occupation.

These findings are supported by research carried out by Froy and Pyne (2011) in their analysis of national data that confirm that the economic recessions have had a negative impact on the employment status of BMEs. Hogarth *et al.* (2009) further argue that the position of BMEs within the labour market has suffered a decline since the economic recessions of the 1970s, 1980s and 1990s and has continued to decline since the 2008 economic recession. Labour market research carried out on behalf of the DWP also highlight that unemployment rates among BMEs rise faster during periods of recession than they do for the white population (Stafford and Duffy, 2009).

The above findings suggest that many BME individuals may opt out of this savings scheme due to unaffordability reasons based on their income from employment. Multiple regression analysis was carried out to examine the factors which determine the income levels of individuals. The findings from the multiple regression analysis suggest that the most influential factor that determines the income of individuals is their employment type. This indicates that individuals who fall into employment categories such as unemployed and inactive are at a disadvantage.

Unlike those who are in paid employment and will receive an employee contribution in addition to their savings within the Automatic Enrolment scheme, the self-employed will be at a disadvantage since they will have to ensure that adequate savings are being made to enhance their retirement earnings. Although the level of self-employment are approximately on average for BMEs and the White British group, the findings in the data analysis indicates that Pakistanis have the highest overall rate of self-employment between 2006 to 2011 in the

UK and such savings may be an issue for them given the absence of an employer incentive through Automatic Enrolment.

While the UK Government may be seeking to reduce financial difficulty in retirement through the boosting of individual savings towards retirement through Automatic Enrolment as a new private pension scheme, the empirical findings from the research covering 2006 to 2011 provide evidence to suggest that many BMEs may still depend heavily on the state pension provision. An example of this dependency can be seen in Figures 3.5 and 3.6 where the combined unemployment and inactivity rate for the Bangladeshi group was calculated at 73% for the last quarter of 2011. This figure is relatively high, given the fact that more than half of the respondents in the sample data were not in employment. This therefore suggests that any reduction made in the Basic State Pension (BSP) provision may lead to a higher risk of financial difficulty among BME individuals. In line with Bourdieu's (1986) theory on capital, the analysis on employment characteristics suggest that BMEs lack adequate economic capital needed to promote their social positioning and quality of life in old age.

Findings in the description of the sample data (Table 3.5) further reveal that the BME population is younger on average than the White British population. This coincides with findings from the 2001 Census data which reveal that the BME population in the UK is younger and is comprised of a larger percentage of children than the white population (Finney and Simpson, 2008). Lievesley (2010) points out that the white British population over the age of 50 is approximately 37% while the age profiles among the BME sub-samples are diverse, with the population of those over the age of 50 being approximately 26% for Caribbeans, 21% for Indians, 13% for Pakistani, 11% for Bangladeshis and 10% for Africans.

The older age profile of the White British group may be linked to high rates of fertility following the Second World War (Finney and Simpson, 2008). However, it could be argued that the younger age structure of BMEs can be linked to migration. Furthermore, the higher percentage of people over the age of 50 among Caribbeans and Indians reflect their migration pattern to the UK that was discussed in Chapter 2 in section 2.3.3. Macnicol (2006) and Finney and Simpson (2008) suggest that younger age profile amongst ethnic groups may provide some explanations to the higher rates of unemployment that they experience.

With predictions of increased life expectancy by the ONS (2011) along with relative proposed changes to the state pension age, individuals on a whole will need to work longer. This may increase the risk of financial difficulty both prior to and during retirement for BMEs due to the longer duration of employment years triggered by the constantly changing state pension age and poor labour market outcomes. The increasing emphasis on extending the working lives of individuals and being eligible for state pension at a later age raises issues such as age discrimination and levels of flexibility including part-time working within the labour market (Macnicol, 2006).

Harper, Howse and Baxter (2011) suggest that there are significant challenges posed to the UK pension system due to the decline in fertility rates, decline in mortality rates, increases in life expectancy and increases in the reliance on state pension due to economic inactivity and low levels of earnings. They further argue that despite similar demographic trends seen in the UK and European countries such as Spain and Greece, the UK exhibits a higher rate of funded occupational pension schemes and private pension plans but a less generous state pension (Harper *et al.* 2011). On the other hand, Whiteside (2006) and Adami *et al.* (2012) argue that pension policies have addressed concerns over the sustainability of the UK pension system through a combination of state, private and occupational pension schemes provisions. To this end, the UK Government may need to consider a review of their policy initiatives aimed at tackling BME's inequalities within the labour market so that their ability to save effectively for retirement through Automatic Enrolment can be enhanced.

3.6. Conclusion

The aim of this chapter was to examine the labour market characteristics and income of the BME group. From the findings presented in this chapter, conclusions can be drawn which supports the original hypothesis that BMEs continue to experience disadvantages within the UK labour market, which may adversely influence their ability to save effectively for retirement. This was exemplified through an examination of the labour market characteristics of the BME group where disparities were evident in their employment outcomes in comparison to the White British group. Seven employment characteristics were analysed and while many of the findings are in tandem with previous literature, as presented in Chapter 2, similarities between the two groups were also identified. A clear significant disparity between the BME group and the White British group were identified in four employment characteristics since BMEs were found to be under-represented in full-time employment but

over-represented in unemployment, inactivity and low level occupations. These findings conform to the ethnic disadvantage in the UK labour market put forward by Modood (2004).

Despite extant research documenting the idea that BME individuals are over-represented in self-employment and part-time employment, the findings reveal that both of these characteristics are common between the White British and the BME groups, but with a clear distinction among the sub-samples of the BME group. It is widely argued that self-employment can have an important effect on the lower levels of income received by individuals in retirement (Mawhinney, 2010). This also has significant implications for the lack of employer contributions to workplace pensions. While the Pakistani group accounted for the highest level of self-employment, the Caribbean group accounted for the least and this trend remained constant throughout the six year of the analysis. A similar occurrence was noted for the inactivity analysis which showed Bangladeshi as having the most inactive individuals and the Indian group as having the least.

Utilising the theory of gender disparity within the different sectors of employment, the findings reveal that men from both ethnic groups show no difference in their public or private employment trends. In contrast to this, BME women reported a statistical mean difference in their employment sector outcome when compared to white British women. Having carried out multiple regression analyses to estimate the effects of explanatory variables on the level of income distribution between the BME group and the White British group, a combination of factors such employment type, employment sector, educational qualification, type of occupation held, age and marital status have proven to be statistically significant in determining the income levels of both BMEs and the White British.

As one of the strongest determinants of private pension savings, income is central to the ability of individuals to save for retirement through private pension schemes. With the majority of the predictor variables in the multiple regression analysis for both BMEs and the White British group proving statistically significant in determining income, the ability to save effectively for retirement may be affected by changes in these predictor variables for both groups.

Although the findings presented in Section 3.4.1 indicate that BMEs encounter greater disadvantage within the labour market which affects their income, there is no single factor

that indicates that this group is less able to make significant provisions for their retirement than the White British group. However, when the interrelatedness of the various factors is taken into account, they indicate a future of fewer provisions among the BME group. Despite the implementation of automatic enrolment to encourage greater savings towards retirement, some of the problems faced by the BME group following previous pension reforms may still persist. This is because there will be individuals with earnings below the qualifying threshold, which eliminates their access to auto-enrolment. Likewise, BME individuals who are unemployed or inactive will have no access to the state second pension or workplace pension schemes. With the employment industries that many of the BME individuals are employed in having a high rate of staff turnover, higher rates of pension administrative cost may be passed on to employees. It could therefore be argued that the labour market disadvantages that BMEs face in the UK represents an inter-generational model whereby the elderly, adult and the children belonging to the BME group may encounter difficulties in an attempt to plan and save effectively for retirement.

Modood (1998) and Clark and Drinkwater (2000) suggest that discrimination among BMEs has contributed to their position in the labour market. Although discrimination may have contributed to the labour market trend findings in this chapter, it was not identified as the principal cause since there is no specific variable in the LFS that captures this issue. The issue of discrimination is explored later in the thesis through a qualitative methodology in Chapter 5.

This chapter has identified that there are differences in the labour market outcomes of the BME group and the White British group, and that the employment characteristics of the BME group may negatively affect their contribution to the Automatic Enrolment pension scheme. Although the BME category is comprised on five non-white ethnic groups, the findings as they relate particularly to self-employment, part-time employment, unemployment and inactivity suggests that there are significant levels of heterogeneity in the employment outcomes of each sub-sample of the BME group. Furthermore there may be different factors affecting the variation of their employment characteristics which needs to be further explored. This warrants the use of a disaggregated approach in the following chapter to examine if there are differences or similarities in the socio-economic characteristics of the five sub-samples. This is done to assess the extent to which there may be differences in the ways each sub-sample plan and save for retirement.

Chapter 4

Socio-Economic Characteristics
of the BME Group:
Heterogeneity or Homogeneity?

Chapter 4

Socio-Economic Characteristics of the BME Group: Heterogeneity or Homogeneity?

4.1 Introduction

This chapter examines whether, or not, there is homogeneity or heterogeneity in the socio-economic characteristics of five sub-samples of the Black and Minority Ethnic (BME) group in the United Kingdom (UK), namely, African, Caribbean, Indian, Pakistani and Bangladeshi. It also examines the extent to which the income levels of each of these BME sub-samples have changed over a period of twenty years, 1991 to 2011. As important determinants of the savings behaviour of individuals, income, education, occupation, age and gender represent key socio-economic characteristics that contribute to the social positioning of ethnic groups (Bidisha, 2009; Dustmann and Theodoropoulos, 2010). An examination of these socio-economic characteristics, as they relate to retirement saving, is important since homogenous characteristics, in addition to those identified in Chapter 3, may imply a uniformed approach to the retirement provisions utilised among the BME group. On the other hand, heterogeneity may indicate different ways in which each sub-sample plans and saves for their retirement, and highlight the sub-samples that are more vulnerable to financial difficulty in retirement. Where heterogeneity exists among the five BME sub-samples, differences in the timing of retirement and differences in pension income levels may also exist, since some individuals may be better able to access retirement income from different pension sources than others (Meyer and Bridgen, 2008).

A widely debated issue is the extent to which homogeneity exist within the socio-economic outcomes of BME individuals and influence their ability to save and plan effectively for retirement (Kenway and Palmer, 2007; Froy and Pyne, 2011). The term ‘homogeneity’ is used in a multi-dimensional context to refer to similarity caused by different factors (Halldén, le Grand and Hellgren, 2008). From a social perspective, homogeneity, as it relates to

ethnicity, refers to similar socio-economic patterns and behaviour by which specific ethnic groups can be characterised (Warren, 2006; Dustmann and Theodoropoulos, 2010; Hatton, 2011). Previous research by Blackaby *et al.* (2002), Clark and Drinkwater (2008) and Steventon and Sanchez (2008) has analysed the social positioning of ethnic groups in the UK and refer to the above BME sub-samples as a homogenous group.

There is also considerable debate about the extent to which heterogeneity exists within the BME group in the UK (Platt, 2006; Rafferty, 2012; Gough and Adami, 2013). Mawhinney (2010) highlights that the term ‘heterogeneity’, within a social context, recognises the different social and economic characteristics that exist among ethnic groups. He further adds that heterogeneity among BME individuals may influence different levels of labour income, different levels of savings made for retirement, as well as different levels of income received in retirement (Mawhinney, 2010). The term ‘ethnic group’, as used in the UK, may be creating a misunderstanding by representing unevenly distributed, socio-economic attributes as an aggregate outcome (Heath and McMahon, 2005). Heath and Cheung (2007) and Steventon and Sanchez (2008) suggest that, although the BME group has a low socio-economic position in the UK, there may be heterogeneity in the experiences of each sub-sample within the group.

As identified in the previous chapter, socio-economic characteristics, such as income, education and occupation, generally change over time and are intertwined with an individual’s opportunities for progression within the social hierarchy (Evandrou, 2000; Botcherby, 2006). Barnes and Taylor (2006) posit that different levels of inequalities faced by each sub-sample of the BME group may contribute to varying levels of socio-economic characteristics. Furthermore, many BME individuals may be unable to plan and save effectively for retirement due to their inability to access occupational pension schemes because of the low levels of income received throughout their working lives (Radl, 2012).

Heath and McMahon (2005) and Platt (2006) argue that individuals with lower levels of education, occupation and income imply that they belong to a lower social class. Meyer and Bridgen (2008) suggest that people from lower social classes are more likely to rely on the Basic State Pension (BSP) because they are less likely to have a second or third tier pension provision. Those who have a higher social class status based on higher levels of education, occupation and income are considered to have more economic stability because they are

better able to plan and save for their retirement (Steventon and Sanchez, 2008). Woodward (2004) hypothesises that persons belonging to specific ethnic groups also belong to specific social classes. Reay (2005) questions the subjectivity of social class groupings and insists that individuals of the same ethnic group do not necessarily fit into one social class.

The issue of social class is complex and encompasses a wide range of different factors contributing to the hierarchical positioning of individuals in society (Halldén *et al.*, 2008). The concept of 'social class' has gained much attention over decades due to social, political and scholarly controversy over its definition, measurement and significance (Crompton and Scott, 2005). As a social theory put forward by Karl Marx in the 19th Century, social class highlights the relationship between the position of groups in society and their economic outputs (Giddens, 1998; Bottero and Prandy, 2000). The sole use of economic productivity by Marx, as the criterion to define social class, was criticised by many (Blackburn, 1998). Crompton (1998) highlights that critics considered social class as the by-product of various individual characteristics, such as status and skills, which are shared by many. These debates contributed to the design of social classifications that are based on shared occupational characteristics in the UK (Devine *et al.*, 2004).

Based on the multi-faceted nature of social class, only the social and economic dimensions that relate to ethnicity, income, education, occupation, age and gender are referred to in this Chapter. These socio-economic factors represent forms of social division and can impact upon the ways in which social inequalities are experienced by the BME group (Heath and McMahon, 2005; Hatton, 2011). Halldén *et al.* (2008) and Verhaeghe *et al.* (2012) argue that although the socio-economic inequalities faced by ethnic groups tend to be reproduced over generations through parental influence, inter-generational stratification based on social capital exists. Giddens, Duneier and Appelbaum (2012) suggest that the increasing rate of inter- and intra-generational mobility among ethnic groups diminishes the importance of social class and highlights the importance of social stratification. Although social class exerts a strong influence on the retirement processes of individuals, social class divisions are becoming less prominent through increasing income inequality that leads to social stratification among individuals (Radl, 2012).

The social stratification theory, developed by Max Weber in the late 19th to early 20th Century, recognised the subjectivity of the social class theory that is based on similar labour

market positions (Anthias, 2001). Furthermore, the social stratification theory suggests that social diversities often exist within similar groups of people and represents the process through which individuals experience unequal distribution of resources in society (Woodward, 2004). Based on this social stratification theory and the view taken by Reay (2005), Giddens *et al.* (2012) and Radl (2012), it can be assumed that heterogeneity may exist within the BME group and each sub-sample may be able or unable to access adequate social and economic resources that may boost their well-being in retirement, irrespective of their social class position.

4.1.1 *Purpose of the Chapter*

Whilst research has been carried out to evaluate ethnic differences based on social mobility and social stratification in the UK, there is a paucity of research on the inter-ethnic differences among the BME group (Platt, 2005; Mawhinney, 2010). Heath and Cheung (2007) suggest that ethnic groups should be conceptualised in a comparative context to account for different ethnic phenomena. As each of the five sub-samples of the BME group has their own unique culture, migration patterns and employment patterns, it is assumed that other socio-economic features may also differ and result in different approaches taken to planning for retirement. The cultural traditions within the BME group, for example, language, religious belief, family structure and gender roles, highlight the diversity that exists among the five BME sub-samples (Owen and Green, 2004; Clark and Phillips, 2010). Although cultural characteristics play an important role in the savings pattern and retirement provision among individuals, Heath *et al.* (2007) confirm that cultural understanding does not fully capture the differences among ethnic groups. Mawhinney (2010) further argue that insights can be gained through investigations of the socio-economic status and social processes of change among the BME group. This research contributes to the understanding of ethnic differences within the BME group in the UK, while examining social mobility and social stratification as they vary for each BME sub-sample.

In an attempt to examine whether there is homogeneity or heterogeneity in the socio-economic characteristics of the BME group in the UK, the social stratification theory was incorporated. Key socio-economic characteristics, such as, income, education, occupation, age and gender, were examined to identify unequal distribution of these characteristics. The income levels of each BME sub-samples were examined over a period of twenty years in order to determine social mobility based on their income. Based on the findings derived from

this chapter, policy implications regarding the ability of each BME sub-sample to plan and save effectively for retirement were also explored. The specific research objectives are: to examine whether there are statistically significant means differences in the socio-economic characteristics of the BME sub-samples and to analyse the extent to which the income levels of each BME sub-sample differ and have changed over a period of twenty years, 1991 to 2011.

The structure of this Chapter is as follows: Section 4.2 highlights the methodology. Section 4.3 presents the data used. Section 4.4 outlines the empirical analysis and discussion. Section 4.5 presents some policy implications and Section 4.6 provides the conclusion.

4.2 Methodology

The aim of this chapter is to examine whether there is homogeneity or heterogeneity in the socio-economic characteristics of the BME group in the UK. As highlighted in Section 4.1, homogeneity refers to the extent to which similar characteristics are shared among ethnic groups, while heterogeneity refers to diversity in the characteristics of different ethnic groups (Mawhinney, 2010). The first objective is to examine whether there are statistically significant means differences in the socio-economic characteristics of the BME sub-samples. The second objective is to analyse the extent to which the income levels of each BME sub-samples differ and have changed over a period of twenty years, 1991 to 2011. In this section, an analytical framework is developed through a discussion of the key indicators of socio-economic position. This is followed by the statistical procedure that is carried out to analyse twenty years of panel data, which consists of all eighteen waves of data, 1991 to 2009, from the British Household Panel Survey (BHPS) and the two waves of data, 2009 to 2011, from the Understanding Society survey that were available at the time of the data analysis.

4.2.1 Analytical Framework

As a term used interchangeably with socio-economic status, socio-economic position can be measured by a single or multiple characteristics (Giddens *et al.*, 2012). Socio-economic characteristics take into account the experiences and realities that mould an individual's attitudes, lifestyle and social standing (Evandrou, 2000). Previous research that focused on socio-economic positions among different groups have commonly used a combination of characteristics such as: ethnicity, income, education, occupation, gender and age (Ginn and Arber, 2001; Heath and McMahon, 2005; Platt, 2005; Price, 2006; Dustmann and

Theodoropoulos, 2010). As highlighted in Chapter 2, these socio-economic characteristics represent different forms of capital that can accumulate over time and interact to promote social mobility and influence social dispositions among people (Bourdieu, 1986). While wealth can also be used to analyse socio-economic positions, it measures assets that have been accumulated over time rather than a flow of economic resources accounted for by income. Spilerman (2000) argues that although wealth is positively correlated to income distribution, it is a less frequent measure of socio-economic position because it difficult to measure in practice and generally takes into account assets at the household level rather than at the individual level. Based on the objectives of this chapter which focus on analyses at the individual level, wealth has not been included as a socio-economic variable.

The findings in Chapter 3, which examined labour market characteristics and incomes of the BME group and the White British group, suggest that income, occupation and education can exert influence on the social positioning and the retirement prospects of the BME group in the UK. Based on the theoretical contributions of previous literature reviewed in Chapter 2, the findings from Chapter 3 and previous studies that have conceptualised the above variables, the socio-economic position of individuals represents a function of ethnicity, income, education, occupation, gender and age. These variables are defined as follows.

- *Ethnicity (ETHNICITY)*

The BHPS and the Understanding Society surveys utilise the Office of National Statistics (ONS) classification of ethnic groups that have been used in the 2001 UK Census (Nandi *et al.*, 2008). These include the use of ethnic groupings such as White (British, Irish, Other White), Mixed, Asian or Asian British (Indian, Pakistani, Bangladeshi, Other Asian), Black or Black British (Black Caribbean, Black African, Other Black), Chinese and Other (Berthoud *et al.*, 2009). The BME group used in this thesis is defined based on ethnicity and the five sub-samples that represent the BME group are from African, Caribbean, Indian, Pakistani and Bangladeshi backgrounds. Ethnicity can be viewed as a social grouping of people and represents one of the underlying causes of social stratification in multi-ethnic societies (Anthias, 2001; Halldén *et al.*, 2008). Devine *et al.* (2004) argue that ethnic background significantly determines access to resources and the social positioning of people in society. An examination of the labour market characteristics and income of the BME group and the White British group in the previous chapter suggests that correlation exists between ethnicity and the type of employment held. Ginn and Arber (2001) state that the labour

market disadvantages posed to specific ethnic groups contribute to inequalities faced in old age.

- *Income (INCOME)*

One of the challenges of social equity in the UK is increasing income inequality among ethnic groups (Hatton, 2011). The differences in labour earnings, by gender, ethnicity and occupation, represent a major determinant of the stratified access to pension schemes and the level of income that people receive in retirement (Price, (2006). In order to reduce the number of individuals who are unable to access adequate retirement resources, the UK government implemented an Automatic Enrolment pension scheme in October 2012. One of the main criteria for access to the scheme is the level of labour income earned (DWP, 2011). Individuals are able to access this scheme provided that they earn a minimum of £9,440 in the 2012/13 financial year (DWP, 2013a). This suggests that the social position of individuals in society can be determined by their level of labour income.

As income varies across the life cycle of individuals, it is a commonly used measure of socio-economic status (Longhi and Taylor, 2010). The social and economic inequalities experienced by the BME group in the UK have been widely researched (Berthoud, 2002; Blackaby *et al.*, 2002). The majority of such studies have used income as the main indicator of social diversities. Li (2005) hypothesises that, where differences in occupation and educational qualification are evident among ethnic groups, a variation in income is usually experienced. While changes in the occupational status of individuals can highlight patterns of social mobility, the economic reward in the form of income helps to gauge the returns to educational achievement as well as changes in occupational prestige (Kenway and Palmer, 2007). Although income is not a sufficient determinant of social inequality, it represents a continuous variable that allows for the exploration of its relationship with other social and economic variables so that occurrences of social stratification and social mobility can be determined (Heath and McMahon, 2005).

- *Education (EDUCATION)*

As a key determinant of the skill sets used to acquire jobs, educational qualification is one of the most important factors that influence social mobility (Platt, 2006; Clark and Drinkwater, 2008). The long-term benefits of educational qualifications are influenced by access to and

the performance in primary, secondary and tertiary levels of schooling (Rothon, 2005). The level of educational achievement attained by individuals is a strong predictor of their access to economic resources (Clark and Drinkwater, 2000; Bhattacharyya *et al.*, 2003). Representing one of the main forms of cultural capital, education captures the knowledge-related assets of people (Connor, 2004). Heath, Ermisch and Gallie (2005) argue that education qualification varies among different ethnic groups and influence social class inequalities through the process of stratification. Heterogeneity in education qualification among the five sub-samples of the BME group may indicate differences in the level of access to key social and economic resources that can enhance the well-being of individuals in retirement.

- *Occupation (OCCUPATION)*

Occupational status plays a central role in the socio-economic position of individuals (Giddens *et al.*, 2012). Ginn and Arber (2001) suggest that that type of occupation held dictates whether, or not, individuals are able to contribute to private pension schemes. Heath and Cheung (2007) posit that ethnic minorities in the UK experience unequal outcomes in society based on their level of occupation. The confinement of BME individuals within low-level jobs in the labour market acts as a deterrent to accessing certain retirement resources due to low levels of income received (Crosby, 2010). As the occupational status of individuals changes over time, stratification may manifest (Hatton, 2011). The mobility of ethnic groups across categories of occupations can provide an indication of differentiation and stratification among the five sub-samples of the BME workforce.

- *Gender (GENDER)*

Ginn and Arber (2003) and Platt (2006) highlight the effect of gender in an ethnically stratified society. Price (2006) argues that stratification based on gender occurs because of the low level of women participation in full-time work. This is exemplified through the dependent position of many women, who are dis-engaged from the labour market due to household and caring responsibilities (Ginn and Arber, 2001). In their study of discrimination and disadvantage in local labour markets faced by ethnic minority women, Yeandle and Buckner (2009) suggest that the well-being of ethnic minority women may be severely affected by economic disadvantages. McDowell, Batnitzky and Dyer (2008) argue that although gender role differentiation varies from one culture to another, the general effects on

the social positioning of men and women from different ethnic groups are evident. Furthermore, the polarisation of many occupations into high male and high female concentration can inevitably lead to gender segregation and unequal outcomes (Noone *et al.*, 2011).

- *Age (AGE)*

The effects of age on the social and economic opportunities of individuals have been well documented (Macnicol, 2005; Heath and Cheung, 2006). Shaw *et al.* (2010) suggest that age-related patterns of advantages contribute to socially defined groups of individuals. The use of age as a proxy for determining factors such as pay, job progression and access to pension benefits has contributed to age discrimination debates (Macnicol, 2006). As an important factor, the age of an individual helps to determine the availability of social roles and influences economic stratification among different age cohorts in society.

As a function of the variables defined above, socio-economic position is considered a latent variable because it cannot be directly measured to assess the outcome of individuals (Oakes and Rossi, 2003). Instead, homogeneity or heterogeneity in the social positioning of individuals can be inferred from the one or more socio-economic characteristics that are measurable (Platt, 2006). As such, the study of socio-economic position can be classified into two distinct traditions: a sociological tradition and an economic tradition (Platt, 2003).

The sociological tradition is based on a categorical understanding of the structure of society that is defined by an occupational hierarchy, while the economic tradition tends to focus on continuous outcomes such as income groups (Platt, 2006; Bidisha, 2009). From a sociological perspective, occupational status represents a good measure of socio-economic position since individuals can be ranked according to the jobs that they do (Crompton and Scott, 2005). Halldén *et al.* (2008) argue that the dynamic workforce that is comprised of changing occupations in the UK summons a more objective measure of socio-economic position. Radl (2012) adds that, as a scalar measure, occupational groupings based on the social class classifications do not fully reflect the social inequalities and the relevance of other social and economic circumstances faced by different groups of people.

Recognising the multi-dimensional nature of social-economic position, Heath *et al.* (2005) posit that income, based on the economic tradition, is a widely used measure of social

stratification due to its correlation with a range of other socio-economic factors. The availability of monthly and annual income of individuals in datasets makes it an easy measure to compare across groups and over time (Blackaby *et al.*, 2002; Bidisha, 2009). Platt (2005) highlights that one of the problems with analysing income is that substantial amounts of missing data generally occur due to the unwillingness of respondents to share this information. In addition, income represents an economic variable that can easily be misstated (Heath and Cheung, 2007). Raudenbush and Bryk (2002) point out that missing data generally arise in social science datasets and that there is a variety of methods that can be utilised to deal with missing data.

While both the sociological and the economic approaches have significant merits for the analysis of social stratification and social change, the economic approach is utilised in this chapter and income represents the dependent variable of interest. The primary benefit of using income as the main measure of socio-economic position is that it is more indicative of economic access and the standard of living that BME individuals may experience in retirement. Having established the importance of each of the variables, it is hypothesised that the yearly income of BME individuals in each sub-sample is significantly determined by their respective education, occupation, gender and age, as is summarised in Equation 1.

Equation 1.

$$INCOME_{ijt} = \alpha_i + \beta_1 EDUCATION_{ijt} + \beta_2 OCCUPATION_{ijt} + \beta_3 GENDER_{ijt} + \beta_4 AGE_{ijt} + \varepsilon_{ijt}$$

The above equation is defined, where *INCOME* is measured in pounds sterling (£) and represents the gross monthly pay that individuals receive in their main job. *INCOME* is a function of: α_i , which represents the constant; β , which represents the slope of the independent variables; *EDUCATION*, which is divided into 15 categories that range from no qualification to a higher degree; *OCCUPATION*, which is measured on a scale of one to nine, ranging from the lowest to the highest category of occupation; *GENDER*, which refers to being a male or female; *AGE*, which is measured in years, where the minimum age is 16; and ε which represents the error term. The subscripts *i*, *j* and *t* represent BME individuals, BME sub-samples and the time of the repeated measure variable respectively. Based on the above, the following hypotheses have been developed:

Hypothesis 1 - there are inter-individual differences among the five BME sub-samples, where the mean values of income and the effects of the independent variables on income are significantly different;

Hypothesis 2 - intra-individual differences in change exist within each BME sub-sample, where the income levels of each group change differently over a period of twenty years.

Given the hypothesised association of the variables in Equation 1, the section that follows presents the statistical procedure that was undertaken to test the hypotheses that were developed based on the analytical framework.

4.2.2 *Statistical Procedure*

The dataset used in this chapter includes twenty years of data, namely, eighteen waves of the BHPS and two waves of the Understanding Society survey. The combined dataset represents an unbalanced panel, where data collected for different individuals are not consistent across different waves. Singer and Willett (2003) state that unbalanced panel datasets are common occurrences when the social and economic circumstances of people are observed repeatedly over time. Baltagi (2005) further confirms that unbalanced panel datasets can be utilised effectively to determine whether heterogeneity or homogeneity exists between groups as well as to assess outcomes that change within groups over different time periods.

This chapter examines whether, or not, social stratification based on income, education, occupation, age and gender exists among the five sub-samples of the BME group. The first objective is to examine whether there are statistically significant means differences in the socio-economic characteristics of the BME sub-samples. The second objective is to analyse the extent to which the income levels of each BME sub-samples differ and have changed over a period of twenty years, 1991 to 2011. Equation 1 highlights a nested structure to the dataset used, where BME individuals belong to one of the five BME sub-sample and their income is dependent on their respective education, occupation, age and gender. Furthermore, it highlights that each of the BME individuals in the study is measured on the same variable on more than one occasion.

Considering the first and second objectives, the Analysis of Variance (ANOVA) represents a technique that could be applied in both instances (Tabachnick and Fidell, 2007; Wooldridge, 2009). However, it is widely acknowledged that the use of ANOVA as an analytical

technique might not be the optimal solution for use with an unbalanced panel dataset and in instances where individuals are clustered in groups (Raudenbush and Bryk, 2002; Pallant, 2010). Field (2009) advises that in ANOVA, observations with missing data are automatically deleted from the analysis. Although missing-data imputation could be used to replace missing values with substituted values, Tabachnick and Fidell (2007) advise that more robust techniques that utilise all the available data can be used. Rabe-Hesketh and Skrondal (2005) posit that, if the structural arrangement of the data and the dependence of the observations are ignored, then the standard errors and confidence intervals that are obtained may be incorrect and a Type I error may occur. A Type I error occurs when the null hypothesis is rejected when it is actually true and Type II refers to failing to reject the null hypothesis when it is false (Verbeek, 2004). Pallant (2010) argues that when data are nested within groups and participants are subjected to repeated measures, more specialised techniques such as multilevel modelling should be applied instead of an ANOVA technique.

In this regard, the multilevel modelling technique was applied in examining whether there are statistically significant means differences in the socio-economic characteristics of the BME sub-samples and to analyse the extent to which the income levels of each BME sub-samples differ and have changed over a period of twenty years. Multilevel modelling, also known as hierarchical linear model and mixed effects model, enables the analysis of data with complex patterns of variability (Raudenbush and Bryk, 2002). As an extension of the ANOVA technique, it provides a more flexible and robust approach to analysing longitudinal data in unbalanced panel datasets with grouped data, missing data, inconsistent time intervals and unequal sample sizes (Steele, 2008).

Through the use of multilevel modelling, research objectives that focus on inter-individual differences between groups and intra-individual changes within groups over time can be fulfilled (Singer and Willett, 2003). Furthermore, a multilevel model allows predictors within an analysis to be discrete or continuous as well as time invariant, for example, gender, time related, for example, age and time varying, for example, income (Browne and Rasbash, 2004). Rabe-Hesketh and Skrondal (2005) confirm that, through the need to assess development outcomes over different time periods, multilevel modelling has become a popular technique within fields such as education, economics, psychology and sociology.

The use of multilevel modelling has some underlying data assumptions (Raudenbush and Bryk, 2002; Demidenko, 2004). These include: normality distributed data; the sample sizes can be unequal but must be equal to 10 plus the number of time periods; homogeneity of variance and observations at the highest level are independent of each other (Steele, 2008). In addressing the data assumption of normality, the non-normal nature of the data is highlighted in section 4.3.5. As recommended by Dougherty (2007) a logarithmic transformation of income, as the dependent variable, was carried out to modify the scores and to achieve a more normal distribution. Singer and Willett (2003) posit that the majority of social science datasets do not conform to the assumptions of normal distribution. Pallant (2010) confirms that most statistical techniques are tolerant of the violation of normality, where the sample size in each group is larger than 30.

The quantity of samples used in an analysis has the ability to increase the confidence of the results from which inferences about a population can be made (Field, 2009). In this chapter, there are 20 time periods so the minimum sample size suggested for each of the BME sub-samples is 30. Table 4.3 highlights that the sample sizes for the BME sub-samples are unequal. However, the minimum, overall sample size for each group is 1,350. This suggests that population inferences can be made from the findings generated in this chapter (Dancey and Reidy, 2004). In addressing the homogeneity of variance and independence of observation assumptions, it can be acknowledged that units of observations in the same group are more similar than those in different groups (Davis, 2002). Furthermore, where the BME sub-samples are independent of each other, the individuals within each sub-sample share values on variables and are not independent. Snijders and Berkhof (2008) state that while groups are generally independent of each other, multilevel modelling is tolerant of violations to homogeneity of variance and independence of observations.

Having addressed the assumptions of multilevel modelling, the structural nature of the technique is taken into account. The multilevel modelling technique is characterised by the presence of a fixed effects model and a random effects model (Rabe-Hesketh and Skrondal, 2005). A fixed effects model examines the impact of variables and considers whether, or not, intercepts vary across groups over time periods (Verbeke and Molenberghs, 2000). Independent variables in an analysis are generally regarded as fixed effects. A random effect model explores differences in error variances and assumes that variables vary randomly within the groups (Demidenko, 2004). In a multilevel model, the groups in the sample are

treated as a random sample from a population of groups. By using a fixed effects model only, inferences cannot be made beyond the groups in the sample (Tabachnick and Fidell, 2007). By incorporating a random effects model into the analysis, it allows the inferences to be generalised beyond the sample used in an analysis (Snijders and Berkhof, 2008).

Multilevel modelling also involves analysis at more than one level (Liu, 2011). Steele (2008) highlights the importance of acknowledging the structure of the data used in an analysis to avoid incorrect inferences made at the group level while assuming that the results also apply at the individual level and *vice versa*. The first objective of this chapter relates to the examination of all the variables associated with all the BME individuals in the five different BME sub-samples. This can be referred to as an inter-individual or a between-group analysis (Liu, 2011). In this instance, a two-level model is represented where BME individuals are classified into level 1, or individual-level, data and the BME sub-samples represent level 2, or group-level, data. The second objective of the chapter involves the analysis of repeated measure data regarding income levels within each of the BME sub-samples. Rabe-Hesketh and Skrondal (2005) point out that this type of analysis can be referred to as an intra-individual or a within-group analysis. Based on the second objective, a two-level model is also represented, where the measurement occasions of the income variable represent the level 1 model (Hox, 2002), and the level 2 model is represented by the BME individuals.

4.2.2.1 *Multilevel Modelling of Inter-Individual Difference*

The first objective is to examine whether there are statistically significant means differences in the socio-economic characteristics of the five BME sub-samples. There are four main steps involved in developing a two-level multilevel model for an inter-individual analysis, namely, specification of the null model; specification of the level 1 model, specification of the level 2 model and specification of the final model (Heck *et al.*, 2010). The null model is also referred to as the 'intercept only' model and its purpose is to partition the variance of the dependent variable into its within-group and between-group components (Liu, 2011). Singer and Willett (2003) highlight that a level 1 model with individual-level data, also known as the individual growth model, can be used to examine intra-individual differences. Hox (2002) and Rabe-Hesketh and Skrondal (2005) state that the level 2 model, also known as the between-person model, is suitable for analysing differences between individuals and groups.

- *The Null Model*

In the specification of the simplest multilevel regression model of grouped data, the null model for the first objective was specified as follows:

Equation 2.

$$(LOG)INCOME_{ij} = \gamma_{00} + u_{0j} + \varepsilon_{ij}$$

The above equation is defined, where *(LOG)INCOME* is the dependent variable and represents the logarithm of gross monthly income. The subscripts *i* and *j* represent BME individuals in each BME sub-sample respectively. *(LOG)INCOME* is determined by: γ_{00} which refers to the overall mean of the intercepts for all the BME sub-samples, u_{0j} which represents the deviation of a sub-sample's mean from the overall mean and ε_{ij} is the residual error term which represents variation in estimating individual incomes in each of the BME sub-samples. γ_{00} and u_{0j} are substitutions of the intercept α_j which represents the variability in the intercept for each BME sub-sample.

Equation 2 was used to provide an estimated mean log income value for the five BME sub-samples. It was also used to partition the variance between level 1 data, which is represented by ε_{ij} , and level 2 data, which is represented by u_{0j} . Heck *et al.* (2010) point out that the proportion of variance that exists between groups (σ^2_{u0}) compared to the total variation ($\sigma^2_{u0} + \sigma^2_{\varepsilon}$) is referred to as an intraclass correlation (ρ). Rabe-Hesketh and Skrondal (2005) state that an intraclass correlation explains the amount of variance in the dependent variable that can be explained by the grouping structure present in a dataset. Hox (2002) confirms that the intraclass correlation can be defined as: $\rho = \sigma^2_{u0} / (\sigma^2_{u0} + \sigma^2_{\varepsilon})$.

- *The Level 1 Model*

With the null model specified, the level 1 and the level 2 models to address the first objective were taken into account. The level 1 model with individual-level data was specified as follows:

Equation 3.

$$(LOG)INCOME_{ij} = \alpha_i + \beta_1 EDUCATION_{ij} + \beta_2 OCCUPATION_{ij} + \beta_3 GENDER_{ij} + \beta_4 AGE_{ij} + \varepsilon_{ij}$$

The above equation suggests that at the individual level, education, occupation, gender and age are able to predict the income values of BME individuals within each of the BME sub-samples. α refers to the intercept, β refers to the regression slope of the independent variable and ε refers to the residual error term. The subscripts i and j represent BME individuals and BME sub-samples respectively. Equation 6 was used to examine if education, occupation, gender and age significantly affect the income of BME individuals at the individual level.

- *The Level 2 Model*

As the third step in building a multilevel model, the level 2 models used to analyse means differences among the five BME sub-samples were developed. Raudenbush and Bryk (2002) state that the level 2 model usually consists of two equations: one with variations in the intercept at the group level and the other with variations in the slope at the group level. As in Equation 2, which indicated that variations in the intercept can be described at the group level, a within-group slope (β_{1j}) can also be specified as randomly varying across individuals within each BME sub-sample. Through a substitution of the intercept values (α_j) and the slope coefficients (β_{1j}) (see **Appendix 4A**), the level 2 models can be represented with the following two equations:

Equation 4.

$$\alpha_j = \gamma_{00} + \gamma_{01}Z_j + u_{0j}$$

Equation 4 predicts the average income within an ethnic group based on the BME sub-sample where γ_{00} and γ_{01} refer to the intercept and the slope respectively to predict the variability in the intercept (α_j) at the BME sub-sample level (Z_j). u_{0j} represents the residual error term at the group level.

Equation 5.

$$\beta_{1j} = \gamma_{10} + \gamma_{20}Z_j + u_{1j}$$

Equation 5 highlights the relationship between income and the independent variables of each individual based upon their BME sub-sample. The equation is defined where γ_{10} and γ_{20} refer to the intercept and the slope respectively to predict variability in the slope (β_{1j}) of the independent variables at the BME sub-sample level (Z_j). u_{1j} represents the residual error term in the equation at the group level.

- *The Single Multilevel Model*

In order to determine if significant means differences exist among the BME sub-samples, based on variability in the intercept and the slope for each sub-sample, a single multilevel model was developed. A substitution of the values of the level 2 models presented in Equations 4 and 5 into the level 1 model presented in Equation 3 was done to create a single multilevel model as follows:

Equation 6.

$$(LOG)INCOME_{ij} = \gamma_{00} + \gamma_{10}EDUCATION_{ij} + \gamma_{11}OCCUPATION_{ij} + \gamma_{12}GENDER_{ij} + \gamma_{13}AGE_{ij} + \gamma_{01}Z_j + \gamma_{20}Z_jEDUCATION_{ij} + \gamma_{20}Z_jOCCUPATION_{ij} + \gamma_{20}Z_jGENDER_{ij} + \gamma_{20}Z_jAGE_{ij} + u_{0j} + u_{1j}EDUCATION_{ij} + u_{1j}OCCUPATION_{ij} + u_{1j}GENDER_{ij} + u_{1j}AGE_{ij} + \varepsilon_{ij}$$

Equation 6 is defined where *(LOG)INCOME* is determined by:

- γ_{00} represents the overall intercept which is the mean of the values on the income variable across all the BME sub-samples when all the independent variables are equal to 0;
- γ_{10} , γ_{11} , γ_{12} and γ_{13} refer to the slope between the dependent variable and the level 1 independent variables;
- $\gamma_{01}Z_j$ refers to the slope to predict the variability in the intercept at the BME sub-sample level;
- $\gamma_{20}Z_j$ refers to the slope to predict variability in the slope of the independent variables at the BME sub-sample level;
- u_{0j} represents the random error term for the deviation of the intercept of each BME sub-sample from the overall intercept;
- u_{1j} refers to the random error term for the slope and represents the deviation of each BME sub-sample's slope from the overall slope; and
- ε_{ij} is the random error term which represents variation in estimating individual incomes in each of the BME sub-samples.

Equation 6 has two distinct parts. The first part of the model contains all the fixed coefficients and the remainder contains all the random error terms or the stochastic part of the model (see **Appendix 4B**). Dummy variables were used to identify variability at the group level among the BME sub-samples.

4.2.2.2 *Multilevel Modelling of Intra-Individual Change*

The second objective is to analyse the extent to which the income levels of each BME sub-sample differ and have changed over a period of twenty years. Raudenbush and Bryk (2002) and Singer and Willett (2003) argue that the advantage of analysing longitudinal change within a multilevel modelling framework is its ability to deal with nested data structure through the integration of the growth curve modelling technique. In this regard, the growth curve modelling technique was applied to analyse changes in income levels within the BME sub-samples. Heck *et al.* (2010) posit that a multilevel growth curve model includes the specification of an unconditional means model, the unconditional growth models, a level 2 model and a single growth model.

- *The Unconditional Means Model*

The unconditional means model, which was used to estimate the mean log income over the twenty-year time period and the intraclass correlation, was formulated as follows:

Equation 7.

$$(LOG)INCOME_{it} = \gamma_{00} + u_{0i} + \varepsilon_{it}$$

Equation 7 is defined where the log income at time point t ($t=1, \dots, 20$) for the BME individual i ($i = 1, \dots, N$) is determined by: γ_{00} which refers to the mean intercept of the time trajectory for the BME individuals in a sub-sample; u_{0i} which represents the deviation of a BME individual's mean from the intercept of the sub-sample and ε_{it} which represents the error term.

- *The Unconditional Growth Model*

Following the specification of the unconditional means model, the unconditional growth models, namely, the linear change model, the quadratic change model and the cubic change model were specified (see **Appendix 5**). The linear change model was used to examine if there is a significant linear relationship between time and log income. Snijders and Berkhof (2008) inform that while the linear model for change allows for a straight-line relationship between time and the growth in income, a quadratic model for change incorporates peak and nadir in income trajectories in the form of a single bend either upward or downward. A cubic model for change highlights a more curving nature of income trajectories and generally has

two inflection points. In order to test for a non-linear trend in log income, a quadratic change model and a cubic change model were used. Raudenbush and Bryk (2002) emphasise the importance of correctly specifying a longitudinal model for change. Singer and Willett (2003) advise that higher powers of time, such as with the cubic model, increases complexity in the interpretation of the findings. They also insist that a cubic model, or higher polynomial trajectory models, should only be used when a simpler representation proves insignificant (Singer and Willett, 2003).

- *The Level 2 Model*

A limitation of the unconditional growth model is that it assumes that the relationship between time and log income is constant for all individuals (Snijders and Berkhof, 2008). In order to allow for the intercept and slope to vary randomly, level 2 models were developed as follows:

Equation 8.

$$\alpha_i = \gamma_{00} + u_{0i}$$

Equation 9.

$$\beta_{1i} = \gamma_{10} + u_{1i}$$

Equation 8 predicts the individual variation in the level of log income where γ_{00} refers to the overall intercept and u_{0i} refers to the individual-level residual. Equation 9 predicts individual variation in the level of change where γ_{10} represents variability in the slope and u_{1i} refers to the individual-level residual.

- *The Single Growth Model*

Section 4.4.2 confirmed the statistical significance of the linear growth model and this resulted in its preference over the quadratic and cubic change models. Through substitution of the level 2 models into the linear unconditional growth model in Equation 7, a single growth curve model for log income was developed as follows:

Equation 10.

$$(LOG)INCOME_{it} = \gamma_{00} + \gamma_{10}TIME_{it} + u_{0i} + u_{1i}TIME_{it} + \varepsilon_{it}$$

Equation 10, which is characterised by the presence of fixed coefficients and random error terms, was used to assess whether, or not, log income levels vary within each BME sub-sample in a systematic way. In this instance, separate multilevel models were estimated for each BME sub-sample to aid in lucidity.

While the growth models estimated for the second objective are able to confirm whether, or not, differences in income over time are evident within the BME sub-samples, they do not highlight variability in the change of income over time. Singer and Willett (2003) confirm that graphical methods can be used to explore the magnitude of group variability in outcomes over time. Charting group means over the twenty years of the analysis can provide an indication of whether, or not, the incomes of each BME sub-samples are changing in a homogenous or heterogeneous manner. In this regard, empirical growth charts based on income were generated on a year-on-year basis and examined for each of the five BME sub-samples. Snijders and Berkhof (2008) state that, the plotting or charting of growth models within a multilevel framework emphasise the underlying trajectories that exist within groups over time.

The first objective is to examine whether there are statistically significant means differences in the socio-economic characteristics of the five BME sub-samples. This is in line with the first hypothesis that there are inter-individual differences among the five BME sub-samples, where the mean values of income and the effects of the independent variables on income are significantly different. The second objective is to analyse the extent to which the income levels of each BME sub-samples differ and have changed over a period of twenty years. The second hypothesis, developed in line with the second objective, is that there are intra-individual differences in change within each BME sub-sample, where the income levels of each BME sub-sample change differently over a period of twenty years.

Multilevel model facilitates the analysis of variations in the dependent variable among groups as well as changes that occur within groups. Based on this, the technique was employed to assess homogeneity and heterogeneity in the socio-economic characteristics among the five BME sub-samples. To minimise the possibility of reaching the wrong conclusions, based on the application of the above between-group and within-group models, an alpha level of .05 was chosen with the application of a 95% confidence level. These significance levels indicate

the reliability of the analysis in identifying significant differences among the BME sub-samples and the rate of change in income levels within each BME sub-sample.

Having established an analytical framework and the statistical procedure applied in this chapter, the following section presents the key data sources. It highlights the data used in this chapter along with a description of the basic features of the data.

4.3 Data

4.3.1 Data Sources

The socio-economic circumstances of the five sub-samples of the BME group in the UK have not been extensively researched due to limited national and longitudinal data available in the UK and insufficient sample sizes (Berthoud and Gershuny, 2000; Nazroo, 2005; Platt, 2006; Nandi, Platt and Burton, 2008). In an attempt to identify ethnic group differences and model changes in the socio-economic variables among the BME population, two commonly used government longitudinal datasets, namely, the Office for National Statistics (ONS) Longitudinal Study (LS) developed in the early 1970s and the British Household Panel Survey (BHPS) implemented in 1991 are used (Li, 2005; Platt, 2005; Blekesaune, Bryan and Taylor, 2008).

Longitudinal approaches to data collection provide the advantage of understanding social change and the factors which influence social and economic trajectories (Lynn *et al.*, 2005). The LS survey is a multi-cohort study that is linked to the national Census data and has been extensively used in research to examine health and social mobility due to large sample sizes. However, its limitations include: ten year periods of data collection that often relate to the circumstances of people at the time of the Census, the lack of data collection on financial circumstances, such as income, and limited comparability with other studies worldwide (Johnson, 2002). As identified through findings in Chapter 2 and Chapter 3, income is a key resource which can determine BME's access to key retirement resources. In addition to this, year-on-year data that reflect social and economic circumstances have the advantage of providing a clearer view of the phenomena that BMEs encounter. In this regard, the LS survey was disregarded and data from the BHPS was used in this chapter.

The BHPS was implemented as one of the main survey for measuring social change in the UK (Longhi and Taylor, 2010). Despite one of its disadvantages being the limited number of

observations in the survey, the BHPS enables the analysis of a wide range of socio-economic variables (Johnson, 2002). With the need to facilitate greater understanding of social and economic change at both household and individual levels, the BHPS was incorporated into a new longitudinal study called Understanding Society from 2009. The Understanding Society survey represents the largest longitudinal household study in the UK and is intended to extend the coverage of the socio-economic circumstances of individuals in the UK through larger sample sizes (Berthoud *et al.*, 2009). Furthermore, the survey represents approximately 80% of the ethnic minority groups in the UK (Lynn, 2009). Given the specific objectives of this chapter, the BHPS data is combined with the Understanding Society survey data because of the increased sample sizes in the Understanding Society survey, where the five BME sub-samples of interest in this thesis are well represented. The following two sections provide the scope and design of each of the two surveys used in this chapter.

4.3.2 *British Household Panel Survey (BHPS)*

4.3.2.1 *Scope of the survey*

The BHPS was designed and managed by the Institute for Social and Economic Research (ISER) at the University of Essex. It consists of 18 waves and was operational from 1991 to 2009. It utilised a stratified random sampling technique, which is based on private households in the UK and is comprised of approximately 5,050 household and 10,000 individuals (ISER, 2010). Bryman and Bell (2007) posit that the use of a stratified random sampling technique ensures that all parts of the population are represented in the sample in order to increase efficiency of the survey. The initial sample for the survey was drawn from the Royal Mail Postcode Address File (PAF) with 250 areas sampled in England, Scotland and Wales (Johnson, 2002). It was designed to be representative of the UK population, excluding Northern Ireland and north of the Caledonian Canal. Additional samples from Northern Ireland were added to the BHPS at Wave 11 to increase the sample to cover the whole of the United Kingdom (ISER, 2010). Data from several waves of the BHPS were used for the European Community Household Panel (ECHP).

4.3.2.2 *Survey Design*

The main data collection techniques were face-to-face interviews and a self-administered questionnaire. Information about an absent member of the household was collected by proxy, where data could be gathered from an adult member of the same household. To maintain a high response rate, telephone interviews were used to compensate for the failure of a proxy or

face-to-face interview. Designed as an annual survey, each member of the household over the age of 16 was interviewed at regular intervals to create a panel survey (see **Table 4.1**).

Table 4.1. British Household Panel Survey data collection schedule

Wave 1	3 September 1991 to 30 January 1992
Wave 2	5 September 1992 to 30 April 1993
Wave 3	5 September 1993 to 30 April 1994
Wave 4	3 September 1994 to 9 May 1995
Wave 5	4 September 1995 to 30 April 1996
Wave 6	29 August 1996 to 17 April 1997
Wave 7	29 August 1997 to 8 May 1998
Wave 8	1 September 1998 to 8 May 1999
Wave 9	1 September 1999 to 30 April 2000
Wave 10	1 September 2000 to 31 May 2001
Wave 11	1 September 2001 to 25 May 2002
Wave 12	1 September 2002 to 30 April 2003
Wave 13	1 September 2003 to 10 May 2004
Wave 14	1 September 2004 to 11 May 2005
Wave 15	1 September 2005 to May 2006
Wave 16	1 September 2006 to 3 April 2007
Wave 17	1 September 2007 to April 2008
Wave 18	1 September 2008 to 9 April 2009

Through the use of a panel survey, the BHPS gathered data on a wide range of topics including income, employment, household composition, education and housing to facilitate longitudinal analysis of how individuals and household change over time (Lynn, 2009). Original sample members were usually followed whenever they moved address in the UK to ensure continued representation (ISER, 2010). BHPS data from Wave 19, which were collected from January 2010 to March 2011, now forms a part of the Understanding Society Wave 2. Although the BHPS sample remains a part of the larger Understanding Society study, each member of the sample have a unique identifier within the Understanding Society datasets. This identifier enables data matching of members from Waves 1 to 18 of BHPS to Wave 2 of Understanding Society.

4.3.3 Understanding Society Survey

4.3.3.1 Scope of the survey

Understanding Society, which is also known as the United Kingdom Household Longitudinal Study (UKHLS) represents an interdisciplinary study of the socio-economic circumstances of people in the UK (Berthoud *et al.*, 2009). Unlike the BHPS, that surveyed approximately 5,050 households, the Understanding Society surveys approximately 40,000 households (ISER, 2010). Designed as a representative sample of the UK population, it seeks to provide data that will allow greater analysis of regional and national changes in the social and economic circumstances of people. It is funded by the Economic and Social Research Council (ESRC) and is also managed by the ISER. Like the BHPS, the sample for this survey is taken from the Royal Mail postal files. It utilises 2,640 postcodes in England, Scotland and Wales and 2,400 addresses from Northern Ireland (Lynn, 2009). The study was also developed to aid in international comparison with other longitudinal studies.

4.3.3.2 Survey Design

The Understanding Society survey adopts the same data collection methodology of the BHPS by surveying the same household on a regular basis (Berthoud *et al.*, 2009). High response rates are maintained through a minimum of six attempts at each address to secure an interview. These attempts are followed up by telephone calls before a non-contact is recorded for that address. Given the need for a large sample size to be interviewed, data collection takes place over a two year period for each wave of the survey, (see **Table 4.2**). While each wave of the survey takes two years to complete, the waves overlap so that sample members are still interviewed on an annual basis (Berthoud *et al.*, 2009).

Table 4.2. Understanding Society Survey data collection schedule

2009	2010	2011	2012	2013	2014
Wave 1					
	Wave 2				
		Wave 3			
			Wave 4		
				Wave 5	

The overall Understanding Society survey has five sample components, namely, the Innovation Panel (IP), the General Population Sample (GPS), the Ethnic Minority Boost Sample (EMBS), the General Population Comparison Sample (GPCS) and participants from the BHPS (Lynn, 2009). The IP was designed as an experimental study through which the overall survey can be supported through methodological developments. It represents an annual survey of 1,500 household and was initially carried out in 2008. The design, content and data collection procedures are similar to the GPS, which is the main survey. The GPS commenced in 2009 and consists of approximately 28,000 households to facilitate research that is representative of the total UK household population (Lynn, 2009).

The EMBS was designed to provide a larger sample size of ethnic minorities. Prior to the introduction of the Understanding Society, Nandi *et al.* (2008) confirm there was no national household panel survey in the UK in which substantial numbers of people from the ethnic minority groups are interviewed repeatedly on a yearly basis. The five BME sub-samples of concern in this thesis are a key focus in the EMBS, where each BME individual within the household is given additional survey questions that relate to issues such as ethnic identity (Berthoud *et al.*, 2009). A national representation of the ethnic minority population in the UK is maintained by combining the EMBS sample with the GPS. The GPCS is a sub-sample of the GPS. The same additional questions posed to the EMBS are given to the GPCS to allow comparative analysis with the EMBS. The participants from the BPHS are included as a sample component of Understanding Society from Wave 2 onwards to enable the matching of data on these individuals and to facilitate longer periods of data analysis (Lynn, 2009).

4.3.4 *Sample Selection*

Due to similarities in the methodology used in the data collection and data organisation process of the BHPS and the Understanding Society survey, a similar process of selecting the relevant sample for this chapter was followed. Both surveys have a complex structure. Each wave of data collection is given a wave specific alphabetised prefix. The first wave of BHPS data is stored with the prefix ‘a’ and the last wave with the prefix ‘r’. Likewise, the Understanding Society survey utilises the prefix ‘a’ for Wave 1 and ‘b’ for Wave 2. There are separate sets of data files for each wave that represent subject specific data. There are specific data files that are prefixed with the letter ‘x’, which are designed to allow for the linkage of records across waves. In addition to this, data files are available at both individual level and

household level. Platt (2005) and Lambert (2006) state that the majority of analyses utilise two main files from any given waves and these are subsets of data files from the individual and household data files that contain substantive data for the useful analysis.

The objectives of this chapter are: to examine whether there are statistically significant differences in the mean values of the socio-economic characteristics of the BME sub-samples and to identify the extent to which the socio-economic characteristics of the BME sub-samples have changed over a period of twenty years. The nature of the research requires adequate sample sizes for comparisons to be made and longitudinal data from which change over time can be identified. On this basis, all the waves from the BHPS were used. In addition to this, Waves 1 and 2 data from the Understanding Society survey were used. Waves 1 and 2 represent the only available data from the Understanding Society at the time of the data analysis. Data from the IP were not included since, as mentioned in Section 4.3.3.2, it is mainly intended to be used by the ISER and it serves the purpose of fulfilling methodological improvements for the Understanding Society survey.

Data files that are based on individuals only were selected from both surveys. Lambert (2006) informs that longitudinal analysis should not be carried out on household data since one in six British households change their composition each year. Furthermore, new identification numbers that are not inter-connected with the previous year's household number are issued for each household yearly. Therefore, household identifiers that are specific to each wave cannot be used to track change (Li, 2005; Lynn *et al.*, 2005). Restructuring the data to meet the analytical purposes of this chapter included the elimination of all ethnic groups except the five specific BME sub-samples, which are African, Caribbean, Indian, Pakistani and Bangladeshi. Across Waves 1 to 18 of the BHPS, there were 861 BME individuals. The BME sample for Waves 1 and 2 of the Understanding Society were 7,710. Both the BHPS data and the Understanding Society data were merged to create a dataset with 8,571 BME individuals to aid in effective comparison and longitudinal analysis of the five BME sub-groups (see **Table 4.3**). Due to the nature of both surveys, where respondents have been interviewed repeatedly, cross-wave identifiers available in each wave were used to match individuals across waves.

Table 4.3. Total BME sub-samples from the BHPS and Understanding Society

BME Sub-Samples		African	Caribbean	Indian	Pakistani	Bangladeshi	Total
BHPS	Waves 1-18	112	165	307	218	59	861
Understanding Society	Waves 1-2	1523	1185	2092	1619	1291	7710
Combined total		1635	1350	2399	1837	1350	8571

This section provided the data sources that were used in this chapter. The following section provides the basic features of these variables to reveal the pattern of the data and to consider whether the variables are derived from a normal distribution.

4.3.5 *Descriptive Statistics*

Table 4.4 provides a summary of the sample data comprising of 8,571 observations used to achieve the objectives of this chapter. This includes a description of the variables, namely, education, occupation, gender, age and income. In order to achieve clarity, the relevant sample data have been allocated into the five sub-samples of the BME group and the descriptive statistics for each sub-sample are presented.

Table 4.4 Description of the sample data

This table presents the descriptive statistics for the variables: education, occupation, gender, age and income as defined in Section 4.2.5.1. The relevant sample data have been allocated to the five sub-samples of the BME group and the descriptive statistics for each sub-group are presented. The period of observation is 1991 to 2011 and the total number of observations is 8,571.

BME Sub-samples		Education	Occupation	Gender	Age	Income
African N = 1635	Mean	3.66	526.25	1.57	32.23	1627.71
	Median	3.00	543.00	2.00	30.00	1301.00
	Std. Deviation	3.01	263.10	0.50	13.95	1292.56
	Skewness	1.27	0.12	-0.27	0.78	2.61
	Kurtosis	3.65	1.76	1.07	3.16	15.95
	Minimum	1.00	101.00	1.00	16.00	4.33
	Maximum	15.00	958.00	2.00	79.00	12919.80
	K-S Sig.Value	0.00	0.00	0.00	0.00	0.00
Bangladeshi N = 1350	Mean	5.12	568.11	1.49	31.31	1186.50
	Median	4.00	611.00	1.00	27.00	812.78
	Std. Deviation	3.47	255.02	0.50	14.86	1251.76
	Skewness	0.59	-0.22	0.03	1.12	5.25
	Kurtosis	2.17	1.87	1.00	3.81	48.60
	Minimum	1.00	112.00	1.00	16.00	47.00
	Maximum	15.00	958.00	2.00	82.00	15000.00
	K-S Sig.Value	0.00	0.00	0.00	0.00	0.00
Caribbean N = 1350	Mean	4.80	486.71	1.59	37.47	1814.15
	Median	4.00	415.00	2.00	33.00	1569.50
	Std. Deviation	3.26	245.22	0.49	17.09	1297.99
	Skewness	0.76	0.37	-0.38	0.61	2.05
	Kurtosis	2.44	2.14	1.14	2.40	10.18
	Minimum	1.00	111.00	1.00	16.00	43.33
	Maximum	15.00	999.00	2.00	84.00	9607.24
	K-S Sig.Value	0.00	0.00	0.00	0.00	0.00
Indian N = 2399	Mean	3.87	473.26	1.48	34.38	1702.58
	Median	3.00	412.00	1.00	31.00	1300.00
	Std. Deviation	3.27	265.65	0.50	15.18	1378.71
	Skewness	1.15	0.34	0.07	0.77	1.86
	Kurtosis	3.34	1.80	1.00	2.87	7.88
	Minimum	1.00	111.00	1.00	16.00	1.00
	Maximum	15.00	999.00	2.00	84.00	9563.69
	K-S Sig.Value	0.00	0.00	0.00	0.00	0.00
Pakistani N = 1837	Mean	5.15	548.50	1.53	33.41	1326.85
	Median	4.00	611.00	2.00	30.00	1083.33
	Std. Deviation	3.64	270.55	0.50	15.72	1072.05
	Skewness	0.61	-0.16	-0.11	0.88	2.13
	Kurtosis	2.20	1.63	1.01	2.88	10.56
	Minimum	1.00	110.00	1.00	16.00	4.33
	Maximum	15.00	958.00	2.00	80.00	9166.67
	K-S Sig.Value	0.00	0.00	0.00	0.00	0.00

The summary provided in Table 4.4 highlights the statistics for the central tendency of the data in the form of the mean and median. The measures of data dispersion are provided in the form of minimum and maximum values and standard deviation. The skewness and kurtosis values are provided as measures of the shape of the data (Pallant, 2010). In order to achieve a robust measure of data normality, the Kolmogorov-Smirnov test (K–S test) was used (Tabachnick and Fidell, 2007). K-S tests that were carried out on all the variables, across all the BME sub-samples, indicated that the dataset is non-normal. Graphical observations of the outputs of normal Quantile-Quantile (Q-Q) plots also confirmed that the data represent a non-normal distribution.

Educational achievement in both surveys is based on the highest educational qualification of each respondent. These are divided into categories ranging from a minimum value of 1, which represents a higher degree and includes master's degrees and doctorates to a maximum value of 15, which refers to no qualification. The statistics indicate that Africans reported the lowest mean of 3.66. This was followed by the means of 3.87, 4.80, 5.12 and 5.15 for the Indian, Caribbean, Bangladeshi and Pakistani groups respectively. This signifies that Africans and Indians in the sample data had the highest levels of educational qualifications that represent a mean qualification at a diploma in higher education level. The median education for the Caribbean, Pakistani and Bangladeshi groups is at a similar score of 4, which indicate a middle value educational qualification in teaching. The standard deviation for each of the sub-samples was approximately 3, while the skewness and kurtosis ranged from 0.59 to 3.65.

Occupation refers to the current main job of an individual. The occupational classification of individuals in both the BHPS and the Understanding Society is divided into nine major groups (ISER, 2010). The occupation category ranges from those at the top of the occupation scale such as managers, directors and senior officials to those at the bottom, in elementary occupations, such as cleaners. These occupation groups are defined, where occupations coded in the region of 100 represent the highest occupation group and those coded in the region of 900 represent the lowest category of occupation.

An examination of the occupation variable highlights that Indian and Caribbean individuals have a similar mean within the region of 400, which indicate that their average occupation is within administrative and secretarial occupations. The African, Pakistani and Bangladeshi

group reported a concentration in skilled trade occupations with mean scores in the region of 500. The occupation data for the five sub-samples revealed a similar standard deviation of more than 200. The skewness and kurtosis for all the sub-samples deviated from zero. The descriptive statistics for the occupation variable corroborates the descriptive statistics for the occupation variable presented in the previous chapter. Both descriptive statistics confirm that at both levels of investigation, the BME sub-samples and the BME group as a whole tend to occupy low level jobs.

Gender represents a binary variable, where 1 equals female and 0 equals male. Described as an aggregate of the BME sub-samples, the BME group in the previous chapter, which examined the labour market characteristics and incomes of the White British group and the BME group, reported more females than males in the gender variable of the BME group. Looking at the individual compositions of gender in Table 4.4 above, the mean statistics show that there are more women from the African, Caribbean and Pakistani ethnic groups present in the sample data, but more men present from the Indian and the Bangladeshi backgrounds. The standard deviation for the gender variable across all five ethnic groups was approximately 0.50. This score indicates that the spread of the data did not vary far from the mean. The skewness and kurtosis values were lower than those seen in the education and occupation variables.

In order to ensure consistency in comparison across waves in the BHPS and the Understanding Society survey, the ages of respondents are recorded at a particular date in each wave and are measured in years (ISER, 2010). As both surveys interview household members over the age of 16 for inclusion in the main adult surveys, the minimum age in the dataset is 16. The descriptive summary for the age variable highlights that the Caribbean group has the highest mean of approximately 37, a median age of 33 and a maximum age of 84. These scores are characterised by a standard deviation of 17.09. The approximate mean ages recorded for the Indian, Pakistani, African and Bangladeshi groups are 34, 33, 32 and 31 respectively. The maximum age recorded for these four sub-samples were 84, 80, 79 and 82 for Indians, Pakistani, African and Bangladeshi respectively. The dispersion of the data from the mean values that are indicated by the standard deviation shows a spread ranging from 13.95 to 15.72 for the Indians, Pakistani, African and Bangladeshi groups. Differences in the mean ages of the BME sub-samples indicate that the Caribbean group may have more individuals entering the retirement stage at a faster rate than the remaining BME sub-samples.

Income refers to the usual gross pay per month in the current job of the individual respondents. The income data showed that the Caribbean group has the highest mean gross pay per month of £1,814.15 with a minimum of £43.33 and a maximum of £9,607.24. The Indian group reported the second highest mean monthly gross income of £1,702.58 with minimum and maximum values of £1 and £9,563.69. They were followed by the African group with a mean, minimum and maximum gross monthly income of £1,627.71, £4.33 and £12,919.80 respectively. The Pakistani group is in fourth with a mean income of £1,326.85 and a minimum and maximum figure of £4.33 and £9,166.67 respectively. The Bangladeshi group reported the lowest mean for income at £1,186.50 but a range from £47 to £15,000. The mean dispersion of the income data is represented by a high standard deviation value across the five BME sub-samples, indicating that the income values are widely spread. The overall income data in the dataset are positively skewed and these suggest that the majority of the income values are to the low side of the mean scores for each ethnic group.

The data in Table 4.4 range from 1991 to 2011. Findings in the Annual Survey of Hours and Earnings (ASHE) reveal that in 2011, the median annual, individual gross income for full-time workers in the UK was £26,100 per annum, which is equivalent to £2,175 gross per month (Office for National Statistics, 2013). Based on the median income figures presented in the Table 4.4, it can be suggested that, on average, each of the five BME sub-samples are earning less than the national average gross income.

With an overview of the data used in this chapter, the following section presents some empirical findings and discussion.

4.4 Empirical Analysis and Discussion

The first objective is to examine whether, or not, there are statistically significant mean differences in the socio-economic characteristics of the BME sub-samples. The second objective is to analyse the extent to which the income levels of the five BME sub-samples differ and have changed over a period of twenty years. The empirical findings are presented in two sections. Section 4.4.1 presents the inter-individual difference findings which include an empirical analysis and discussion for the first objective. Section 4.4.2 presents the intra-individual change findings which include an empirical analysis and discussion for the second objective. These findings will confirm if the five BME sub-samples are of a heterogeneous or homogeneous nature based on their socio-economic characteristics.

4.4.1 Inter-Individual Difference Findings

Multilevel modelling was used to fulfil the first objective of examining statistically significant mean differences in the socio-economic characteristics of the five BME sub-samples. The null hypothesis in this case is that there are no mean differences in income among the BME sub-samples ($H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$) and the effects of the independent variables on income are the same for each sub-sample. The alternative hypothesis is that the mean is significantly different for at least one of the five BME sub-samples (H_a : at least one of the μ is different) and the effects of the independent variables on income are different for at least one of the five BME sub-samples.

Table 4.5 presents the results of the null model presented in Equation 2, the level 1 model specified in Equation 3, the level 2 models presented in Equations 4 and 5 and the final multilevel model that was specified in Equation 6.

Table 4.5 Inter-individual Multilevel Model Results

Dependent variable: LogIncome	Null Model	Level 1 Model	Level 2 Model	Multilevel Model based on BME Sub-sample				
				African	Caribbean	Indian	Pakistani	Bangladeshi
constant	7.01 (.09)	6.83 (.14)	6.87 (.13)	6.71 (.51)	6.86 (.37)	7.17 (.23)	6.50 (.46)	6.31 (.93)
Education		-.07** (.01)	-.07** (.01)	-.06 (.03)	-.05** (.02)	-.06** (.01)	-.10** (.03)	-.07 (.04)
Occupation		-.00** (.00)	-.00** (.00)	-.00** (.00)	-.00** (.00)	-.00** (.00)	-.00* (.00)	-.00 (.00)
Gender		-.38** (.07)	-.38** (.07)	-.16 (.19)	-.35** (.17)	-.55** (.09)	-.39 (.22)	.21 (.39)
Age		.03** (.00)	.03** (.00)	.03** (.00)	.02** (.00)	.02** (.00)	.04** (.46)	.03 (.01)
σ^2_{u0}	.20	.46	3.77	.24	.21	.13	.26	.37
σ^2_{ϵ}	.85	.54	.70	.70	.73	.63	.81	.74
Number of Observations	3699	408	408	57	84	168	68	31
Number of Groups	5		5					

** denotes 5% significance level in predicting the dependent variable: logincome
standard errors presented in parenthesis

Equation 2 presented the null model which partitions the variance present in the dataset among the five BME sub-samples and within each of the sub-samples. Hox (2002) confirms that through the application of the null model, the intercept, the between-group variation in the intercept and the within-group variation in individual incomes in each of the BME sub-samples can be estimated. The findings from the null model indicate that there are 3,699 level 1 observations and five level 2 BME sub-samples in the analysis. While the total number of observations in the dataset is 8,571, the unbalanced nature of the dataset accounts for the reduction of the observations to 3,699.

Hox (2002) argues that at least 30 individuals per group are necessary to estimate effectively all the parameters and their standard errors. The observations in each of the BME sub-samples in the null model estimation vary from 479 to 1,261 with the average observation being approximately 740. The fixed-effect estimates indicate that the overall mean log income across all the BME individuals in the five BME sub-samples is £7.01, which is equivalent to £1,533.58 gross per month. This has a corresponding standard error of .09 and resulting in a p-value of 0.00. This suggests that the overall mean is significantly different to zero. A 95% confidence interval was adopted to give an estimate of where the population mean may lie. The lower bound and upper bound are 6.83 and 7.19 respectively.

The variance component results indicate that the between-group variance at level 2 in gross monthly income is estimated as $\sigma_{u0}^2 = .20$ while the within-group variance at level 1 is estimated as $\sigma_{\epsilon}^2 = .85$. Thus, the total variance is $.20 + .85 = 1.05$. The intraclass correlation can therefore be calculated as $.20/1.05 = .19$. This indicates that 19% of the variance in gross monthly income can be attributed to the differences among the BME sub-samples while 81% can be attributed to individual differences within the BME sub-samples. Heck *et al.* (2010) confirm that the higher the intraclass correlation, the more heterogeneous the BME sub-samples are. In contrast, if the intraclass correlation is less than .05, then a multilevel analysis would not be advantageous, since the grouped data analysis would not provide any meaningful estimates (Heck *et al.*, 2010).

The presence of an intraclass correlation of 19% as provided by the null model warrants the use of a multilevel model to investigate further the variability in intercepts between the BME sub-samples and different slope coefficients within the BME sub-samples (Hox, 2002). A Likelihood Ratio (LR) test was used to test the null hypothesis that there is no variation

among the BME group through a comparison of the random-effect estimates and the fit of a linear regression model. With one degree of freedom, the variance component is 110.74 with a reported p-value of .00. The null hypothesis is therefore rejected since the LR test confirms that variation exists among the BME sub-samples. The LR test also confirms that multilevel regression analysis should be performed over a linear regression model (Raudenbush and Bryk, 2002).

Through the estimation of the level 1 model in Equation 3, an examination of the significance of the fixed parameters on the dependent variable was carried out at the individual level. Table 4.5 indicate that the average mean log income across all the BME individuals was adjusted to £6.83 and education, occupation, gender and age were statistically significant in predicting log income with $p < .05$ at .00. As the level of educational qualification increases, *ceteris paribus*, income decreases by 7%. This suggests that BME individuals experience diminishing returns for education. This finding is in tandem with the multiple regression findings on the effect of education on the income of the BME group in Chapter 3. The diminishing returns for education among BME individuals is further supported by Conor (2004), Rubb (2003) and Lindley (2009) who suggest that over-education within the labour market and employment within low level jobs frequently result in a decline in earnings.

As the level of occupation increases, income remains constant. This suggests that where mobility within the occupational hierarchy may occur, the level of income that BME individuals can expect to receive does not necessarily increase. Blackaby *et al.* (2002) argue that different levels of income are not fully explained by job type. They suggest that the amount of hours worked, the occupation sector, part-time employment and self-employment can all contribute to a lower level of income earned, despite the level of occupation held (Blackaby *et al.*, 2002). Modood (2004) and Elias and Purcell (2011) maintain that less favourable treatment is given to BME individuals in the recruitment process and results in the acquisition of low level and low paid jobs, irrespective of their qualification.

Gender is a dummy variable where 1 refers to female and 0 refers to male. *Ceteris paribus*, female income is 38% lower than male income. This agrees with the claims of Ginn (2003) and Noone *et al.* (2011) that men and women earn different levels of income, which influence stratification by gender and different approaches taken to save for retirement. The findings on age suggest that the older a BME individual gets, the more income they can expect to earn

with an increase of 3% per year. This corresponds with the positive correlation of age and income as suggested by Bhattacharyya *et al.* (2003) and Heath and Cheung (2007).

After testing for the effects of the independent variables on the dependent variable at the individual level, the covariance parameters suggest that there is still a statistically significant amount of variation in log income both within the BME individuals and between the BME sub-samples. The variance component results indicate that the between-group variance at level 2 in gross monthly log income is estimated as $\sigma^2_{u0} = .46$, while the within-group variance at level 1 is estimated as $\sigma^2_{\varepsilon} = .54$. Thus, the total variance is 1. This signifies that 46% of the total variance in log income, as may be explained by the independent variables, is accounted for by the differences among the BME sub-samples, while 54% is represented by within-group variance.

Equations 4 and 5 were used to assess whether group level variables add explained variance to the level 1 model and how much variance can be explained by both individual and grouped variables. The findings from the level 2 model in Table 4.5 suggest that at the group level, the four independent variables were statistically significant in predicting log income with an adjusted mean log income value of £6.87. The estimates of the fixed coefficients and their relative standard errors were similar to those present in the level 1 model. However, the variance component results suggest that the group effect of the independent variables on the dependent variable resulted in $\sigma^2_{u0} = 3.77$ and $\sigma^2_{\varepsilon} = .70$. Thus, the total variance is $3.77 + .70 = 4.47$ and the intraclass correlation was calculated as $3.77/4.47 = .84$.

A high intraclass correlation of 84% suggests that there is significant heterogeneity among the BME sub-samples at level 2 (Heck *et al.*, 2010). Li (2005) supports this finding and states that existing research has shown differences among the BME group at the disaggregated level. Barnes and Taylor (2006) add that significant differences in the BME group may lead to financial exclusion due to individuals' decisions made in relation to their socio-economic outcomes. To examine fully the significant differences among the five BME sub-samples, Equation 10 was estimated to identify variability in the intercept and slope at the BME sub-sample level.

The findings from Equation 6, as presented in Table 4.5, highlight that the mean, log and gross monthly income, as can be explained by the independent variables, vary significantly

for each BME sub-sample. It was noted that the mean log income for each of the BME sub-sample deviated from the overall group mean of £6.87 presented in the level 2 model. The Indian group reported the highest average log income of £7.17 gross per month while the Caribbean, African, Pakistani and Bangladeshi groups reported average, gross, monthly, log incomes of £6.86, £6.71, £6.50 and £6.31 respectively. In this instance the null hypothesis of no means difference based on income was rejected. In their review of ethnic minorities in the UK, Gough and Adami (2013) confirm that heterogeneity exists in income. They also state that the low level of income received by ethnic minority groups is correlated with low levels of savings and the possibility of receiving low levels of income in retirement (Gough and Adami, 2013).

An examination of the significance of the independent variables on the dependent variable reveals findings that were also heterogeneous. Education was not significant in explaining the level of income received by the African and Bangladeshi groups with $p > .05$. *Ceteris paribus*, as the level of education increases the Caribbean group experience a 5% decrease in income while the Indians and Pakistanis experience decreases of 6% and 10% respectively. The findings on education suggest that there may be incidents of over-education in the labour market, whereby the level of education held is higher than is required by the jobs in which these BME individuals are employed. The findings on education are in tandem with previous research carried out by Bhattacharyya *et al.* (2003), Connor (2004), Hussain *et al.* (2008) and Lindley (2009). Based on the findings for the education variable, the null hypothesis of same effect of education on income for each of the BME sub-samples was rejected.

The findings from the occupational coefficients suggest that it is significant in explaining the incomes for the African, Caribbean, Indian and Pakistani groups, but it was not significant in explaining the income of the Bangladeshi group. As the level of occupation increases, BME individuals from the four former BME sub-samples can expect a 0% change in their income levels. This indicates that homogeneity exists among four of the sub-samples of the BME group and the alternative hypothesis was accepted. These findings confirm the results on occupation presented in Chapter 3, where BME individuals are considered to be in low level occupations with low levels of income. Hussain *et al.* (2008) posit that the low level of occupations that BME individuals occupy has forced many BME graduates into self-employment. As identified in Chapter 2 and 3, the self-employed are faced with

disadvantages in adequately accessing pension resources that may boost their incomes in retirement.

Heterogeneity was observed for the gender variable among the five BME sub-samples and the null hypothesis was rejected. Gender was significant in determining the levels of income received by the Caribbean and the Indian groups but was insignificant in predicting the incomes of the African, Pakistani and Bangladeshi groups at $p > .05$. Female income decreases by 35% and 55% for the Caribbean and the Indian groups respectively and this indicates that males within these sub-samples earn a higher level of income than females. These findings are substantiated by previous research carried out by Ginn and Arber (2001), Ginn (2003), Foster (2010) and Gough and Adami (2013). Noone *et al.* (2011) emphasise that women are considered to be at a disadvantage in planning effectively for old age due to the levels of income received in employment.

The findings on age indicate that while homogeneity was present in the effects of age on income for the Caribbean and the Indian groups, the African, Pakistani and Bangladeshi groups were of a heterogeneous nature. Age was significant in determining the incomes of four of the five BME sub-samples. While being insignificant to the income of the Bangladeshi group, *ceteris paribus*, as age increases the African, Caribbean, Indian and Pakistani group can expect 3%, 2%, 2% and 4% increase in income respectively. These findings are supported by Bajekal *et al.* (2004), Macnicol (2006) and Heath and Cheung (2007) who emphasise the importance of age in relation to labour income. Based on the findings for age, the null hypothesis was rejected and the alternate hypothesis was accepted.

The inter-individual findings presented above indicate that there are significant means differences in the income of the five BME sub-samples. This highlights that although the five BME sub-samples are referred to as homogenous group at the aggregated level, significant heterogeneity within the BME group exists. The findings above also suggest that while variances in log income can be attributed to heterogeneity among the BME sub-samples, heterogeneity may also exist within the BME sub-samples. The following section presents the findings of intra-individual change based on an examination of changes in the income levels within each BME sub-sample over a period of twenty years.

4.4.2 *Intra-Individual Change Findings*

Multilevel modelling was also used to fulfil the second objective which was to analyse the extent to which the income levels of the five BME sub-samples have changed over a period of twenty years. In this instance, the null hypothesis is that there is equality in the rate of change in income among each BME sub-sample and the alternate hypothesis is that there is difference in the rate of change for at least one of the BME sub-samples. The data for the BME sub-samples were partitioned into the five ethnic groups of concern, namely, African, Caribbean, Indian, Pakistani and Bangladeshi, to facilitate a more detailed analysis and to make inferences regarding social mobility based on income within each of the BME sub-samples.

Table 4.6 presents the change model results for: the unconditional means or null model presented in Equation 7; the linear, quadratic and the cubic change models in **Appendix 5**; the level 2 models presented in Equations 8 and 9 and the final multilevel model that was specified in Equation 10. The results of the null model in Table 4.6 shows the estimated, overall, average, gross, monthly, log income over the twenty year period as £7.04 ($p < .05$). The intraclass correlation associated with log income is .20 ($.21/ (.21 + .84)$). This indicates that 20% of the variance in log income is accounted for within individuals while 80% represents between-individual differences within the BME sub-samples.

With a time variable added as a predictor in the linear change model, Table 4.6 highlights that a significant linear relationship between time and log income exist. The findings can be interpreted whereby log income increases by 3% in each time period. The findings from the quadratic change model estimated indicate that the mean log income is £6.36 and that there is no significant quadratic trend. The variance component figures produced in the quadratic change model suggest that the variance in log income within and between individuals differs. The results of the equation used to estimate the cubic change model suggest that the mean log income is £6.67. The findings further highlight a significant linear, quadratic and cubic relationship. Singer and Willett (2003) recommend that if the estimation of the linear model as the simplest growth curve model is significant, it should be applied to the longitudinal study. Concurring with this, the linear change model substituted with the level 2 models was estimated in a single multilevel change model based on each of the five BME sub-samples.

Table 4.6 Intra-Individual Change Multilevel Model Results

Dependent variable: LogIncome	Unconditional Means or Null Model	Unconditional Growth Model			Multilevel Change Model based on BME Sub-sample				
		Linear Change Model	Quadratic Change Model	Cubic Change Model					
					African	Caribbean	Indian	Pakistani	Bangladeshi
constant	7.04 (.01)	6.41 (.06)	6.36 (.08)	6.67 (.10)	6.53 (.16)	6.41 (.11)	6.58 (.10)	6.01 (.18)	5.60 (.27)
Time Linear		.03** (.00)	.05** (.01)	-.20** (.06)	.03** (.00)	.04** (.00)	.02** (.00)	.04** (.00)	.06** (.01)
Time Quadratic			-.00 (.00)	.02** (.00)					
Time Cubed				-.00** (.00)					
σ^2_{u0}	.21	.59	.61	.63	.51	.08	.69	.56	.75
σ^2_{ϵ}	.84	.61	.60	.57	.61	.75	.56	.65	.28
Number of Observations	3699	3699	3699	3699	741	618	1261	600	479

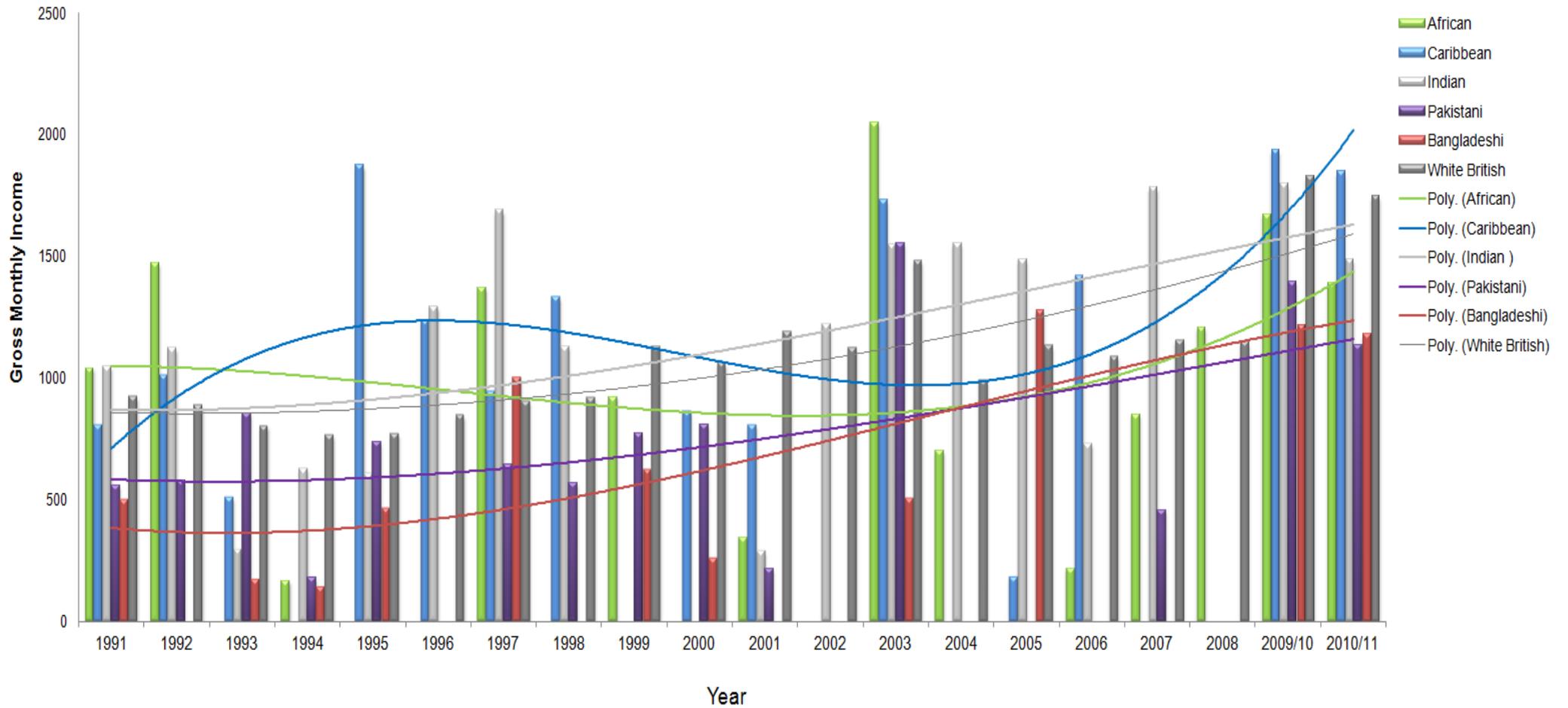
** denotes 5% significance level in predicting the dependent variable: logincome
standard errors presented in parenthesis

From the single multilevel model estimated in Equation 10, four variance parameters were assessed for each BME sub-sample, namely, the slope variance, the covariance between the intercept and the slope, the intercept variance and the residual variance. The findings in the estimation of the relationship between log income and time in Table 4.6 indicated that the mean log income for the Indian, African Caribbean, Pakistani and Bangladeshi groups vary significantly at £6.58, £6.53, £6.41, £6.01 and £5.60 respectively. Although the effects of time on log income in all the BME sub-samples had a general significant effect, homogeneity was found among two sub-samples and heterogeneity was found among three of the sub-samples. While the Caribbean and the Pakistani group experienced an average of 4% increase across the twenty time periods, the Indian, African and the Bangladeshi varied significantly in their average increases over the same period at 2%, 3% and 6% respectively. Based on these findings the null hypothesis of equality in the rate of change in income among each BME sub-sample was rejected and the alternate hypothesis that there is difference in the rate of change for at least one of the BME sub-samples was accepted.

The intercept variance for the African sub-sample was .51 while the residual variance was .61. This suggests a 45% variance within the African individuals. The intercept and the residual variance for the Caribbean group was .08 and .75 respectively. This indicates a variance of approximately 10% within the individuals and 90% between the individuals in that group. The amount of variance in log income in the Indian group was estimated as 55% within individuals and 45% between individuals. The variance as accounted for by the Pakistani group was 46% within individuals and 54% between individuals. The Bangladeshi group reported the highest estimated percentages in the variances within individuals at 72%. The between Bangladeshi individuals variance accounted for 28% of the variance in log income.

While the findings presented in Table 4.6 suggest that heterogeneity of variance existed both within and between individuals in each BME sub-samples, the variability in log income on a year-on-year was not identified. In order to compare further the five BME sub-samples based on their income trajectory, **Figure 4.1** presents a year-on-year chart across the BME sub-sample to provide a visual account of how income changed over the period of twenty years. To aid in comparison, the income trajectories of the White British group has been included.

Figure 4.1 Income Trajectories of the Five BME Sub-samples and the White British group (1991 to 2011)



Due to the unbalanced nature of the dataset, missing values for income existed for some years of the analysis and these years were represented by missing columns for each BME sub-sample. Income trajectories based on the available data are therefore presented. Cubic polynomial trajectories were superimposed on the column chart of the year-on-year income trajectories to provide summaries of how the income levels of individuals within each of the BME sub-sample changed over the period of twenty years in the analysis. Singer and Willett (2003) state that the use of polynomial trajectories over growth charts or plots can reveal patterns of change in an effective way.

Figure 4.1 highlights that the income trajectories over the twenty year period for the five BME sub-samples and the White British group are of a heterogeneous nature. The column chart indicates that the income figures in 1991 varied significantly with the highest income reported by the African group at an average of £1,042 gross per month. At 2010/11, which represented the last year of the analysis, the African group also reported the lowest increase in average income of £349 gross per month between 1991 and 2011. The Caribbean group experienced the highest average increase in their gross monthly income between 1991 and 2011 at £1,041. They were followed by the White British, Bangladeshi, Pakistani and Indian groups with average, gross, monthly income increases of £823, £678, £576 and £437 respectively. The findings indicate that at a disaggregated level, there are BME sub-samples who had a higher level of income growth than the White British group over the twenty years of analysis. The superimposed polynomial trajectories suggest that the trajectory experienced by the African group represents that of a quadratic nature. A cubic nature of trajectory was displayed for the Caribbean group. The trajectories of the White British, Indian, Pakistani and Bangladeshi groups resembled that of a linear trajectory. The heterogeneous income trajectories of the BME sub-samples indicate the difficulties that may be experienced by many in terms of accessing resources and making provisions for retirement.

The following section considers the policy implications of the empirical findings for retirement provision among the five BME sub-samples.

4.5 Policy Implications

Policy makers are concerned about the degree to which BME individuals are under-saving for retirement due to having low socio-economic status. This is combined with the inability of many to access different tiers of pension provision in the UK. It is widely argued that the

social and economic characteristics of individuals play an important role in the savings decision and life chances of people (Loretto, 2010; Lazear, 2011). As a society that is stratified by many factors, the findings in this chapter suggest that the five BME sub-samples of concern are heterogeneous and stratified on different levels based on their income, occupation, education, age and gender. The hierarchical nature in which the BME sub-samples are significantly represented with income levels below the national average can lead to differences in pension income levels as well as social exclusion. The findings indicate that the multi-dimensional disadvantages that each of the BME sub-samples encounter can significantly influence their ability to save for retirement due to restricted access to retirement provisions.

While the demography of the UK changes with increases in longevity, more flexible approaches to facilitate further inclusion of BME people in jobs that will enable them to access occupational pension schemes are needed. With the closure of many Defined Benefit (DB) pension schemes to new employees, BME individuals without such existing pension scheme need to secure access to a Defined Contribution (DC) pension scheme. The enrolment into a DC occupational pension scheme may aid in less reliance on the BSP that may be incapable of meeting their individual needs and well-being in retirement. The Automatic Enrolment scheme, implemented in 2012 as a DC pension scheme to facilitate a greater inclusion of individuals to save for retirement, is based on a yearly income of £9,440 in the 2012/13 financial year (DWP, 2013a).

This chapter suggests that BME individuals experience marginal, or no, increases in social mobility with regard to their level of income and occupation respectively. Furthermore, the rate at which the income threshold rises on a yearly basis for the Automatic Enrolment pension scheme may surpass the rate of yearly change in the income levels across individuals in the BME sub-samples. This suggests that more BME individuals will receive income levels that are under the threshold set for the Automatic Enrolment pension scheme. Due to this, many BME individuals will be exempted from this pension scheme due to insufficient labour earnings. With the inability of many BMEs to access other existing pension schemes as identified in Chapter 2, the development and provision of services and products that meet the particular needs of individuals on low income are needed. As the elderly BME population

in the UK increases, due to the timing of their migration, the diverse needs of these individuals must be taken into account to avert financial difficulty among those who are not well positioned to maintain themselves throughout retirement.

While this chapter highlights the need for responses to the challenges of an ageing BME population and the need for more accessible pension provisions, the findings on gender suggest that the needs of women also need to be taken into account. The Department for Work and Pensions (DWP) highlights the proposals by the Coalition government to cut pension benefits based on the contributions of a spouse or civil partner from 2016 (DWP, 2013b). This suggests that women who have had disrupted working lives will only be entitled to a state pension that is dependent upon their own individual contributions. Women may inevitably be faced with the choice of investing in their own financial future over the needs of their families by ensuring that sufficient contributions are made towards their pension entitlement. Furthermore, BME women who are forced into part-time and unpaid work due to having a larger number of children, as highlighted in Chapters 2 and 3, may be at a disadvantage in building up state pension entitlement. On a general level, the tailoring of information for specific groups of people in the UK may be beneficial, so that different groups of people may be able to identify more easily the financial options available and those relevant to their individual circumstances.

4.6 Conclusion

This chapter used multilevel modelling to examine whether, or not, there are statistically significant differences in the means value of the socio-economic characteristics of the five BME sub-samples. Multilevel modelling was also used to analyse the extent to which the income levels of each BME sub-samples have changed between 1991 and 2011. The BME group in the UK is recognised as being homogenous due to having low economic status. However, the findings in this chapter suggest that there are significant levels of heterogeneity among the five BME sub-samples due to varying levels of socio-economic characteristics within each sub-sample.

In fulfilling the first objective of the chapter, which was to determine if there are statistically significant means differences in the socio-economic characteristics of the five BME sub-

samples, the findings suggest that heterogeneity exists in the income levels of the five BME sub-samples. An examination of the ways in which education, occupation, gender and age affect the level of incomes was also carried out and heterogeneity was also determined. Four of the five sub-samples displayed a homogenous nature in terms of the ways in which their level of occupation influences the level of income received in employment. The findings indicate that, although occupation had a positive impact on the level of income received by four of the five sub-samples, a change in the level of occupation is likely to be correlated with a lower level of income.

In fulfilling the second objective, which was to analyse the extent to which the income levels of each BME sub-samples have changed over a period of twenty years, an assessment of changes in the income levels of each BME sub-sample was carried out. The findings suggest that with the exception of the Caribbean and the Pakistani group, the other three BME sub-sample experience different rates of change in income over the period of twenty years. While Bangladeshi individuals receive the highest average increase in their levels of income over the twenty year period of the analysis, their average income was significantly lower than the other four BME sub-samples. The Bangladeshi group in this instance shows a consistent pattern of inequality combined with relatively low income in comparison to the other four sub-samples.

The socio-economic characteristics of the five BME sub-samples examined represents that of a heterogeneous and stratified nature due to the possession of different levels of economic and social capital. It is well documented that the socio-economic characteristics of individuals have the ability to influence their retirement provision. The findings suggest that the ethnic group to which BME individuals belong may exert a positive or negative influence on the timing of their retirement and the degree to which different pension resources are accessed. It can be suggested that BME individuals belonging to specific sub-samples may end up working for extended years due to their inability to save adequately for retirement with little disposable income. The findings suggest that of the five BME sub-samples, individuals belonging to the Bangladeshi ethnic group are more disadvantaged in planning and saving for retirement and may inevitably represent an ethnic group with the lowest level of income in retirement. While the Caribbean group shows less inequality in terms of the

ways in which gender and education affect the level of income that they receive, the average, gross, monthly income of all the BME sub-samples are significantly below the average UK national gross monthly income as highlighted in Section 4.3.5.

The timing of migration of the five BME sub-samples may have contributed to their heterogeneous socio-economic outcomes and stratified position in UK. Nevertheless, the influence of social structures, social processes and other issues that act as a ‘push’ factor to stratification among BME individuals should be explored. Through an exploration of the life experiences of the BME people, insights into their social and economic phenomena may be gained. As this chapter identifies heterogeneity in the socio-economic characteristics of the five BME sub-samples, different approaches or pathways to retirement provision may also be discovered. Furthermore, the financial capability of older BME individuals to maintain their well-being in retirement, in terms of those approaching retirement and those already in retirement, needs to be investigated in line with increasing life expectancy. BME individuals who experience low levels of income throughout their working lives may need to devise alternate ways of ensuring that their social and physical well-being in retirement are catered for if they are to avert financial difficulty in old age.

The findings in this chapter contribute to the overall aim of the thesis and existing research on the BME group in the UK by suggesting that at the disaggregated level, there are significant instances of heterogeneity among the five BME sub-samples. The findings of heterogeneity presented in this chapter warrants an in-depth analysis of the ethnic dimension in which social inequalities are experienced as it relates to the retirement strategies and provisions among the BME group. It is for this reason that the chapter that follows contributes further to the main aim of the thesis and to the paucity of literature on BME sub-samples in the UK through the use of semi-structured and one-to-one interviews through a qualitative framework. Based on this disaggregated approach, an exploration of the ways in which older BME individuals from the five sub-samples plan for retirement and choose their retirement resources, given the heterogeneous nature of their socio-economic characteristics, is undertaken. An insight into the driving and restraining forces that affect or have affected the ability of BME individuals to make provision for their retirement is also presented.

Chapter 5

**An Insight into the Retirement
Strategies of the BME Group**

Chapter 5

An insight into the retirement strategies of the BME group

5.1 Introduction

This chapter contributes further to the aim of the thesis by exploring the retirement plans and retirement resources of older people from five sub-samples of the Black and Minority Ethnic (BME) group in the United Kingdom (UK). While the two previous chapters utilised a quantitative methodology based on the availability of national datasets, this chapter adopts a qualitative methodology to gain an alternative perspective on the issue of retirement provision among the BME group. The approach undertaken in this chapter is important since it seeks to provide some explanations to the findings in Chapters 3 and 4, identify additional factors that influence retirement provision among the BME group, and present some insights into the retirement strategies of the BME sub-samples. This examination would otherwise not have been possible, due to limitations such as inadequate BME sample size and unavailability of relevant data in national datasets (Evandrou and Falkingham, 2009). The exploratory approach applied in this chapter is aided by the use of a conceptual framework, based on the Force Field Analysis (FFA) developed by Lewin (1951). This conceptual framework is essential since it provides a holistic view of some of the main factors that influence retirement provision among the BME group, as identified in the thesis so far, and forms the basis for a thorough analysis of the findings in this chapter.

Lievesley (2010) highlights that the UK comprises an ageing and ethnically diverse population. As life expectancy at all ages increases, the concept of 'retirement provision' is becoming more important in the UK (Wainwright and Kibler, 2013). As such, government proposals under the Pensions Act 2011 seek to increase gradually the state pension age in future years in line with longevity and individuals can expect to have longer working lives (Lazear, 2011). Retirement provision is a critical component of financial planning that can enable individuals to meet the challenge of funding their quality of life in old age, given the gradual shift in retirement provision from the state to that of individuals (Gran, 2008).

Previous research highlights that BME individuals are more likely to receive lower pension incomes in retirement than white Britons due to lower levels of income received from employment (Gough and Adami, 2013). Barnes and Taylor (2006) and Mawhinney (2010) posit that the BME group possesses a lower socio-economic status than white Britons, which contributes to a lower financial status in retirement. It is acknowledged that BME individuals face disadvantages in accessing the needed resources to save for their retirement (Kenway and Palmer, 2007; Crosby, 2010). Despite the existence of occupational and private pension schemes, many BME individuals are not able to utilise these schemes to enhance their future security in retirement due to their type of occupation, employment status, low levels of income and socio-cultural practices (Khan, 2008).

The term 'older people' usually refers to those at the age at which individuals can claim the Basic State Pension (BSP) (Wright, 2004; Hill *et al.*, 2007; Milbourne and Doheny, 2012). This is currently at age 65 for men and is currently in the process of being increased from 60 to 65 for women (Department for Work and Pensions, 2011). However, the Pension Act 2011 proposes to increase the BSP age to 66 for both men and women by 2020 (DWP, 2011). Khan (2012) points out that the number of BME individuals over the age of 65 living in the UK is expected to rise from 230,000 in 2001 to 2.7 million by 2051. Mawhinney (2010) suggests that BME elders are more likely to face financial difficulty in retirement because of their employment history in the UK, lack of contribution to occupational pension schemes and being unable to afford contributions to private pension schemes.

In his trilogy of theoretical concepts, Bordieu (1977) uses habitus, field and capital to suggest that the social positioning of people in society is influenced by social structures and factors that promote social mobility. This is in tandem with the findings on BMEs disposition towards retirement savings through the influences of social structures such as the pension system and the labour market, as highlighted in the previous chapters of this thesis. Furthermore, the heterogeneous nature of the socio-economic characteristics of each BME sub-sample, as discussed in the Chapter 4, may exert an influence on different ways in which each BME sub-sample plan and save for their retirement. Steventon and Sanchez (2008) and Mawhinney (2010) argue that a deeper understanding of the specific phenomena faced by each BME sub-sample is needed in order to assess their ethnic disadvantages and the

strategies that they adopt towards saving. With the need to gain a more holistic view of the ways in which the BME sub-samples are socially patterned in planning and saving for retirement, the life course theory by Elder (1977, 1998) is incorporated.

The life course approach emerged in the 1960s and has been widely used in research on employment and retirement (Phua and McNally, 2008). Entwistle *et al.* (2002) and Burr *et al.* (2007) utilised the life course theory by Elder (1977, 1998) to examine the complex nature of retirement saving as a process that is shaped by social structures and patterns over time. They concluded that a wide array of factors including social perceptions of retirement, family, discrimination, culture, socio-economic status and social structures can have adverse effects on retirement provision and the quality of life experienced in retirement (Entwistle *et al.*, 2002; Burr *et al.*, 2007). Studies by Weiss (2005) and Ekerdt (2004) have also employed this theory to provide a thorough examination of employment patterns and retirement outcomes.

Many researchers have used the permanent-income hypothesis theory by Friedman (1957) and the life-cycle hypothesis theory by Modigliani and Brumberg (1954) to examine the spending and savings habit of people over their life cycle, based on their income (Gough and Adami, 2013). Warren and Britton (2003) posit that ethnic diversity in the income levels of individuals can significantly affect different levels of social and economic well-being in retirement. Evandrou and Falkingham (2009), Khan and Mawhinney (2011) and Hill *et al.* (2012) acknowledge that although income is an important factor, it is not the sole determinant of retirement-saving behaviour among older people.

5.1. Purpose of the Chapter

There is limited research that examines the extent to which BME individuals in the UK plan and save for retirement and the factors that influence their savings behaviour (Bajekal *et al.*, 2004; Barnes and Taylor, 2006; Mawhinney, 2010). Evandrou and Falkingham (2009) and Khan (2012) point out that limitations in the available national data restrict research on the socio-economic inequalities of older BME people. As the BME population in the UK increases in longevity, the implication is that longer periods may be spent in the retirement stage. Information regarding retirement plans for old age is of increasing importance for the development of appropriate services and policy (Milbourne and Doheny, 2012). In tandem,

policy makers are concerned about the diversity of needs among the BME people and their likelihood of experiencing financial difficulty in retirement.

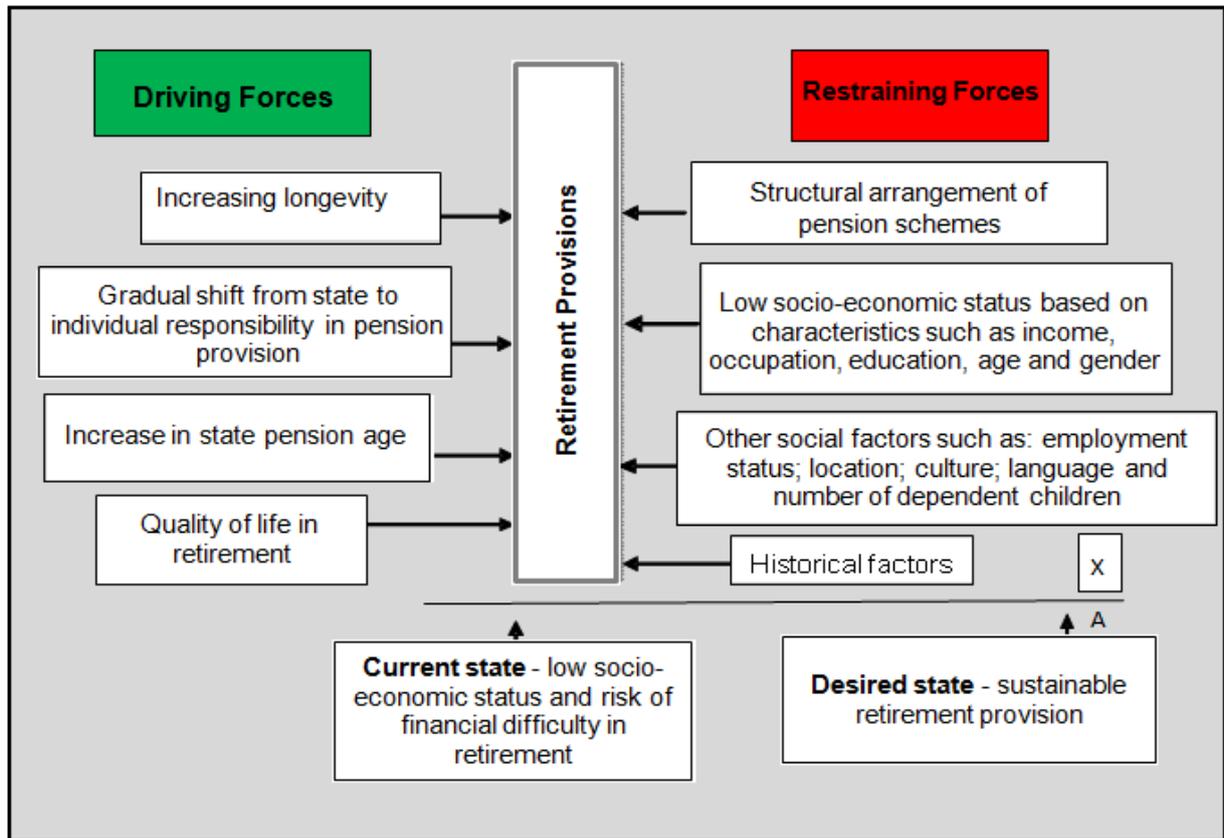
By exploring the retirement strategies of older BME individuals from each of the five BME sub-samples, the perspectives of those who have migrated to the UK over the past decades can be taken into account. A critical perspective of their views on retirement can be developed, while gaining greater insights into the provisions that they have made for old age. Furthermore, barriers that they may encounter in planning effectively for retirement can be identified. The findings garnered may contribute to the development of provisions that meet particular needs of various age cohorts of the BME group. Utilising the theoretical frameworks of Bourdieu (1977) on the various forms of capital and Elder (1977, 1998) life course theory, the specific research objectives for this chapter are: to examine the ways in which older individuals from the five sub-samples of the BME group plan for retirement and choose their retirement resources; and to explore the driving and restraining forces affecting the ability of each sub-sample to plan and save for retirement.

The chapter is organised as follows: Section 5.2 provides a conceptual framework. Section 5.3 highlights the methodological framework, the data collection technique employed and the analytical procedure applied to the data. Section 5.4 presents some analyses and a discussion. Section 5.5 presents some policy implications of the findings. Section 5.6 provides the conclusion.

5.2 The Conceptual Framework

The findings gathered throughout the thesis so far, which are in tandem with previous research carried out on the retirement prospects, labour market participation and socio-economic position of the BME group in the UK, has contributed to the development of a conceptual model (see **Figure 5.1**). This is based on the Force Field Analysis (FFA) theory developed by Lewin (1951) since it provides a theoretical lens through which the retirement phenomena of the BME group can be examined within a conceptual framework. As a significant development to the fields such as social science, change management, organisational development and psychology, FFA offers an analytical framework through which factors that encourage or hinder a situation can be examined (Lewin, 1958).

Figure 5.1 Conceptual Model of the Driving and Restraining of Effective Retirement Provision among the BME Group in the UK.



By applying the conceptual model presented in Figure 5.1, a clear overview of some of the main driving and restraining forces that influence the retirement phenomena of the BME group, as presented in the previous chapters, are provided. The findings derived from this framework serve the purpose of guiding the research objectives in Section 5.1.1 and influencing the methods used to explore further factors that positively influence or restrain retirement provisions among the five BME sub-samples. Although a review of extant literature indicates that this framework has not been previously applied in the context of retirement provision among the BME group, it offers this thesis a systematic technique through which the current situation faced by the BME group can be viewed and further explored. Furthermore, its application in previous social sciences research that has applied qualitative methodologies has proved valuable (Cameron and Green, 2009).

Watts and Selman (2004) stress the importance of FFA in their research as a tool for identifying the variables that influence a situation within a social context and aid in the understanding of planning strategies and ways to overcome the barriers of change. Fligstein, and McAdam (2012) highlight its effectiveness in their study through the provision of a better understanding of human behaviours and the attitudes displayed through group dynamics. As an analytical tool that is frequently applied in the management of change, it evaluates the effectiveness of decisions taken to implement change and reflects critical thinking applied in the process of reducing restraining forces of change (Cummings and Worley, 2009).

The Lewin (1951) concept of FFA, as a method of identifying and assessing the various underlying forces that influences human behaviour through social systems, has been frequently criticised due to a significant drawback in its approach (Martin (2003). This relates to the issue of subjectivity since all aspects of a problem may not be identified in the analytical process (Burnes and Cooke, 2013). Subjectivity in the use of FFA may lead to a lack of comprehensiveness in the listing and discussion of influential forces as well as the development of ineffective strategies to promote change in attitudes and behaviours. Nevertheless, Fligstein *et al.* (2012) argue that the use of FFA is a coherent approach to identifying generative forces in exploratory contexts such as social, economic, culture, political and historical, and highlights the ways in which dynamic forces inter-relate to promote or inhibit effective planning and change.

Having identified the main drawback of the application of the FFA, the conceptual model develop from the theory allows the researcher to identify objectively additional forces that drives the retirement plans and retirement resources of each BME sub-sample. Through the use of the conceptual framework, strategies developed by each BME sub-sample in an attempt to cope in retirement can be discovered. It will also contribute to the discussion of policy implications that might enable the BME sub-samples to lower the barriers between their current low socio-economic status and the desired status of having a sustainable income in retirement.

The following section presents the methodology that was adopted in the exploration of the retirement strategies of the BME group.

5.3 Methodology

This chapter explores the retirement plans and retirement resources of the BME group. The BME group is comprised of five ethnic sub-samples, namely, African, Caribbean, Indian, Pakistani and Bangladeshi. The first objective is to examine the ways in which older individuals from each of the five sub-samples of the BME group plan for retirement and choose their retirement resources. The second objective is to explore the driving and restraining forces affecting the ability of each sub-sample to plan and save for retirement. This section provides the methodological framework, which highlights the strategies and approaches applied in this chapter. In addition, the data collection procedure of the inquiry and the analytical procedure adopted are explained.

5.3.1 Methodological Framework

The two previous chapters have employed an empirical approach to analysing the labour market characteristics and incomes of the BME group at the aggregate level and to examining the socio-economic characteristics of each of the sub-samples at the disaggregated level. Given the limitations of available national data on older BME people in the UK, as highlighted by Platt (2005) and Evandrou and Falkingham (2009), this chapter is intended to be primarily exploratory and utilises a qualitative framework. While qualitative methodologies provide the advantage of exploring why and how phenomena occur, they are generally time consuming and focus on small sample sizes from which the findings generated might not be generalisable to the wider population (Creswell, 2009). Furthermore, they are frequently criticised for being too subjective, since the research process may be easily influenced by personal biases of the researcher (Bryman and Bell, 2007).

Despite the drawbacks of utilising qualitative methodologies, it provides an in-depth approach to the phenomenon it studies in order to allow for a more detailed and thorough investigation. Engaging in qualitative research also enables the understanding of opinions, behaviours and the social context in which decisions are made from the perspective of the population it involves (Merriam, 2009). A qualitative framework is used in this chapter to gain a different perspective and alternative evidence of the factors affecting savings and retirement provision among the BME group. In order to provide a better understanding of the

retirement experience of the BME group, strategies that were developed to overcome some of the disadvantages highlighted above are discussed in Section 5.3.2.

Qualitative inquiry involves three classic approaches, namely, ethnography, grounded theory and phenomenology (Grbich (2012). Ethnographic studies explore the beliefs and practices of a particular cultural group (Bryman and Bell, 2007). Grounded theory is used to describe the meaning of people's experience (Bogdan and Biklen, 2006). Based on the objectives of the research and the theoretical frameworks applied in this chapter, phenomenology was chosen as the most suitable approach to achieve a deeper understanding of a specific phenomenon of interest. This is because phenomenology provides an insight into the subjective experience of people and their interpretation of the world they live in (Creswell, 2003). In this instance, the phenomenon of interest involves the retirement provision of the five BME sub-samples and this cannot be clearly separated from the socio-economic context in which they appear. Moreover, this approach will enable the researcher to retain a holistic view while examining real-life events.

A mixed research approach is undertaken in this chapter, whereby the retirement strategies of the BME group can be rigorously examined to test theory relating to their low socio-economic status and also to generate useful findings to contribute to theory. Bogdan and Biklen (2006) posit that the use of a deductive approach has the advantage of strengthening the results by identifying and replicating consistent patterns of behaviour, thus increasing confidence in the robustness of the theory. They also state that an inductive approach enables the development of theories through patterns identified in the data collected (Bogdan and Biklen, 2006).

5.3.2 *Data Collection Procedure*

Based on the nature of this chapter, focus groups and interviews were considered to be suitable options if valuable findings through the exploration of realities that BMEs face in planning for their retirement are to be garnered. In order to decide on the most appropriate method, a pilot study was carried out. Although the focus groups provided quicker means of data collection and were useful in the observation of group dynamics, they were very difficult to organise, partly due to inconvenient time schedules of some of the potential respondents.

Cultural practices, such as those held by the Pakistani group, also restricted the participation of both genders in one of the focus groups carried out in the pilot study. Additionally, participants were more hesitant to express their views on retirement and retirement strategies in a group setting.

Throughout the two focus groups conducted in the pilot study, irrelevant discussions that distracted from the main focus were noted. Thus, efficiency in achieving depth into the research issue proved challenging. Furthermore the disadvantage of having dominant people in the group as highlighted by Bryman and Bell (2007) was experienced as the views of some participants were being opposed by others. Throughout the use of focus groups in the pilot study, instances of response bias were identified due to the artificial social environment in which discussions took place.

On the other hand, individual interviews were easier to arrange and allowed for more detailed and confidential discussions into retirement views, experiences and strategies. These interviews enabled the researcher to explore issues more in-depth and provided a more thorough understanding of the quantitative findings gathered in the previous chapters. Despite this, the interview process was time-consuming since data collected on a one-to-one basis resulted in a vast amount of data to be transcribed, coded and analysed. Furthermore, potential question and response bias was identified due to the subjective nature of the process.

Given the benefits and drawbacks of focus groups and the interviews as evidenced by the pilot study, this qualitative element of the research adopts a mono-method in the form of semi-structured, face-to-face, in-depth interviews. Interviews were chosen in order to provide a thorough insight into the retirement strategies of representatives of the five BME sub-samples. Effectively, the research sought an in-depth knowledge of the field, with the priority being that it is from the perspective of the participant, without their opinions being influenced by other respondents. Given the potential bias that could arise through questions asked during the interview process, an *aide-mémoire* was used as a topic guide to enable interaction, depth and comparability of information received from each respondent.

As there are no set guidelines on the duration of the semi-structured interviewing process (Burnard *et al.*, 2008), an approximate time frame of thirty minutes was allocated to each participant. This enabled the researcher to collect demographical information from each participant, explain the nature of the research and seek consent prior to undertaking the interview. Based on recommendations from Seidman (2006), the interviews were designed to enable flexibility and to encourage the respondents to interact freely about issues and concerns they had regarding old age and retirement. As a result, the views of the respondents were not restricted by the time allocated.

Patton (2002) argues that the dynamics of the interaction between the interviewer and the interviewee within a qualitative framework can be influenced by reflexivity. Reflexivity involves the awareness of socially desirable responses from the respondent based on the interviewer (Mauthner and Doucet, 2003). With the awareness that the researcher's presence and personal characteristics could lead to bias, due to the potential influential effect on the responses given by the interviewees, the researcher maintained an objective and consistent approach in establishing and maintaining rapport with the respondents throughout the interviews. Bryman and Bell (2007) emphasise the importance of achieving rapport with respondents to gain trust, encourage willingness to express their views and to guarantee successful interviews. Feldman *et al.* (2008) and Zubair *et al.* (2010) stress the importance of gaining trust with ethnic minority individuals in the interview process through minimising the 'perceived' cultural differences between the interviewer and the respondents. In view of this, the researcher accommodated some of the social and cultural practices of the BME sub-samples to reflect cultural sensitivity and to aid in the 'snowballing' process of recruiting participants.

Zubair *et al.* (2010) argue that there is a paucity of methodological literature in qualitative research that offers guidance on the cultural challenges involved in the recruitment of older people from ethnic minority groups. Likewise, sensitivity to the various religious events of BME individuals during the fieldwork period needs to be considered. For example, the interviews with the BME sub-samples began at the time of year that Ramadan takes place. Ramadan is observed as a month of fasting by Muslims worldwide. Acknowledging this important religious event among many BME individuals, these respondents had to be

interviewed once the religious period had ended on the request of individuals and community gatekeepers and also to achieve better representativeness in the sample data.

In recognition of other specific issues associated with interviews, the choice of topics used throughout the interview process was carefully considered to minimise bias. As such, matters for discussion were designed to be open-ended with follow-up and neutral probes used to elicit responses and explore further the given information or experience. With the ability of body languages to portray approval or disapproval based on responses from the interviewees, the researcher maintained an objective awareness throughout the interviews. In the process of data collection, key variables such as sample size, access, location, language used, gender, age and ethical issues were taken into account.

Sample size

The specific subjects of inquiry were the five BME sub-samples, namely, African, Caribbean, Indian, Pakistani and Bangladeshi. A review of sample sizes used in previous qualitative research, as highlighted in **Appendix 6**, indicate that the average sample size used in previous research on retirement provision varies. It also suggests that the average sample size used in such studies is below 40. Saunders *et al.* (2009) recommend that the sample size in research studies should range from 20 to 60 individuals to generate sufficient data for a thorough and rigorous analysis. Given the objectives of this chapter, a target of 40 interviews was set to enable extensive and comparable data to be gathered. Through the use of a convenience sampling framework that is not based on probability sampling strategy, the division of the overall sample size by BME sub-sample is not synonymous with the relative ethnic compositions in the UK. Onwuegbuzie and Leech (2007) posit that the essence of qualitative research is the in-depth study of small sampling units, where the aim is not to make inferences about the underlying population but to gain insights into specific social contexts.

During the data collection process, preliminary analysis of the data informed subsequent data collection due to the patterns and trends that were emerging. The sample size was enlarged to 60 respondents in an attempt to seek clarification and validation of the data. It acknowledges that a sample size of 60 may not fully generalisable, as it is not large enough to be representative of the total BME population in the UK. In this respect, this chapter does not

seek to produce findings that are generalisable, but instead, to provide findings which are intuitive and may provide scope for future studies.

Access to participants

Qualitative studies involving the BME group are often confronted with problems of access to participants (Carter, 2004). However, access to the participants used in this chapter was gained through a combination of personal social networks, snowballing and working with community gatekeepers. Participants were sourced over a six-month period and community centres, day centres, lunch clubs and local libraries were used as key social networking spaces where interviews with the BME sub-samples were held. Li (2005) used the BHPS to analyse the social networks of BME individuals in the UK. He argues that informal personal networks in the form of BME communities can provide the support for people experiencing specific life events (Li, 2005). Gilchrist and Kyprianou (2011) suggest that social networks play a major part in informing access to participants and providing the basis for important sources of information and resources about the experiences that individuals face.

Location of sample

A convenience sample from the BME social groups in the Greater London area is used in this chapter. The location of the sample was supported by literature findings presented in Chapter 2, which highlight that the majority of BME individuals in the UK reside in the Greater London area. An analysis of the 2011 National Census data also suggests that although BMEs have adopted a more diverse settlement pattern throughout the UK, approximately 45% of the entire BME population in the UK can be found in London. There are also substantial BME communities in other cities, such as, Manchester, Birmingham, Bradford, Liverpool, Leeds and Leicester (ONS, 2012). To avoid the fostering of representativeness and to increase the validity of the data gathered, the sample in the chapter were selected from BME communities in the North, East, West and South of the Greater London area. This exploratory chapter seeks to provide some emergent and indicative findings which may provide scope for future research throughout different geographical areas in the UK.

Language used

Interviews with BME individuals raise language and communication issues (Lie, 2006). While English is not the native language of many BMEs, interpreters could be used to aid in effective communication. Berman and Tyyskä (2011) suggest that the use of interpreters can interfere with the data collection process by limiting the authority of the researcher. Furthermore, it may restrict the responses given in cases where the interpreters are known to the respondents (Lie, 2006). Given the concerns regarding the use of interpreters and the constraints posed in the access to interpreters, the interviews were all conducted in English. It is acknowledged that some BME individuals may be excluded from the research process due to the use of the English language. However, this qualitative element is to provide an insight into the retirement strategies of the BME people and may provide promote the need for future research that utilise the native languages of BMEs.

Gender and Age

Both males and females were interviewed in the data collection process. Ginn and Arber (2001) state that gender ideologies and traditions within ethnic groups have contributed to the interplay between gender and retirement provision. Wray (2007) further adds that the level of income received throughout working life is an important indicator of the ability to save effectively for retirement and males often receive a higher level of income than females. Previous literature has considered women as being unprepared for retirement by positioning the role of retirement consideration and the choice of retirement resources within the male's domain (Sykes *et al.*, 2005). However, Macnicol (2005) and Noone *et al.* (2011) advise that women's representation within the labour market is rapidly increasing, thus, an examination of retirement plans by gender and the factors that enable these plans is of great importance. The participants in the sample vary in age. The criterion of 'age 60 and above' was used to recruit participants, in line with the currently increasing BSP age entitlement for women and men.

Prior to the setting of the age criterion, a second pilot study was undertaken to identify an appropriate age group to include in the interviewing process and to pre-test aspects of the research design. Chenail (2011) recommends the use of a pilot study in a qualitative research as a procedure to test the proposed research method, identify potential research bias and to

establish whether, or not, the types of probing questions used generate a range of responses. Three different age categories, namely, 20 to 39, 40 to 59 and 60 and above were included in the pilot study to gain an insight into the retirement plans of individuals from the five BME sub-samples. Arguably, the above age categories could be referred to as the third, second and first generation respectively.

For the majority of the respondents under the age of 40, the notion of retirement remained unfamiliar or was seen as an event that should be given more attention in later life due to changing government policies and the existence of current priorities, such as student loans, mortgages and current lifestyle. Respondents between the ages of 40 and 59 had given a more focused thought to the issue of retirement but the majority of their views reflected increasing life expectancy and the shifting age requirement for state pensions as well as other financial considerations that take precedence over retirement saving. Although the majority of the respondents below age 60 were knowledgeable regarding the various pension schemes in existence and some were in work-related pension schemes, these respondents were generally dismissive in discussing the issue of retirement.

Phua and McNally (2008) argue that the issue of retirement represents a long-term horizon for people at a young age due to financial priorities. This is evidenced in the findings presented in Section 5.4.2, where retirement provision among the second and third generation is discussed. Cox (2011) also highlights that many people in advanced ages do not give consideration to retirement. Hershey *et al.* (2007) posit that as old age intensifies, or individuals approach the age at which they decide to retire, the issue of retirement becomes more important. This was noted in the interviews held with respondents who were aged 60 and above. Although some of these respondents had not yet retired, they were more accommodating and opened to the discussion of retirement. Additionally, the interviews with those aged 60 and above generated a wider range of responses that were in line with the research objectives. **Table 5.1** presents the sample size of each BME sub-sample by gender.

Table 5.1. Sample size by gender and BME sub-sample

Sub-sample	Male	Female	Total
African	6	5	11
Caribbean	5	7	12
Indian	8	6	14
Pakistani	8	5	13
Bangladeshi	5	5	10
*All interviewees are representatives of the older BME population that is age 60 and above			60

Ethical considerations

The ethical issues that arise when undertaking social research are potentially wide ranging and complicated (Denzin and Lincoln, 2005). The principle of voluntary participation of participants was adhered to along with informed consent. The participants in the research were not exposed to the risk of harm and both the privacy and anonymity of all participants were guaranteed and protected through the use of pseudonyms. The respondents were informed of the means through which their views would be disseminated in the research along with the re-assurance of confidentiality of their personal and sensitive data.

5.3.3 Analytical Procedure

Qualitative research often produces vast amounts of data including recorded interviews, transcribed interviews, interview notes, field notes, memos and reflective notes. Although the data generated through the chosen qualitative tool provided information relative to the objectives of the chapter, it did not provide detailed explanations. Hence, the analysis of data is an important process in research since it enables the data that has been collected to be explored and interpreted (Burnard *et al.*, 2008). Through effective analysis, knowledge and insights may be gained to influence the development of policy that enables BMEs to improve their *status quo* and plan effectively for retirement. Throughout the data collection process, the interviews were digitally recorded, where consent was gained from the participants. The recordings were individually transcribed to enable an effective interpretation of the data.

In order to organise the data and provide a rigorous and systematic means of data analysis, NVivo 10 software was used. Bazeley and Jackson (2013) posit that the NVivo software increases the effectiveness and efficiency of managing, querying, visualising and reporting data collected through a qualitative approach. NVivo 10 provided an effective means for the storing, retrieval and classification of the data related to each of the five BME sub-samples. Coding was used as a technique for structuring and categorising the data by combining similar responses and ideas into themes to aid in indexing, searching and theorising. The data was initially filtered and classified through the use of open coding. As themes emerged through the open coding process, the coded texts were linked to an index system that stores references highlighted by the researcher at a node. Nodes effectively enabled the researcher to develop an index tree based on connected themes that emerged from the data (see **Appendix 7**).

Indexing was used to identify further sections of the data that corresponds to specific themes in relation to the different BME sub-samples. This allowed for a more thematic framework of coding to take place and the *aide-mémoire* developed *a priori* was used as a guide (see **Appendix 8**). Six over-arching themes emerged from the data along with the demographical data collected about each respondent throughout the interview process. Through the use of searching, responses by themes could be effectively compared across the five sub-samples and the data were scrutinised for patterns and trends. Merriam (2009) highlights that pattern-matching is an important aspect of the classification process in qualitative research, since the retrieved patterns or trends in the data can be compared to existing theory.

It is argued that the validity and reliability of qualitative research data should be examined through respondent validation and peer review (Burnard *et al.*, 2008). Respondent validation is the process of returning to the respondents to seek confirmation of the researcher's interpretation of the data (Torrance, 2012). Bazeley and Jackson (2013) define peer review as an independent analysis of the data by another qualitative researcher. Burnard *et al.* (2008) posit that whilst the process of data validation by respondents or peers can reduce elements of bias and leads to verifiability of the data analysis, the process is time consuming and can lead to subjectivity of the data. Whilst the researcher acknowledges that data validation through

the above methods could arguably add validity to the data and aid in the refinement of explanations and the subsequent theories generated by the data, time was an inhibiting factor.

Despite the debates on data validation and the various methods put forward to assess the validity of qualitative research data, there is no definitive approach (Flick, 2009). Burnard *et al.* (2008) advise that the entire corpus of collected data should be systematically and rigorously analysed through a process of constant review of the data to search for meaning as well as constant comparison of the data through cross-case and within-case analyses. Bryman and Bell (2007) posit that analyses that are undertaken both across and within cases provide effective research methods that facilitate the comparison of commonalities and difference in the phenomena of the respondents. In tandem, Merriam (2009) highlights the importance of triangulation as a strategy for obtaining validity of the data.

Creswell (2009) argues that triangulation has the advantage of providing flexibility within a systematic approach, serves as a validity check and maximises utilisation and analysis of data. Hence, if patterns, themes or trends appear in the data, the internal reliability of the research is enhanced (Bryman *et al.*, 2008). In order to enhance confidence in the ensuing findings throughout the analytic process, multiple perspectives were used to interpret the data and provide data and theoretical triangulation. As recommended by Modell (2009), triangulation was used to corroborate findings and provide a catalyst through which the findings in this aspect of the thesis can be deemed credible. Data triangulation was obtained through the gathering of qualitative data from different sources such as, lunch clubs, community centres, day centres and home visits throughout different locations in the Greater London area. In addition to this, theoretical triangulation was obtained through the use of different theoretical positioning to interpret the data. Based on this, the perspectives of authors discussed in the literature review were taken into account. The Bordieu (1977) and Elder (1977, 1998) theoretical assumptions and the perspective of the researcher initiated through the conceptual model in Figure 5.1 were also used to theorise the data.

Having established the methodological framework and the analytical procedure applied to the data collected in this chapter, the following section presents some analyses and a discussion of the data.

5.4 Analysis and Discussion

The first objective was to examine the ways in which older individuals from the five sub-samples of the BME group plan for retirement and choose their retirement resources. The second objective was to explore the driving and restraining forces affecting the ability of each sub-sample to plan and save for retirement. Through the application of a cross-case analysis, constant comparison of the data was done to group responses of similar themes and also according to the five BME sub-samples. As such six themes, as presented in Appendix 8, namely, perceptions of retirement, social plans for retirement, financial plans for retirement, factors enabling retirement saving, factors inhibiting retirement saving, and retirement provision among the second and third generation, were derived from the data. The grouping of the responses both by themes and ethnic groups was done to gain different perspectives and to support plausible circumstances on the issue of retirement provision concerning the BME group in the UK.

5.4.1 *Retirement Strategies of the BME Group*

In fulfilling the first objective, the retirement strategies of the five BME sub-samples were investigated. This involved an exploration of the perceptions of retirement and the social and financial plans made for retirement.

Perceptions of Retirement

Perceptions about issues and events are often inter-linked with cultural, historical, social, emotional, political, and economic factors (Anderson, 2009). Likewise, perceptions about retirement may be derived from various factors and may influence the ways in which planning is made for retirement. Sykes *et al.* (2005) posit that retirement is a concept that has different meaning to different people. However, Johnson and Mutchler (2013) argue that retirement generally connotes ageing and the time at which individuals withdraw from paid work. The findings indicate that there are positive and negative associations attached to the perception of retirement and these can be divided into three broad categories. Firstly, a number of respondents from all five BME sub-samples were in unison that retirement was linked to the mature stage of one's life, during which people generally cease from paid work due to economic considerations, custom, choice or the incapacity to work:

'Retirement to me means getting old because you are incapable of carrying on the work that you have been doing in some way or the other...so you retire... you have accumulated enough finances at a younger age and don't want to work anymore and want to enjoy the money that you've made.'

Pakistani, female 5

'You see, retirement to me is the time when you've actually worked all your life....and it is time to enjoy the fruits of your labour.'

African, female 2

'Basically it's when...you're too tired to work or you are not physically fit to do normal daily work....you don't work for people again because if you own your own business, I am not sure you will talk about retirement because until you are sick or... you know, died, you constantly working. So retirement connotes something that has to do with working for people...'

African, male 2

'Well I worked since youth until I retire two years ago. So it is like working all your life until you reach the age to retire.'

Bangladeshi, male 5

The majority of these individuals are or were in paid employment and view retirement as the beginning of a new chapter in their lives where they can enjoy their various pension incomes and have the opportunity to do things that they were unable to do whilst working. The International Longevity Centre-UK suggests that retirement may be viewed as a positive process rather than just an event in the lives of people due to the opportunities to enjoy leisure pursuits (ILC-UK, 2012).

Secondly, some respondents view retirement as a frightening experience that is characterised by boredom, loneliness and isolation, ill-health, loss of productivity and loss of independence:

'The kids starting to get older and get married and go to live with their new family so sometimes you get bored at home.'

Bangladeshi, female 5

'Retirement, when I hear it's frightening...apart from doing things at home it stress you out.'

Caribbean, male 3

'..almost everybody got a disease...sugar, diabetes, blood pressure, Alzheimer's...'

Indian, male 4

'Retirement I think is not normal...it is not something regular because my wife draws the money and spends it and that sort of thing.'

Indian, male 8

The findings suggest that the negative connotations attached to retirement may be closely linked to inadequate social networks that can often result in some BME people being socially isolated. As an aspect of old age that has been widely discussed, social isolation remains a major concern in light of longevity and the adverse effects on health and well-being (Findlay, 2003; Dickens *et al.*, 2011). Li (2005) highlights the importance of social networks and civic engagement in the wider community among the BME group in the UK to boost their social capital. Ill health and the loss of independence and productivity represent key challenges to individuals in old age. Phillipson (2004) admits that the inability to carry out normal routine in old age is inevitable and may influence a negative view of retirement.

There were a few of the respondents who view retirement as having no significant meaning based on their personal experience or culture:

'The background where we come from, there is no such thing as retirement. We are hardworking people, coming from the village or the countryside and all of our lives we work until the last day of our lives being farmers... And there are no set hours, you know, you got to work eight hours a day. We work before the sun rise and we work till the sun sets... And that's our life. So there is no perception of this retirement or pension or holiday.'

Pakistani, male 4

'Well I don't believe in retirement because for me it doesn't exist... Well the way we were brought up is that we always see the elderly people work until the day they pass away so for me, I don't believe in it.'

Indian, female 5

'People are living longer now and definitely at the age of 65 you see African men are still stronger, some of them are even still getting married at the age of 70 or 80. So, retirement to them is something else. So, we cannot define retirement with the western world with Africans because it is two different cultures... the way the westerner take retirement is different from the way we Africans take retirement.'

African, male 3

'I never get time to think about retirement really. I am quite busy with work routine at home and looking after the children. I see many people when they think too much about old age or retirement they look so depressed but this is not me. I have always kept myself busy with the kids...'

Bangladeshi, female 4

'At home you can work until you want to because you have health and you had enough space to work all year round so you don't think of retiring.'

Caribbean, male 5

The findings indicate that there were respondents in each of the five BME sub-samples that had a non-significant meaning attached to the term 'retirement'. Whilst the majority of these views were culturally related, this perception was more common among women who had not been in paid employment but were mainly involved with caring responsibilities within the domains of their home. Sykes *et al.* (2005) and Foster (2010) argue that women's attitude towards retirement may be influenced by events such as child bearing and providing the necessary care for their family at home by dis-engaging from paid work in the labour market. The main findings on the perception of retirement suggest that heterogeneity exists within each BME sub-sample. Likewise, heterogeneity was identified both between and within genders. This finding is supported by Loretto and Vickerstaff (2013) who argue that the term retirement may have different meanings for men and women. Phua and McNally (2008) posit that perceptions of retirement often change over time and reflect plans made both financially and socially for retirement. Johnson and Mutchler (2013) admit that retirement provision involves the accumulation of assets to avoid economic difficulty in old age through financial planning. They also suggest that the concept of retirement include social planning to aid in productive ageing (Johnson and Mutchler, 2013). The findings garnered above suggest that

the ways in which the BME respondents plan socially and financially for retirement may be underpinned by their conceptualisation of the term 'retirement'. Hence, the social and financial plans made by the BME sub-samples were explored.

Social Plans for Retirement

Whether, or not, individuals plan and engage in social activities once they enter the retirement stage can have a positive or negative impact on their retirement experience. Dickens *et al.* (2011) argue that mobility and social engagements are fundamental aspects of active ageing that can positively impact upon the health status and the quality of life among the elderly. The majority of respondents from the five BME sub-samples stated that retirement does not represent the stage in their lives when they completely seize from all their activities. This was indicated through some of the comments that were made:

'I feel that, that stage has arrived when I have done work or whatever I have been doing and now the next stage is that I should carry on doing something, not only for myself but for my community, for my society, for my country and for my people.'

Indian, male 1

'Well, retirement basically is you have finished your work, or finished your working life and then you start a different life'

Bangladeshi, female 2

'Well, I can tell you that retirement doesn't mean that a person is totally free from doing every activity to sit down at home and do nothing...The person must be active after retirement and do physical exercise and social activities to help them in their old age. It is important to visit some social centres and share or give them your experience or some sort of service according to your abilities. Just be active!'

Indian, male 6

'I am old myself but I am feeling strong and so I do a lot of activities, exercise, you know and help to cook, clean the place and do everything to keep myself active.'

Caribbean, female 4

Retirement is a process than can facilitate changes in the social and economic circumstances in the lives of people. Thus, social activities provide a substitute through which the elderly

can maintain their identity, remain productive and add meaning to their lives (Barnes and Parry, 2004). Respondents from each of the five BME sub-samples indicated that social plans form a part of their retirement strategies and these spanned a number of activities. These include spending more time with the family and friends, travelling, carrying out charity and community work, regular exercise, religious activities and pursuing further studies. These social plans were common, irrespective of ethnic group and gender. Throughout the discussions of the various social plans, the issue of return migration emerged. Phillips and Potter (2003) define return migration as the process of returning to one's country of origin after a significant period of residence in another country. Reynolds (2008) hypothesises that return migration forms a central view of many migrants in the UK due to social capital, in the form of family relationships and emotional attachments, which exist within their home countries. It was noted that a number of respondents were keen to return to their home country at some point during their retirement:

'...I want to go back to my own country where I can meet up with my families and friends from the childhood...'

Pakistani, male 8

'I will definitely retire home. Because you know there is an analogy in our place that says if you travel north, south, east and west, home is the best. So even as of now...I have been planning towards that because I cherish where I come from and I believe I have to go back to that root and give something back to that root.'

African, male 1

'.. well most Africans especially our age group plans to retire home...because of the culture really because when you are African...you have a lot of cousins, nephews, sisters that are prepared to look after you. It is not, unlike here where you are abandoned at a nursing home to be looked after...'

African, male 3

The findings derived from the data on return migration indicated that the majority of individuals who reported the desire to return home were men whose perceptions of retirement were influenced by cultural reasons. This finding is supported by previous research that indicates that some parents, especially women, tend to develop an attachment to their

children and would rather remain in the country where their children reside than engage in return migration. (Dustmann, 2003; Djajić, 2008; Khan, 2012). Utilising a life course perspective, Shenk *et al.* (2004) argue that many older women were raised with clear gender roles and expectations that defined their main focus as their home and family. It could be argued further that the devotion that the BME women in the sample data displayed towards their families and the desire to remain in the UK with their children are underpinned by the attachment of gender roles.

It was noted that many of the respondents who were keen to return home were from an African background. One of the key reasons that influences the interest in return migration among African respondents was the extended family system that exists within their culture:

'...the extended family systems in Africa that supports people that are aged or old...Here sometimes, it could be too lonely because the extended family system is not really here, you know, maybe because of the culture here...when you are old you need people to be around you, people to chat up with, people to play with. That is possible in Africa, but here, you know, things are a bit too official you need to call people that you are coming to visit them...'

African, male 2

'...in this country...it would be very boring isn't it? Because you haven't got that extended family that would come and visit and that you can go and visit, but back home in Nigeria you still have those extended family. And you know in Africa we depend on each other because of the poverty over there... So that in a way has a very big advantage, bringing the family together because we are connected.'

African, male 6

The findings on migration pattern of the BME sub-samples, as presented in the review of literature in Chapter 2, indicate that the African group was one of the last of the BME group to start migrating to the UK (Dustmann and Theodoropoulos, 2010). The findings on return migration in this thesis suggest that the timing of migration may have had an impact on the number of generations that currently exists from the African ethnic group in the UK, hence their desire to return home to their extended family. Additionally, there may be a lack of integration among the African group within the UK society. In examining integration or

segregation among the African group in the UK, Mitton and Aspinall (2009) argue that second generation Africans are more integrated than the first generation migrants due to evidence of improvements in their level of education and the types of jobs held.

In contrast to the view held by some of the African elders, as highlighted above, many Caribbean and Indian respondents were not keen to return home. Respondents from both of the latter ethnic groups acknowledged their transnational family ties and expressed interest in returning to their home country to visit, but stated that they had already established a life and family in the UK and would find it difficult to integrate socially back home. These views were synonymous with previous literature that indicates that the Caribbean and Indian ethnic groups engaged in migration to the UK from as early as the 1940s and had now settled permanently with their families (Nazroo and Williams, 2006). Like the majority of the respondents from the Indian and Caribbean backgrounds, the majority of the Pakistani and Bangladeshi elders expressed the importance of remaining in the UK to support their children and grandchildren. Many of the Caribbean, Indian, Pakistani and Bangladeshi elders were in unison that healthcare provisions were lacking in their home country and the UK provided adequate facilities to meet their health needs at this stage of their lives.

Having explored the social activities of the five sub-samples of the BME group, homogeneity was identified in the majority of the social activities that the respondents engaged in with the exception of return migration. The social activities of the five BME sub-samples may play a significant role in the ways in which they make financial plans for their retirement. In view of this, their financial plans were taken into account along with the resources that are, or were, implemented in the savings process.

Financial Plans for Retirement

The main traditional resources used as strategies for financial security in retirement in the UK are the Basic State Pension (BSP), occupational pension schemes and private pension schemes (Bozio *et al.*, 2010; Kotecha *et al.*, 2010). Extant literature, including those by Nesbitt and Neary (2001), Ginn and Arber (2001), Pension Policy Institute (2009), Gough and Adami (2013) as well as findings in Chapters 3 and 4 indicate that many BME individuals lack the relevant level of income and occupation to afford meaningful

contributions to occupational pension schemes. With little disposable income, their inability to contribute to private pension schemes is also heightened. Hence, the ways in which each sub-sample of the BME group plan financially for the retirement, given more individual responsibility in retirement income provision, is of interest to policy makers.

The exploration of the financial plans made for retirement among the BME sub-samples led to heterogeneous findings. Of the sixty BME elders interviewed, four were not in receipt of BSP due to ineligibility and these were women who were solely dependent on the incomes of their husbands. Gender differences in retirement income has been the focus of much of the existing literature on pension income and retirement saving (Ginn, 2003; Sykes *et al.*, 2005; Meyer and Bridgen, 2008; Noone *et al.*, 2011). Foster (2010) posit that inadequate pension contributions among women is linked to their inability to earn significant wages due to caring responsibilities and unemployment. Concerns about women's income in retirement were highlighted by Paskistani, female 5:

'Although I don't get a penny, I thank God that I have a husband who looks after me and is there and all that. That could be very difficult for some women in that if they stay at home to look after and bring up their children and that is not regarded as work at all. It is a very sad state because I think it should be looked at because these things happen.'

Qualitative study into the retirement incomes of ethnic minorities by Barnes and Taylor (2006) suggests that few BME elders have access to occupational pension schemes. However, the sample data in this chapter indicated the existence of occupational pension schemes among a number of males and females, with the exception of Bangladeshi and Indian females. The majority of individuals with an occupational pension scheme were from the Caribbean ethnic group who were mainly employed within the National Health Service (NHS) and other established organisations in the UK. These findings corroborate with those presented in Chapter 2, where the retirement provisions among the BME groups indicate that of a bi-modal distribution, where some BME individuals are expected to have better retirement provisions than others.

Ginn and Arber (2001) posit that private pension scheme coverage is low among ethnic minority individuals and this was evidenced through the findings in this chapter. Private

pension savings were mainly common among elders from the African and Pakistani ethnic groups:

'...most Africans save. They do a lot of savings.'

African, male 3

'I know we don't dress up like a lot of other ethnic groups but that doesn't mean that we are less fortunate. Every opportunity we get to save, we make the most of it.'

Pakistani, male 1

Some respondents pointed out that they were in receipt of income support due to low pension income and these individuals were mainly from the Bangladeshi and Indian ethnic groups. This is in contrast to findings put forward by Berthoud (1998), Gough and Hick (2009) and Vlachantoni *et al.* (2013) who suggest that Pakistani and Bangladeshi elders are more likely to rely on means-tested benefits in retirement. Nevertheless, the ways in which individuals from each of the five BME sub-samples cluster into different pension arrangements and the receipt of income support, suggest that the BME group is of a heterogeneous nature based on their retirement incomes from the traditional retirement resources highlighted above. With an insight into the acquisition of traditional means of retirement income, discussions surrounding other retirement resources were encouraged:

'...my children help me...I am not earning an income like I use to but they keep me very well.'

Indian, female 1

'...Africans, to be honest with you, believe that at their old age their children should take the brunt to look after them because that is what they do...you've education your children, you have sent them to school, some of them are lawyers, some of them are well to do in the society, they have to look after that parent irrespective of what you have.'

African, male 3

'My children help me out. If I want anything they will give it to me.'

Caribbean, female 3

'Basically, in Africa...interestingly, is to train your children and you expect that when your child becomes senior...that's why we see our parents, they give us their last cent to send you to school because they know when you come of age, you will be there for them in their old age. So for Africa, it's the children...they take care of you.'

African, male 2

'...the way we were brought up is that I contribute to my parents...that's the culture that I come from so we look after our parents so our children tend to look after us.'

Bangladeshi, female 5

'The only other place I get money from is my family. My daughter, she is 40 and she usually gives me money.'

Indian, male 7

These discussions highlighted the presence of upward intergenerational transfers from children to parents. Kohli and Künemund (2003) argue that upward intergenerational transfers are becoming important to elders in retirement due to the changing retirement landscapes. The occurrence of upward intergenerational transfers was common among all the BME sub-samples with the exception of the Pakistani group. While some elders from the Caribbean and Indian groups suggest that they contribute willingly to their parents and would expect their children to contribute willingly to them, some of the African and Bangladeshi elders indicated that help from their children is reinforced by their culture. In their study relating to pension decisions among ethnic minorities, Nesbitt and Neary (2001) suggest that the intergenerational contract that obliges children to provide for their parent in retirement has been a long-standing tradition among some ethnic minority groups. It was also identified that downward intergenerational transfer was prevalent among all the BME sub-samples, since it provided a means of financial assistance and asset remittance from parents to their children and grandchildren:

'We contribute to them. Their expenses are much higher.'

Pakistani, female 5

'He is 18 and I still give him pocket money and he demands it. He phone me, you know, he said, 'grand-dad, can I have my pocket money early this week?'

Caribbean, male 3

'Oh these days they even take my money. They even broke than you. They are always saying 'dad give us this, gives us that' and you can't say no. Sometimes your responsibility increases when you have grandchildren, because if they need something, you have to buy this and if you don't buy it you're a bad grand-dad. But you only have limited income, the pension.'

Pakistani, male 4

'Luckily we have the house because we buy the house after doing all the hard work for the thirty five years. We pay the mortgage and at least we got the house, so we will leave to our little ones.'

Indian, male 4

'I still give them money. The only thing they give me is fish or meat.'

Bangladeshi, male 1

With the exception of the Pakistani group, who were found to be mainly engaged in downward intergenerational transfer, the overall findings on intergenerational transfer suggest there is not only an upward or downward process in effect. In fact, the presence of intergenerational exchanges at different levels was identified as both parents and children were engaged in the giving and receiving of support resources. Moriarity and Fisher (2003) surmise that whilst elderly parents help to provide support to their children, their quality of life is often enhanced by social and financial support provided by their children and other relatives. Berry (2001) and Kohli (2004) posit that variations in intergenerational exchange may exist among ethnic groups due to differences in parental resources, needs of children, family structure, and cultural practices.

In addition to intergenerational transfers, the findings indicate that investments provide a useful retirement resource to many BME individuals. Kotecha *et al.* (2010) hypothesise that investments in properties, stocks and bonds provide opportunities for receiving capital growth and represent potential sources from which income can be gained at retirement. The discussions held with the majority of the BME individuals indicated a popular trend towards investments both in the UK and in their home countries. Furthermore, the BME individuals in

the sample data seem to be actively engaged in the diversification of their retirement resources to combat financial difficulty in old age:

'You see pension, uhm, how much is pension here?...how much are they giving you? How much can you say, it's nothing! To be honest with you, the pension system works in the western world because that's why I've just said that most Africans...do a lot of investments in properties, in businesses...'

African, male 3

'I invest it in bonds, so now that I am retired sometimes at the ending of the year or twice for the year it might mature and then I could use it for my holidays and do whatever I want to do. So I made sure that I planned well for my retirement.'

Caribbean, female 4

'...the most important thing also is that I put something back in terms of investment, in shares or in properties.'

African, male 2

'...the best pension is property...property is my main pension, living of the yield of the rental income.'

Pakistani, male 3

Despite the majority of BME elders meeting the eligibility criteria for BSP, with some already in receipt of income from traditional as well as non-traditional pension resources, 22 of the 60 respondents were still engaged in part-time work, full-time work or self-employment. The existence of elderly people in the workforce has been much debated in the literature (Disney and Emmerson, 2005; Macnicol, 2005; Hogarth *et al.*, 2009; Loretto, 2010; Šímová *et al.*, 2010). The employment of the elderly has raised concerns in previous years due to the negative stereotype attached to older workers (Macnicol, 2005). However, various legislations have been adopted in the UK to promote fairer employment practices in the recruitment of the elderly in the labour market (Loretto, 2010). The ONS (2012) reports that there has been an increase, from 753,000 in 1993 to 1.4 million in 2011, in the number of elderly people working beyond the state pension age. Johnson and Mutchler (2013) argue that the participation of older people in paid and unpaid work aids in productive ageing and encourages civic engagement and should be encouraged.

The overall findings on the financial planning strategies of the BME group suggest that the majority of BME individuals across the five sub-samples and genders are engaged in various strategies to promote their financial well-being in retirement. The findings suggest that the diversification of retirement income may be seen as a way of combating financial uncertainties in light of longevity and mis-trust in pension schemes as further discussed in Section 5.4.2.

The first objective was to examine the ways in which older individuals from the five sub-samples of the BME group plan for retirement and choose their retirement resources. Synonymous with findings of heterogeneity in the sub-samples of the BME group in Chapter 4, the findings on perceptions of retirement and the social and financial plans made for retirement in this chapter suggest that heterogeneity is present both among and within each BME sub-sample. Additionally, males and females belonging to the same ethnic group displayed different attitudes towards retirement. Furthermore, a combination of different social plans and financial resources were identified as mechanisms used by the BME elders to support their quality of life and consumption levels in old age. While the UK pension system may be described as a financial resource that is generally used to plan and save for retirement, the findings indicate that a number of BME individuals in the sample data have devised additional and alternate ways of planning and saving. The findings in this chapter are supported by the debates put forward by Barnes and Taylor (2006), Khan (2008) and Steventon and Sanchez (2008) that BME individuals may differ in the ways in which they plan and save for their retirement.

Having explored the retirement strategies of the five sub-samples of the BME group, the following section examines the influential factors affecting the effectiveness of their ability to make provisions for retirement.

5.4.2 *The Driving and Restraining Forces affecting Retirement Provision*

The second objective was to explore the driving and restraining forces affecting the ability of each sub-sample to plan and save for retirement. In fulfilling this objective, the conceptual framework presented in Figure 5.1 was taken into account and used as a model to evaluate the findings in this chapter with those in the previous chapters, as well as those in previous literature. It is argued that retirement provision among the BME group is influenced by a variety of factors (Barnard and Pettigrew, 2003; Barnes and Taylor, 2006). For the purpose of this chapter, two sets of factors are categorised, namely, enabling factors and inhibiting factors. In view of the driving forces of retirement provision, as presented in the conceptual framework, the enabling factors that positively influence retirement saving among the BME individuals were explored.

Factors enabling retirement saving

Among the BME individuals who were able to secure traditional pension savings, four main factors that were influential to their ability to engage in financial planning and saving were identified. Types of occupation, relevant financial advice, cultural background, and financial security in old age represented the key contributing factors.

Types of occupation

The type of job held represented a key factor for many individuals within the Caribbean sub-sample who had occupational pensions:

'Well, the factor that has enabled me is one, the NHS pension...as that is an automatic pension that every month that's deducted from my salary at work.'

Caribbean, female 1

'I had a fairly good job so the contribution that was taken out was enough for me to live on...'

Caribbean, female 7

'...all the job I've been in is mostly education or government job. I've been lucky they have a pension scheme, which you pay into it for retirement.'

Caribbean, male 3

Ginn and Arber (2001) argue that the ability to contribute meaningfully to occupational pension schemes is significantly determined by access based on the categories of employers and the types of jobs held. While job roles contributed to the ability to plan and save for old age among some BME elders, the receipt of relevant financial information and advice also played an important role.

Relevant financial advice

Among some of BME elders who were in possession of private pensions, relevant financial advice played a key role in their financial planning for retirement:

'When you are coming up to retirement, an advisor usually comes in and works out how much your pension will be...They come to advise you so that is what we all did...'

Caribbean, female 6

'We were very early on contacted by...the fund advisors or you know financial advisors...so every year they'd turn up and advise us so that's how we've got so many pensions.'

Pakistani, female 5

'Wherever I could get the best advice, I actually got it.'

Pakistani, male 5

Lusardi and Mitchelli (2007) inform that financial education and advice, especially those provided within the workplace, promote financial awareness in planning for retirement. They further suggest that financial advice often increases financial literacy and enhances the willingness of individuals to save more effectively in pension schemes (Lusardi and Mitchelli, 2007).

Cultural background

The cultural background of some BME individuals was seen as a contributing factor to retirement saving:

'Well right from my childhood because I was born in India and there, my father always teach us that we should not spend all of our money but we should save some for our life, for ourselves and even for them.'

Indian, male 5

'Growing up, we were taught to work and save something. Save something, as they use to say, for raining day'

Caribbean, male 4

'...my father was a farmer so they don't know about savings, but for me, I have always wanted a better life than what my parents had in retirement'

African, male 2

'Having people around you that have done it...my parents did and I saw it and when they retired I saw that they were comfortable in the sort of life they wanted to lead so I was keen to have a better life myself.'

Pakistani, female 4

The findings from the discussions on cultural background suggest that savings-oriented skills imparted over generations and across many BME cultures have positively influenced the need of many to improve their quality of life in retirement to surpass that of their parents. Additionally, some BME elders were motivated to plan and save due to concerns about their survival in retirement.

Financial security in old age

In order to maintain adequate levels of consumptions and financial stability in old age, retirement saving is encouraged (Warren and Britton, 2003; Noone *et al.*, 2011). This was the view taken by some BME elders:

'When you come from a country like us, very poor countries, you know that you have to save and for saving the best thing is to contribute for the pension, otherwise when you're old even the children don't care for you, so unless you have money people don't respect you; if you have no money nobody likes you.'

Pakistani, male 5

'In future you don't know how long you are going to live for and you don't know how much the government is going to give you.'

African, female 1

'We always believe that you have to save for the raining days...personally you have to plan for your own retirement because it will get to a stage that the government cannot accommodate the backlog of people that have been in that queue so what now happens to you when you cannot work again.'

African, male 1

'Well, the main thing financially, was to make sure that I would be able to support myself, not having to depend on anybody, that was one of the main criteria....so I put things into place as much as I could while I was working.'

Pakistani, female 4

Having examined the limited discourse into the four main factors that have enabled some members of the BME group to plan and save for retirement, many of the respondents saw retirement as an event that just happened rather than being planned for. This was a more common view among the Bangladeshi and Indian sub-samples and Pakistani males:

'Well put it this way, I planned nothing! When I was working, you never think you would retire, you think you're gonna be always like this...up and about, money coming in, socialising, going out with friends. So you don't even think 'what am I going to do when I retire?'

Pakistani, male 4

'I never think even about what is going to happen after tomorrow, after this month or year or if I get sick what is going to happen so I didn't make any plan. I just go day by day, actually I live day by day if you think about it.'

Indian, female 1

'Plans are only you can go to holidays, go to India, clothes, that's the only thing you plan. You can't think of opening big businesses, or shops and save for retirement, you can't do that.'

Indian, male 4

'I planned nothing because my brought up is back home and I have that connection with my belief. I think that if I have to bring up my children and Allah's blessings are there, they won't even have to think or plan for retirement either.'

Bangladeshi, female 4

The discussions surrounding the lack of planning for retirement were reflective of the ways in which the lives of many of the BME respondents were socially, culturally and economically patterned over time. The majority of BME individuals who were able to contribute to traditional pensions schemes, and also those who engaged in non-traditional retirement income arrangements, were in unison that more effective planning and saving could have been done for their retirement. Phua and McNally (2008) argue that influential life processes often present complex choices and challenges that can affect one's ability to plan and save effectively for their retirement. In order to explore the challenges that the BME individuals encounter throughout their life course, the factors that inhibit retirement savings were taken into account.

Factors inhibiting retirement saving

The low socio-economic position that characterises the BME group in the UK may significantly affect their ability to plan and save effectively for retirement. Modood (2004) hypothesises that despite the efforts of many BME individuals in promoting their social and economic capital, they are still at a significant disadvantage. The inhibiting factors of retirement saving, as expressed by the BME group, can be described as multi-dimensional. These factors are presented below in a sequential manner starting with the most significant factors identified throughout the data analysis.

Overseas remittances and extended family

Financial support to immediate and extended families overseas is often established and sustained through remittances. Nettleford (2003) and Reynolds (2008) argue that overseas financial remittances make positive contributions to families and may be viewed as the primary source of income among many poor households. Overseas remittances were seen as a key factor that restricts the ability of the majority of BME individuals in the sample data to save effectively:

'I did not have enough money to save because out of the little that I earned, I still had to support my parents and other extended family back home...The majority of migrants in this country come here to seek a better life and to help their family back home so it is not usually very easy for us to save.'

African, female 5

'...we have poor families who are still back home so we always try to send money.'

Bangladeshi, female 3

'...helping my family in India...I send money to India so that they could live better lives because I know how hard it is in India...'

Indian, male 5

'If you don't send money home, they cannot eat...so definitely, out of the token you get here, even before you plan for yourself, first, you must plan for them because you don't want them to live in poverty ...so on a regular basis, we send money home back home.'

African, male 4

'Savings, there is none... what I was earning I was just spending it. My family, my extended family back home, parents, you know, all the ethnic minorities when they came they were not only looking out for themselves, they are looking out for their extended families, brothers and sisters that need some money back home.'

Pakistani, male 6

Reynolds (2008) highlights that overseas remittance to families and friends are common among many BME migrants as well as many BME individuals who were born in the UK. Clark and Drinkwater (2008) suggest that a strategy of many migrants is to engage in remittances, or to accumulate savings with the aim of returning home, or to invest in their home countries. Oucho (2008) posit that while remittances contribute to foreign investments in home countries, a key benefit is the reduction of financial difficulty and the increase in income streams in many households.

Dependent children

Lindley (2009) argues that having dependent children in households can negatively affect the employment prospects of many people due to caring responsibilities. Likewise, the presence of dependent children in BME households can negatively influence the savings ability of many individuals, particularly women:

'When you have lots of children, you cannot save as much as you really want to. This is because you have to divide all your income piece and piece for school, activities, this and that.'

African, female 4

'My husband died and left me with the three kids so I was only concerned about getting them a good life.'

Indian, female 4

'...because every year I gave birth to another child and when they are young you have to do the school run and help them to study and there was not much money coming in to save anyway.'

Pakistani, female 3

'Well, the fact that I have got children who are still young and I am investing in them, this has somehow limited my ability to save for my retirement because they demand quite a lot from me because of their ages.'

Caribbean, female 1

It is frequently cited that BME families are often large in size and are usually comprised of three or more dependent children (Botcherby, 2006). The findings from the research in this chapter indicate that the Pakistani group had a maximum number of seven children living in a given household. They were followed by the Bangladeshi, Indian, African and Caribbean sub-samples at six, six, five and five children respectively. The findings derived from the data on dependent children in the BME households in this chapter are concurrent with findings in Chapters 2 and 3, and Figure 5.1. Furthermore they augment the debates put forward by Ginn and Arber (1996) and Noone *et al.* (2011) that the need to maintain households may result in lack of planning and saving for old age among many women.

Discrimination

The findings indicate that discrimination is present in the labour market in various forms among the BME group, with the most common being based on ethnicity, name and colour. Discrimination based on name was mainly highlighted by individuals from the African, Indian and Pakistani group while colour discrimination characterised the views of some of the individuals from all the five BME sub-samples. This was evidenced through some of the comments that were made:

'People were very prejudice in this country. They didn't want Asian, they didn't want black, they didn't want yellow, they didn't want brown, no.'

Indian, female 2

'It's no advantage to be an ethnic minority, that's the reality, simple as that!...it's a rather handicap because if a hundred people are applying for the job and fifty of them are ethnic minority and fifty are the white people, those fifty ethnic minorities have no chance to get a job and it has happened to us many times and also proved through research. And sometimes people used to change their names for the sake of applying and they used to be called for interviews because they changed their name to John Brown or Alex Smith so they think that he might be a white man. He is called for interview, but when he gets there they say, you are a bloody black man...but he was still turned down.'

Pakistani, male 4

'I see people...like my colour, Chinese, Bengali, Jamaica, Somalia, India, Pakistani and all our country people, and they don't get enough. We get told there aren't enough jobs...I think our people are very good but someone needs to help because our backgrounds are not bad but they only work in Iceland and McDonalds.'

Bangladeshi, male 1

There is substantial literature documenting the extent of discrimination among the BME group in the labour market (Heath and Cheung, 2006; Yeandle and Buckner, 2009). Modood (2004) and Clark and Drinkwater (2007) have argued extensively that labour market discrimination faced by the BME group restricts their ability for social and economic progression. Vlachantoni *et al.* (2013) add that ethnicity represents a strong determinant of occupational scheme acquisition among the younger generation and is indicative of the

receipt of pension income among the older generation. This suggests that the BME group may continue to be at a disadvantage irrespective of generations.

Low level jobs and low incomes

Differences in the employment patterns and incomes among individuals in each of the BME sub-samples reflect the stratified nature of pension schemes acquisition and the inability of many to make adequate savings for retirement:

'I could not save because the money we get is not enough. By the end of the week or the month all is finished. Sometimes I have to use my credit card to go shopping then the other month I have to pay it back.'

Bangladeshi, male 2

'If everything is from hand to mouth, it is difficult. It is very difficult!'

African, male 1

'... I couldn't save because I was only getting a little bit of money when I was working as a cleaner.'

Indian, female 4

'Well I think if I had much better jobs when I just came to this country then maybe I would have had an occupational pension also.'

Pakistani, male 1

These qualitative findings reflect the discussions in Chapter 3, where the labour market characteristics and incomes of the BME group were examined through a quantitative framework. The perspectives of many BME elders within the sample data indicated a trend of difficulties in contributing to occupational and private pension schemes due to the types of employment held and incomes received from paid work. Vlachantoni *et al.* (2013) reiterate that the level of pension income received in old age is influenced by labour market outcomes.

Complicated pension system and lack of trust in pension schemes

The findings have provided evidence to suggest that many BME individuals across each of the five sub-samples have had growing concerns and scepticism about the security of pension schemes and the value of their pension investments in retirement:

'My husband said there is no point because you can't trust all these people with your money.'

Bangladeshi, female 5

'If we put our money inside and it just goes bust, what happens? That's just all that savings that was made for many years is wasted...I rather keep it so that I can watch over it on my own...I won't put it in the bank either because the bank too can go bust. I can have a private saving in my home, dropping it there and I will be watching over it.'

African, male 1

'Well, the only thing I can say is that people have put money into pensions to try to accumulate enough money to be comfortable in their old age but the government has been whittling away at it! ... you think you've got enough, but then by the time you've been taxed on it there isn't much left...I don't think the government has helped. I think they've in fact penalise people who save....'

Pakistani, female 5

Concerns were also raised about the complexity of pension schemes arrangement. In their qualitative study of financial plans for retirement, Sykes *et al.* (2005) reveal that many of their respondents, especially women, were not knowledgeable about the different types of pension schemes available. The complexity of the current structure of state pension provision has led to considerable support for a flat rate pension proposed to commence in April 2016 (DWP, 2011). Through this flat rate provision of state pension, the UK government aims to provide a simpler pension system where people can have a clearer idea of the pension income that they will receive from the government in retirement.

Lack of financial resources and information

Rowlingson (2000) suggests that many individuals on low incomes are aware of the need to plan for retirement, but lack the adequate resources to do so. Lusardi and Mitchell (2007)

further argue that financial illiteracy is common in many household with some of the basic financial concepts and information needed to plan for retirement lacking. These debates are in tandem with discussions held with some of the BME individuals:

'Even some of the older people like myself didn't plan at all, much less save. It is not like I did not want to but I did not have the resources to help me to save.'

African, female 5

'It was work to home and home to work so we didn't get much information for the future so I didn't plan. I could not plan anything because of the work pressure and lack of information.'

Bangladeshi, male 4

'I suppose if we had better financial knowledge we would have planned more.'

Caribbean, female 5

The findings suggest that the lack of information and adequate financial resources inhibits the ability of many within the BME group to make informed decisions regarding pension resources that could be used to support their well-being in retirement. Mawhinney (2010) acknowledges that many BME individuals lack access to pension information and advice that can be easily understood. He further argues that information to aid in retirement saving should be translated into relevant languages and signposted in BME communities to promote understanding and financial literacy (Mawhinney (2010). Furthermore, financial decision making may be promoted through the provision of information that is of a non-numeric and personal nature (Cox, 2008).

Culture and religious practices

The cultural and religious practices that are adopted by each of the five BME sub-samples play an important role in the acquisition of financial literacy, financial resources, and the ways in which planning and saving are done for retirement. Whilst culture and upbringing represented an enabling factor to some BME individuals, it represented an inhibiting factor for other individuals:

'I wasn't brought up to understand any of it and so I don't have a good knowledge of these things...'

Pakistani, female 1

'...I'm over sixty six now but back in those days in Pakistan, girls just got married. You educated them as an asset to make a good marriage, you didn't educate them to grow up and work. And quite often girls educated to becoming doctors and lawyers and it was just so they got married and they didn't work anymore.'

Pakistani, female 5

'Well I would have loved to plan for my retirement but you see, retirement is not generally something that we plan for back home. We, and even our older people back home work up until the day they pass away'

African, female 5

'...interest is prohibited in our religion so we can't actually say if we put money into the bank or pension then we get the interest because this is not allowed...I invest money in bonds because it doesn't attract interest.'

Pakistani, male 8

'Back in my days women from India didn't work outside a lot, so I didn't go outside to work so that way I couldn't save.'

Indian, female 5

The findings indicate that it is difficult to disentangle culture, religion and gender from the factors that influence the retirement provision and saving behaviour of many BME individuals. Clark and Drinkwater (2008) suggest that cultural and religious considerations are important for some migrant groups and contribute to low economic activities and employment rates particularly among Muslim females.

Education and skills

The inability to gain access to occupational pension schemes, private pension schemes and other financial resources to aid in retirement savings is linked to the lack of skills needed to acquire well-paid jobs (Barnes and Taylor, 2006; Khan, 2010). Cox (2011) argues further that low educational attainment contributes to difficulties experienced in planning for the future.

The discussions with some of the BME elders were in tandem with these debates and indicate that better retirement plans would have been in place if they had higher levels of education and skills:

'If I had good education or higher education, it would have been better. But with my experience I can only dream. That's why we make sure that our children get some education.'

Bangladeshi, male 1

'I was not well educated so was not able to understand how to go about making plans.'

Indian, female 4

'... it was very difficult to save in those days because being an unskilled worker our salary scale was not that attractive or good so whatever we earned we had to spend almost all of it.'

Bangladeshi, male 4

'Some of the people who came here in the 1960s from the Caribbean and around the world did not have a high level of education so many struggled to get jobs later on with the rise of the technology era.'

Caribbean, female 1

English language

In addition to education and skills, the inability to speak English contributed to the difficulties that some BME individuals faced in finding and keeping a job. Many of the BME individuals who reported this experience in the sample data were from the Bangladeshi background:

'When I came into this country, I didn't know English. After I drop the kids to school me and my friends use to come to the Muslim centre where we had a teacher and she teach us how to read and communicate in English so that we can try to help out children. I wanted to work but no one would give me job because I couldn't speak the language.'

Bangladeshi, female 5

'Never use to speak good English so job was difficult...that's why I had to become self-employed while I learn.'

Bangladeshi, male 2

'Just that I came and then I go to school because I didn't speak English, then I was able to understand bit by bit and then I was able to go and get a job as a chef.'

Bangladeshi, male 3

English language proficiency among the BME group is frequently debated in labour market research (Clark and Drinkwater, 2000; Heath and Cheung, 2006). Dustmann and Fabbri (2000) highlight that the ability to communicate in English is positively associated with employment probabilities and earnings. They further suggest that the first generation migrants are more disadvantaged than the second and third generation, most of whom were born in the UK (Dustmann and Fabbri, 2000). In their study on the labour market performance of migrants to the UK, Clark and Drinkwater (2008) posit that many migrants who did not speak English in their home countries reported difficulties in the labour market. The inability of many Bangladeshi individuals to find well-paid jobs and make adequate savings towards their retirement may be linked to the higher rate of unemployment and self-employment among this sub-sample as identified through the data used in this chapter.

Other financial commitments

In addition to the financial commitments that a number of the BME sub-samples reported, many stated that their religion encourages a sacrifice of a part of their earnings. An example of this was from a Pakistani male who stated:

'...in our religion every year we send money to Mecca, it's called Zakat. It goes for all of the needy people or the poor people basically and this is for every Muslim who earns a good income...'

Pakistani, male 8

Although such financial contributions were regarded as mandatory, it was not seen as limiting the ability of the BME individuals involved to save for retirement in any way.

The findings in this chapter suggest that while some BME elders are fortunate in making effective provisions for their retirement, there are many facets in the lives of others that negatively influence their ability to do likewise. The majority of the patterns that arose from the inhibiting factors to retirement saving were augmented by concepts that are presented in the conceptual framework in Figure 5.1. In addition to the main sets of restraining factors identified in this framework, overseas remittances and extended family, discrimination, complexity of pension system and lack of trust in pension schemes were identified as further restraints and were viewed as significant to the disadvantages that the members of each sub-samples of the BME group encounter in the UK.

Based on the discussions regarding the driving and restraining forces of retirement provision, it is evident that the saving decisions made by the BME sub-samples are influenced by an array of factors. Hence concerns about intergenerational challenges faced by BME individuals. Throughout the interview process, discussions on the ability of the second and third generation to provide effectively for retirement emerged. Whilst the older generation of BME people are the main focus in this chapter, the opportunity was taken to gain some views on the socio-economic situation of the younger generation from the perspective of the elderly BME people.

Retirement provision among the second and third generation

A substantial corpus of literature on the different generations of the BME group has emerged over the years (Dustmann and Fabbri, 2000; Kohli and Künemund, 2003; Djajić, 2008; Mitton and Aspinall, 2009). A topical discussion is the extent to which the younger generation of BME people are more capable in making provisions for their retirement (Barnes and Taylor, 2006; Lehman *et al.*, 2008). Dustmann and Theodoropoulos (2010) posit that the second and third generation are at an advantage due to many of them being born in the UK, having a better education, receiving more financial information and being better integrated into the UK society. Despite research suggesting that the younger generation of BME individuals are more advantaged, with regards to making provisions for retirement, this was not the view of many of the elderly BME respondents:

'... with all these changes to pensions you hear on the news all the time, it still makes you wonder if people can afford to even buy a house much less save.'

Pakistani, male 1

'They are too fashion conscious and all they want to do is buy expensive things. Apart from that, if they are educated they will have so much debt to pay before they can actually save. So that is something that would determine their future and they may not even think of retirement.'

African, female 2

'I don't think they can save much because of the expenses...Some of them move out of their parent's home and they have to go back because they cannot pay the rent and to maintain themselves. Even if they get a loan to go to uni...£9,000 is a lot of money and they can't manage so I wouldn't think they will be better off than I am.'

Caribbean, female 4

'...all the firms that were employing young people have gone out of Britain...Gestetner, British Oxygen, MK Electrics, even clothing factory... We still lucky we've got British Gas, Telecom and British Airways, everything else gone...Plus the young people these days, they are very fussy. They won't get their hands dirty...But the older generation can do anything...'

Caribbean, male 3

The discussions held with the BME elders in this research support the findings in previous literature that the younger generation are more exposed to information and advice, have better education, have better jobs and have the prospects of receiving better incomes than their parents. However, the general view of the BME elders is that the second and third generation are still faced with disadvantages in making provisions for their retirement and this may be heightened by discrimination, labour market policies such as zero-hour contracts, increases in the retirement age, and greater individual responsibility in retirement income provision. Evidence in support of these views and the relative vagueness that some of the second and third generation of BME individuals exhibit around the concept of retirement were highlighted from the second pilot study:

'...for me, retirement doesn't mean much because ever so often you hear of changes to the state pension age. I am just living for the moment and taking each day as it comes.'

Caribbean, 2nd generation female

'I may not even live to see my retirement so there is no point stressing over joining a pension scheme. Food, shelter and my student loan repayments are my biggest priorities right now...'

African, 3rd generation male

'I am still at uni at the moment so retirement is the last thing on my mind ...maybe once I get to my parent's age I will look into it...'

Pakistani, 3rd generation female

'...Discussing pensions or retirement is not in my interest since finding a decent job in this country nowadays is difficult to even start thinking about providing for my retirement...I plan to return home later in my old age...and even if I do stay here, hopefully the government will provide for me.'

Indian, 2nd generation male

'...I would not even consider saving for retirement at the moment because I have four kids and I am not earning enough money to look after my family, much more to save...'

Bangladeshi, 2nd generation female

Many BME elders from the Indian, Pakistani and Bangladeshi sub-samples suggested that their children and grandchildren would be better off in making provisions for their retirement if it had not been for the erosion of their kinship culture here in the UK:

'I think children nowadays are going away from the extended family, you know. My boys, obviously I see them off but they are not as much attached to their parents as we used to be... they move away from the Asian culture and go and join into the English culture.'

Indian, male 3

'...kinship is also very important in our culture. It is traditional that the parents live with the youngest child...but I think though that the Government in this country does not respect or understand the importance of family ties within our community due to the cut in housing benefit to elders living with their children and the whole bedroom or rental tax that they are introducing. This forces our children to move away from this culture.'

Pakistani, male 1

Victor *et al.* (2012) suggest that the kinship system is particularly important in South and South-East Asia and represents bonds in the social relationships that exist within families. As a well debated issue, Mann (2009) highlights that evolving family structures, gender roles and relationships among ethnic minority groups in the UK have led to changes in family relations. In tandem, the findings on kinship in this chapter indicate a trend towards greater independence among the second and third generation, hence, the need to move away from the extended family system. Despite the decline in kinship, the findings suggest that family ties remain important among BME families and are maintained through the use of intergenerational exchanges as discussed earlier in section 5.4.1.

5.5 Policy Implications

The findings presented in this chapter provide insightful information to policy makers. Many of BME individuals interviewed highlighted the importance of community engagement, charity work and other social activities to reduce social isolation in retirement. Throughout the interview process, some of the BME individuals raised concerns about the reduction in funding and the closure of many social activities, such as lunch clubs, libraries and community centres. In order to tackle social isolation, service provisions need to be introduced and sustained to promote social integration as well as productive ageing. In view of the challenges of population ageing, continuous opportunities for elderly participation in paid and unpaid work, community involvement and social activities are essential to encourage a sense of belonging (Gilchrist and Kyprianou, 2011).

Despite legislations such as the Equality Act 2010 to help combat discrimination within the labour market (Hepple, 2010), greater encouragement of diversity in the labour force is needed to reduce the discriminatory effects of ethnicity, name and colour as experienced by

some of the BME people. Furthermore, the mis-selling of private pensions that took place in the 1980s, as discussed in Chapter 2, has created a culture of mistrust in the UK. As such, many BME individuals are more reluctant to engage in pension savings of any sort due to the potential insecurity surrounding the safeguarding of their funds. Addressing the issue of trust in pension schemes and the publication of more information on the various pension schemes available are key to encourage more BME people to engage in the available saving provisions. Similarly, the publication of culturally sensitive information, such as literature in relevant languages, is required to engage those BME people who are not proficient in the English language.

Based on their low socio-economic status and many of the restraining factors to retirement saving, the BME group may be described as homogenous. However, the findings in this chapter indicate that heterogeneity also exists within this group based on attitudes and approaches taken towards retirement savings and the variety of retirement provisions that are in place. In an attempt to meet the varied needs of the stratified and rapidly ageing BME communities, their views and experiences need to be incorporated into the decision-making processes surrounding their involvement in pension scheme contributions. With extant research highlighting the lack of pension scheme contributions among BME individuals, and the related risk of financial difficulty in old age, more policy-orientated and qualitative research into the barriers faced by the different generations of the BME people should be carried out along with proposals to help them overcome these disadvantages.

5.6 Conclusion

In contributing to the main aim of the thesis, this chapter has examined the ways in which some individuals from the five sub-samples of the BME group make provisions for retirement. It also explored the driving and restraining forces that affect the ability of each sub-sample to plan and save for retirement. Through the use of a qualitative methodology that involved semi-structured, face-to-face and in-depth approach, interviews were carried out with 60 individuals, aged 60 and above. This was done to seek more explanations of the findings in Chapters 3 and 4 from a different perspective and to provide an insight into the retirement strategies of the five BME sub-samples. The aim of this chapter was not to generalise across the population of the BME sub-samples, but to gain an insight into the

retirement strategies and the phenomenon of the BME group through the perspectives of the BME individuals.

Through the use of an *aide-mémoire*, six overarching themes were explored and discussed in relation to the two objectives of this chapter. The findings in this chapter suggest that although retirement is a universal issue, it represents an individual process, whereby social actors that persist throughout the life course of individuals may influence the strategies developed in planning and saving for retirement. Analysed at a dis-aggregated level, the findings, as they relate to retirement provision, reflect the diversity that exists both among and within the five BME sub-samples in terms of commonalities and contradictions in their approach. The findings indicate that the term ‘retirement’ is not perceived in a consistent manner and the diverse connotations that BME individuals attached to this term reflects the socially constructed nature of retirement provisions. The majority of the BME people were in unison that social activities formed a core part of their retirement and aspects of these social plans were viewed as limiting factors to planning and saving in UK pension schemes. For example, many of the men from African backgrounds expressed an interest in return migration. As such, some engaged in businesses and investments in their home country to maintain cultural and economic ties rather than saving in the UK.

An examination of the financial plans of the BME elders led to heterogeneous findings. Some respondents from across the five sub-samples had occupational and private pension schemes and considered themselves to be on par with affluent White British individuals. Nevertheless, a number of individuals within the BME sample data were in receipt of income support due to low incomes. While much of the research into pension savings and retirement among the BME group focuses on the empirical assessment of traditional retirement resources, the qualitative evidence from the sample data in this chapter indicated a trend towards the use of non-traditional approaches, such as intergenerational exchange, part-time employment and investments in properties, to sustain financially in retirement. Although current debates suggest that BME individuals lack purposeful planning, compared to the White British group, the findings in this chapter indicate that, whilst this may be the case, less formal pension arrangements are in place across each of the five BME sub-samples. The desire of many of the younger generation of BME people to be financially independent, as highlighted in the

deterioration of the kinship system, indicates that a more western approach is being adopted by many.

The conceptual framework, based on Lewin (1951) FFA in Figure 5.1, highlights the interplay of political, economic, social and historical influences on the retirement provision of the BME group. While the findings in this chapter provide explanatory insights that corroborate the evidence provided in Chapters 2, 3 and 4, it also expands the parameters of this framework to include other driving and restraining forces, and the role of culture in influencing the process of retirement saving. While few BME elders discussed factors such as the job sector in which they worked and relevant financial advice as driving forces to their retirement provision, the majority of the BME elders highlighted a number of restraining forces that limited their ability to provide for old age. With limited research on the issue of overseas remittances among the BME group, this chapter provides new evidence that indicate that overseas remittances to immediate and extended family represent one of the key factors that inhibit saving among BME individuals in the sample data. Labour market discrimination, lack of financial information and advice, culture and religious practices were identified as additional inhibiting factors experienced by some of the BME people.

The findings derived from the chosen methodology have provided an in-depth insight into some of the important factors that have not been widely discussed in previous literature. The significance of these factors in terms of the ways in which they influence retirement provisions among the BME group has established the relevance of this chapter and its contribution to the overall aim of the thesis as well as its original contribution to knowledge. The findings presented also add to the existing discourse surrounding retirement provision among BME individuals in the UK and contribute to the ongoing debates in the field of social policy, pension policy and retirement. Having provided an insight into some of the ways in which members of the five sub-samples of the BME group make provisions for their retirement, and the social, economic and cultural factors that enable and inhibit this process, the following chapter provides a general conclusion for the entire thesis

Chapter 6

Conclusion

Chapter 6

Conclusion

6.1. Introduction

The purpose of this thesis was to explore the ways in which retirement provision is influenced among the Black and Minority Ethnic (BME) group in the United Kingdom (UK). This was facilitated through an examination of their economic position and the socio-cultural factors that positively influence or inhibit their retirement provision. This investigation was essential since the BME group is at a greater risk of financial difficulty in retirement than other ethnic groups due to lower levels of pension income received in retirement. The term '**BME group**' used in this study refers to non-white individuals from five ethnic backgrounds, namely: African, Caribbean, Indian, Pakistani and Bangladeshi. These five sub-samples were chosen as the main units of analysis in this thesis since they cater for the largest numbers of BME individuals in the UK. In developing a coherent way of collecting, analysing and presenting the findings in this thesis, three empirical chapters are included. Through the application of a mixed method approach that utilised quantitative data, sourced on a secondary basis, and primary data, collected on a qualitative basis, different perspectives on the issues that the BME group face in making provisions for retirement were gained.

6.2 Summary of the Main Findings in the Thesis

The overall findings presented in this thesis indicate that there are various ways in which the BME group is negatively influenced in terms of making adequate provision for retirement. Despite the promotion of greater individual responsibility for pension provisions, the findings generated from the use of multiple methodologies throughout this thesis indicate that individuals from the BME group encounter unequal access to pension provisions. While some BME individuals have access to provisions, such as occupational and private pension schemes, others are marginalised. This is due to the structural arrangement of the various tiers of provision, labour market disadvantages, and significant levels of heterogeneity that exists both between and within each sub-sample. The findings also indicate the socially constructed

nature of 'retirement' and 'retirement provision' among members the BME group, which influences different retirement strategies and non-traditional means of providing for their retirement.

A critical analysis of the different tiers of pension schemes provided through the UK pension system indicate that many BMEs are unable to access occupational and private pension schemes due to the structural arrangements and eligibility criteria that are in place. These contribute to the disadvantage faced by the BME group in making provisions for retirement and indicate a heavy reliance on the Basic State Pension (BSP) in retirement. While historical factors, such as the timing of migration, were acknowledged as having a significant contribution to the disadvantages that the BME group face in making provisions for their retirement, economic, social, and cultural factors were identified as some of the more prominent and fundamental causes of BMEs disposition towards retirement provision.

In examining the economic factors that contribute to the disadvantage that the BME group face, their labour market characteristics and income were taken into account to determine their implications for retirement provision. As the largest dataset in the UK that is widely used to assess the employment circumstances of people, six years (2006 to 2011) of quarterly data from the Labour Force Survey (LFS) was utilised through a quantitative methodology. Analysed at an aggregate level, the findings confirmed some of the evidence presented in previous literature and provided a generalisable indication that the BME group continue to experience disadvantages within the UK labour market. Higher rates of inactivity, unemployment and concentrations into low-level occupations were identified among the BME group in comparison to the White British group. This indicates that the employment characteristics and incomes of BME individuals remain important variables in the disadvantage they face in accessing occupational and private pension resources. This may be particularly detrimental in their access to workplace pension schemes, such as the Automatic Enrolment scheme that was introduced in 2011. Given the promotion of greater individual savings for retirement, many within the BME group are prone to low levels of pension income.

An examination of the BME group at the dis-aggregated level provided greater insight into their socio-economic characteristics due to the paucity of research in this area. The findings from this examination indicate further disadvantages posed in providing effectively for retirement due to the significant levels of heterogeneity that exists within the socio-economic characteristics of the BME group. Based on a quantitative methodology, all eighteen years of data (1991 to 2009) from the British Household Panel Survey (BHPS) and the two waves of data (2009 to 2011) that were available at the time of the analysis from the Understanding Society survey were used to reveal that members of the BME group are prone to varying degrees of financial difficulty in retirement. With extant research documenting the homogenous nature of BME individuals, the findings in this thesis indicate that the socio-economic characteristics of the five BME sub-samples are stratified on different levels based on their income, occupation, education, age and gender. These findings suggest that some BME individuals may be less fortunate than others in making provisions for retirement. The findings also imply that stratified approaches to retirement and access to retirement resources may exist based on the heterogeneous socio-economic characteristics of the BME group.

Further exploration of the economic, social and cultural characteristics of the BME group at the disaggregated level, through a qualitative methodology, provided an in-depth insight into the ways in which individuals from the five sub-samples of the BME group provide for retirement and choose their retirement resources, while taking into account the driving and restraining forces that affect the ability of each sub-sample to provide for retirement. Using semi-structured, face-to-face, in-depth interviews, the experiences and attitudes of 60 respondents, male and female, that were aged 60 and above were explored through a holistic approach. The findings, as presented in this thesis, indicate the heterogeneous ways in which members from each of the five sub-samples of the BME group conceptualise the term 'retirement', plan socially and provide financially for their retirement. The findings that were generated through the interview process corroborated as well as extended the inhibiting factors that were previously identified in the thesis. Through this exploratory method of investigation, wide-ranging issues such as dependent children and family, homeland remittances, low income, low-level jobs, culture, discrimination and lack of trust in pension schemes were highlighted as some of the key factors restraining the ability of BME individuals to provide effectively for retirement.

The combination of research strategies used within this thesis has highlighted some of the key factors and the ways in which they affect retirement provision among the BME group. The findings suggest that some BME individuals have adequate provisions in retirement, given their access to various pension schemes and other non-traditional means of pension provision. On the other hand, there are individuals within the BME group who will be significantly disadvantaged in retirement due to little or no provisions made for retirement. Although BME individuals are often viewed as part of a homogenous group in the UK based on their low socio-economic status, the findings in this thesis suggest that there are significant differences both among and within each of the five sub-samples explored and these differences also inform different retirement provisions and varying levels of access to pension schemes. From the findings presented it is evident that it is a combination of factors, rather than any one factor, that influence the retirement provisions among the BME group. When all the contributing factors are viewed in a holistic manner, they indicate the existence of fewer retirement provisions among some BME individuals.

6.3. The implications of the Thesis

This thesis adds new evidence in the context of the BME group in the UK by exploring their economic position and the socio-cultural factors that positively influence or inhibit their retirement provision. Through the use of three empirical chapters, greater insights into the retirement provisions among the BME group are provided through analyses of their labour market characteristics and income, socio-economic characteristics and retirement strategies. The findings in Chapter 3 contributes to existing literature by incorporating a wide range of socio-economic variables and providing empirical evidence to suggest that the continuous disadvantages experienced in the labour market by the BME group may increase their financial difficulty in retirement. As the majority of the findings in previous literature corroborates with some of the findings presented in this thesis, it is evident that the disadvantages faced by the BME group in the labour market is one of intergenerational existence. Based on the employment characteristics of the BME group, policy initiatives may be developed with the aim of reducing the inequalities that individuals within this group face in the labour market. This may enhance their ability to save effectively for retirement through various pension schemes, such as Automatic Enrolment, and promote access to retirement provisions among future generations of the BME people.

There is a paucity of research that focuses on the inter-ethnic differences within the BME group in the UK. Chapter 4 contributes to such existing research by examining the socio-economic characteristics of the five BME sub-samples at the disaggregated level and suggesting that the BME group is of a heterogeneous and stratified nature, based on their characteristics. Furthermore, the hierarchical nature of their levels of income presents concerns about low levels of income in retirement due to the inability of some to effectively access pension provisions. This indicates that the development and provision of services that meet the needs of individuals on low income are needed to combat financial difficulty in old age. This would be particularly beneficial for many BME women who exhibit a greater disadvantage to saving for retirement than men.

The empirical investigations in Chapters 3 and 4 provided a generalisable view of some of the contributing factors that inhibit retirement saving among the BME group at the aggregated and disaggregated levels respectively. Throughout these empirical analyses, the processes of how and why these low socio-economic positions were adopted, and the diverse ways in which these influenced retirement provision among the five sub-samples were not fully explained. However, in-depth explanations of the phenomena that BMEs encounter were clarified and developed in Chapter 5. With limited qualitative research focusing on the ways in which the BME people in the UK provide for retirement and choose their retirement resources, Chapter 5 has provided insights into the retirement strategies of this group. It adds new evidence to the current body of literature by utilising a Force Field Analysis (FFA) framework to provide a holistic view of some of the main contributing factors that influence retirement provision among the BME group. The findings in Chapter 5 also provide evidence to suggest that other crucial factors such as overseas remittances and discrimination play a major role in restricting retirement savings and the access to retirement resources. Thus, adding new evidence to the current body of literature and filling some of the knowledge gaps surrounding the circumstances of BME individuals in providing for their retirement.

The use of non-traditional pension resources by many BMEs in Chapter 5 indicates that these individuals are devising alternative ways of providing for their retirement given the disadvantages that they face in accessing traditional pension resources. This has led to differences in retirement strategies and retirement resources adopted both within each BME

sub-sample and within gender. The vagueness of the younger generation of BME cohorts with regards to making provisions for their retirement also indicate that the financial difficulties currently experienced by many BME elders in retirement may continue to exist on an intergenerational basis.

In order to break the cycle of under provision among the BME group, it is important that higher levels of savings and provisions for retirement are encourage by improving the flexibility of pension schemes. One way in which this could be encouraged is by allowing individuals to access pension savings through periods of financial difficulty. Likewise, participation in pension schemes could be boosted through the promotion of greater individual responsibility over financial choices. This may include initiatives such as the recent Government decision to eradicate the compulsory purchase of an annuity at age 75. Further policy developments may also help to rebuild trust among the public and contribute to the design of pension schemes that are more accessible to more disadvantaged groups, such as Bangladeshi individuals and women. With many BME individuals belonging to the Muslim community, pension schemes that are compliant with Sharia law could also be designed to encourage more pension provisions among these people. The findings in this thesis have highlighted the socially constructed nature of retirement provisions and that many BME individuals are adopting non-traditional means of providing for their retirement. With this in mind, it could be argued that the traditional pension scheme arrangements in place may be unsuitable to the needs of some BME individuals. With the growing number of BME elders in the UK, the provision of adequate public services and social services that are tailored to meet the needs of BME elders is also of vital importance to ameliorate social inclusion, social integration and the reduction of social isolation in retirement.

It is evident that the policy implications of the thesis as discussed in each of the empirical chapters are multi-faceted and may present significant challenges for policy makers. The overall findings in this thesis suggest that policy may enhance the ways in which social equity is promoted among BME individuals. It may also enable them to overcome the barriers to effective retirement provision and boost their financial quality of life in old age

6.4. Limitations and Recommendations

As with the majority of research undertaken, limitations often exist. In view of the data utilised and the findings presented, some limitations of the thesis and corresponding recommendations for future research have been identified.

Chapter 4 utilised only two waves of the Understanding Society survey due to the unavailability of more waves of data at the time of the data analysis. With the recent release of Wave 3 data, the Understanding Society survey may be effectively used to identify changes in the socio-economic position of the five sub-samples of the BME group. Likewise, the use of different proxies to represent socio-economic status may be incorporated in future research to aid in validation of, or comparison with the findings presented in this chapter. This may provide more scope for discussion and effective evaluation of the five BME sub-samples, based on social mobility by each consecutive wave.

Chapter 5 examined the retirement phenomena of 60 older people from the five BME sub-samples through the use of a qualitative methodology. These individuals were chosen, based on a non-probability sampling technique, from the Greater London area. Based on the nature of the research, an in-depth insight into the social issue of retirement was provided but the findings may not necessarily be generalisable to the wider population of BME individuals in the UK. To promote inclusivity, achieve data saturation and decrease the fostering of representativeness, a larger sample size chosen from additional BME communities throughout the UK is recommended.

Although the majority of the BME respondents in Chapter 5 indicated that they are currently coping socially and financially in retirement, a number of these individuals were still in employment on a full-time or part-time basis. With existing and emerging debates surrounding age discrimination and older workers in the labour market, further investigation may provide insightful explanations as to the reasons that older people from the BME group choose to carry on working. With limited qualitative research examining the ways in which BME people plan, save and choose their retirement resources, more qualitative research within this field is encouraged. This would also help to establish if risk aversion is a

contributory factor to the non-traditional pension resources adopted by many BME individuals.

6.5. Conclusion

This thesis has explored the issue of retirement provision among the BME group in the UK through an examination of their economic position and the socio-cultural factors that positively influence or inhibit their ability to plan and save for retirement. The findings in this thesis indicate that while historical and political factors are inter-twined with the disadvantages that BME individuals encounter in making provisions for their retirement, the effects of social, economic and cultural factors are more pronounced. Furthermore, the heterogeneous nature of the social, economic and cultural characteristics that exists within the BME group and also between genders indicate that some BME individuals may be more negatively affected than others in accessing and contributing significantly to occupational and private pension schemes. Having highlighted the main findings of the thesis in this chapter, its significance in relation to theory and policy was also presented. Through a critical review of the methodologies utilised throughout the thesis, the ways in which future studies may be developed was suggested. Although the aim of the thesis was achieved through the use of different research strategies, the main findings presented were supported through data and theoretical triangulation. The findings garnered through the analytical and theoretical approaches that are embraced in the different chapters have positioned this thesis within multi-disciplinary fields such as sociology, labour economics and pension finance.

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Appendices

Appendix 2

BME reports and research

Year	Author	Title	Aim	Methodology/Design/Approach	Findings
1997	Bell, B. D.	The Performance of Immigrants in the United Kingdom	To assess the performance of immigrants in the UK labour market	General household survey (1973-1992)	The significantly higher level of schooling attained by immigrants relative to natives. This education gap has risen over successive cohorts primarily because of changes in the national origin of immigrants. The main group of disadvantaged immigrants are blacks who have significant foreign work experience.
1998	Berthoud, R.	The Incomes of Ethnic Minorities	To provide a detailed analysis of the composition of the incomes of ethnic minorities in different types of family; and an analysis of total incomes, focusing especially on low income households.	Fourth National Survey of Ethnic Minorities (FNS) and Family Resource Survey (FRS)	Ethnic minorities are not necessarily worse off than white people. Inequality of incomes between ethnic groups exists and will contribute to wider debates, both about social and economic stratification in Britain, and about the position of ethnic minorities.
1998	Dorsett, R.	Ethnic minorities in the inner city	Examines the factors which contribute to the concentrations of people from different ethnic minority groups.	Fourth National Survey of Ethnic Minorities (1994)	The economic progress is not inevitably tied to geographic dispersion. Residential location for ethnic minorities is the result of a complex interplay of choices and constraints.

1998	Phillips, D.	Black minority ethnic concentration, segregation and dispersal in Britain	To examine the post-war migration and settlement in Britain of black	1991 Census and evidence from the labour market and the housing market.	There are forces for both minority ethnic inclusion and exclusion from competition for economic rewards and social status in Britain. Cultural factors clearly play a role in sustaining segregation at the local level, but cannot wholly account for the persistent pattern of concentration, segregation and deprivation.
1999	Patel, N.	Ageing Matters: Ethnic concerns	To highlight the position and recommendations concerning black and minority ethnic older people	It draws on several empirical based studies	The number of Black and Ethnic Elders are increasing and will continue to do so in the future.
1999	Schuman, J.	The ethnic minority populations of Great Britain- latest estimates	Looks at the latest estimates of the ethnic minority populations living in private households in Great Britain. It also highlights differences between the various ethnic groups in relation to geographical distribution.	1991 Census and Labour Force Survey	In 1997 the ethnic minority populations are estimated to have totalled 3.6 million people, or 6.4 per cent of the total population of Great Britain. The ethnic minority populations are not evenly distributed around Great Britain, but tend to be highly concentrated in the more urbanised parts of the country. Their geographical distribution is very different from that of the White population.
2000	Clark, K. and Drinkwater, S.	Pushed out or pulled in? Self-employment among ethnic minorities in England and Wales	Explain why ethnic minorities in England and Wales are overrepresented in the self-employment sector	Fourth National Survey of Ethnic Minorities (FNS)	High rates of self-employment among ethnic minorities in England and Wales suggest that discrimination in paid-employment is a contributory factor to the over-representation of minority workers in self-employment but also that there is a role for pull factors

2000	Cooper, H., Arber, S., Daly, T., Smaje, C. and Ginn, M.	Ethnicity, Health and Health Behaviour : A Study of Older Age Groups	Examine ethnic variation in social position and material resources among older age groups and then showing how ethnicity and social position relates.	General Household Survey (1992-96)	Across a number of dimensions – including social class, educational qualifications and material resources – older minority ethnic groups experienced greater socioeconomic disadvantage than their white counterparts.
2000	Dustmann, C. and Fabbri, F	Language proficiency and labour market performance of immigrants in the UK	Investigate the association between employment probabilities and language	Fourth National Survey on Ethnic Minorities (1993 - 1994)	Language proficiency has a positive effect on employment probabilities, and lack of English fluency leads to earning losses.
2000	Evandrou, M.	Social inequalities in later life: the socio-economic position of older people from ethnic minority groups in Britain	To investigate the household living arrangements, lifestyle, socio-economic status, economic resources and experience of multiple deprivations in later life amongst older people from ethnic minority groups in Britain.	General Household Survey (1991–96)	There are significant differences both between and within ethnic minority groups in access to material and social resources. A significant proportion of ethnic elderly people are disadvantaged on a range of different individual and household characteristics.
2001	Ginn, J. and Arber, S.	Pension prospects of minority ethnic groups: inequalities by gender and ethnicity	Examines the extent of ethnic disadvantage in private pension scheme arrangements and analyses variation according to gender and specific ethnic group, using three years of the British Family Resources Survey	British Family Resources Survey	The research suggests that minority ethnic groups - especially women - will be disproportionately dependent on means-tested benefits in later life, due to the combined effects of low private pension coverage and the policy of shifting pension provision towards the private sector.

2001	Nesbitt, S. and Neary, D.	Ethnic Minorities and their Pensions Decisions: A Study of Pakistani, Bangladeshi and White Men in Oldham	To assess the ability of Pakistani and Bangladeshi male respondents in Oldham to make pensions decisions that are in their best interests	Semi-structured interviews (Jan 1998 to Feb 1999)	Language was not a significant barrier to making pensions choices. Strong support expressed for an intergenerational contract that obliges adult children to provide material and financial support for their retired parents.
2001	Evandrou, M., Falkingham, J., Rake, K. and Scott, A.	The dynamics of living arrangements in later life: evidence from the British Household Panel Survey	To analyse the dynamics of living arrangements in later life.	British Household Panel Survey (1991-99)	Many elderly people continue to provide support for adult children and the provision of a home for one's children can extend well beyond middle age.
2002	Amin, A. Parkinson, M.	Ethnicity and the multicultural city: living with diversity	Focuses on the problem of inter-ethnic intolerance and conflict in urban contexts where mixture has failed to produce social cohesion and cultural interchange.	Multiple data collection methods to establish link between culture and behaviour and/or how cultural processes develop over time.	The problems faced by the ethnic minorities can be tackled as problems of citizenship and social justice in a country for all, with differences of ethnicity not overblown or played for exclusionary political gain.
2002	Banks, J., Smith, Z., and Wakefield, M.	The distribution of financial wealth in the UK: evidence from 2000 BHPS data	To provide some analysis of the links between financial wealth, pensions and housing wealth	British Household Panel Survey (2000)	There is a large amount of variation in the amount of wealth held by the population.
2002	Blackaby, D.H., Leslie, D.G., Murphy, P.D. and O'Leary, N.C.	White/Ethnic Minority Earnings and employment Differentials in Britain	To analyse the labour market experiences of members of the ethnic minority population	Office for National Statistics Labour Force Survey (LFS)	Britain's non-white ethnic minorities still do not appear to face a level playing field in the UK labour market and their relative position does not appear to have improved since the 1970s.

2002	Clark, K. and Drinkwater, S.	Enclaves, neighbourhood effects and employment outcomes: Ethnic minorities in England and Wales	Explores the relationship between the existence of enclaves and the employment prospects of ethnic minorities in England and Wales.	1991 Census and Fourth National Survey of Ethnic Minorities	Unemployment rates are higher for minorities living in more concentrated areas.
2002	Coulthard, M., Walker, A. and Morgan, A.	People's Perception of Their Neighbourhood and Community Involvement	To develop a new set of national indicators relating to the social environment in which people live.	General Household Survey 2000	Social capital could play a useful role in helping to understand the extent to which community level relationships and networks might impact on local communities
2003	Bhattacharyya, G., Ison, L. And Blair, M.	Minority ethnic attainment and participation in education and training: the evidence	Summarises recent research and statistics on the position of different ethnic groups in education and training	2001 Census	the need to understand the very diverse experiences of the minority ethnic population in England which are in part explained by differences in socio-economic status
2003	Lusardi, A.	Preparing for retirement: the importance of planning costs	To examine whether retirement seminars play a role in explaining the wide differences in wealth that is observed among older households	Uses data from the Health and Retirement Study (HRS)	Retirement seminars are a potentially important vehicle to influence the accumulation of wealth.

2003	Spence, L.	Public sector employment in London	To quantify the number of Londoners working in the public sector and to identify their key characteristics.	LFS (2001-2002)	One quarter (24 per cent) of BME workers are in public sector employment compared with 21 per cent of white workers. Within the BME group, public sector working is much more prevalent among Black workers (32 per cent) than Asian workers (18 per cent). A relatively high proportion of Black women workers (40 per cent) are employed in the public sector.
2004	Bajekal, M., Blane, D., Grewal, I., Karlsen, S., and Nazroo, J.	Ethnic differences in influences on quality of life at older ages	To examine ethnic differences in the key influences on quality of life for older people	quantitative-secondary multivariate analysis of the Fourth National Survey of Ethnic Minorities (FNS)	Four dimensions (incorporating seven factors) that influence the quality of life were determined among this age group: quality of neighbourhood (availability of local amenities, and problems with crime and the physical environment); social networks and community participation (strength of family networks, and community participation); material conditions (income, wealth and housing conditions) and health.
2004	Blane, D., Higgs, P., Hyde, M. and Wiggins, R.	Life course influences on quality of life in early old age	To investigate whether quality of life in early old age is influenced by circumstances and events from earlier in adulthood; or whether current, contextual influences are the dominant factors?	Uses data from a 60 year follow-up study to examine influences on quality of life in early old age.	Quality of life in early old age appears to be influenced primarily by current contextual factors such as material circumstances.

2004	Grewal, I., Nazroo, J., Bajekal, M., Blane, D. and Lewis, J.	Influences on quality of life: a qualitative investigation of ethnic differences among older people in England.	To identify factors that influences the quality of life experienced by ethnic minorities.	Qualitative interviews	Findings suggest that factors including: having a role, support networks, income and wealth influences the quality of life. Domains of quality of life were consistent across the ethnic groups. It was the ways in which they played out in people's lives that revealed ethnic variations.
2004	Moriarty, J. and Butt, J.	Inequalities in quality of life among older people from different ethnic groups	discusses inequalities in quality of life among older people from different ethnic groups	Interviewed face-to-face in the language of choice using a semi-structured schedule.	The study found differences in health, income and social support among the ethnic groups
2005	Sykes, W., Hedges, A., Finch, H., Ward, K. and Kelly, J.	Financial plans for retirement: women's perspectives	To explore how women plan financially for retirement, the decisions they take that affect their financial status in retirement and the factors that influence or underpin them.	Interviews and informal discussions.	A number of factors play an important part in explaining women's low levels of knowledge and understanding about their pension arrangements and prospects. Levels of knowledge and understanding tended to be highest among women approaching retirement age.
2006	Barnes, H. and Taylor, R.	Work, saving and retirement among ethnic minorities	To examine the characteristics and circumstances of people from BME groups.	Qualitative study -60 semi-structured interviews	Many BMEs found in low paid unskilled sectors such as restaurant, hotel or factory work. Whilst some went on to gain further qualifications or found ways to improve their labour market situation such as self-employment, others remained in low paid work for the rest of their working lives.

2006	Heath, A. and Cheung, S.Y.	Ethnic penalties in the labour market: Employers and discrimination	Reviews the current position of ethnic minorities in Britain's labour market	Labour Force Surveys, the General Household Surveys, 2001 Census , the British Social Attitudes Surveys, and the Home Office Citizenship Surveys	Overall a number of ethnic minority groups, notably Pakistani, Bangladeshi, Black Caribbean and Black African men continue to experience higher unemployment rates, greater concentrations in routine and semi-routine work and lower hourly earnings than do members of the comparison group of British and other whites.
2006	Nazroo, J. and Williams, D.	The social determination of ethnic/racial inequalities in health	Discusses ethnic/racial composition of industrialized nations	Fourth National Survey of Ethnic Minorities and 1991 and 2001 Census	Within any given level of a particular socio-economic indicator, the social circumstances of ethnic minority people in the UK are less favourable than those of white people.
2006	Simpson, L, Purdam, K., Tajar, A., Fieldhouse, E., Gavalas, V., Tranmer, M., Pritchard, J. and Dorling, D.	Ethnic minority populations and the labour market: an analysis of the 1991 and 2001 Census	To map the labour market circumstances of the ethnic minority population in the UK.	1991 and 2001 Census	The concentration of ethnic minorities in deprived areas has often been cited as a key cause of high levels of ethnic minority unemployment. However, this study has revealed that in areas that are predominantly White, ethnic minorities are still twice as likely to be unemployed than their White counterparts
2007	Wray, S.	Making sense of mid-life: ethnic and cultural diversity	Examines how ethnic cultural location affected the way individual midlife women experienced.	Qualitative methodological approach- participant observation, focus groups and semi-structured individual and joint interviews	Women's priorities throughout midlife differ significantly in relation to cultural and ethnic affiliation and background.

2007	Clark, K. and Drinkwater, S.	Segregation preferences and labour market outcomes.	To measure preferences for ethnic segregation	Data from the Fourth National Survey of Ethnic Minorities (1993/4)	Segregation is not simply a matter of geographical concentration or spatial isolation; rather, the attitudes of ethnic minorities towards interaction with other groups, irrespective of where they live, may influence economic behaviour and labour market progress
2007	Kenway, P. and Palmer, G.	Poverty Among Ethnic Groups: How and why Does it Differ?	This paper discusses how the rates of income poverty differ between different ethnic groups and provides an analysis for the reasons for some of these differences	Data from the 2001 Census and LFS	Differences in pay rates is one of the major factors accounting for that part of the differences in income poverty rates which are not accounted for by demography and family work status
2007	Price, D.	Closing the gender gap in retirement income: What difference will recent UK pension reforms make?	To present a gendered analysis of the Pensions Commission proposals	Uses unpublished data generated by Pensim2, a pensions' simulator developed by the Department for Work and Pensions.	Substantial improvements for women will be in the long term only and will depend heavily on the extent to which gendered patterns of work and family life change in future.
2008	Khan, O. M. A.	Financial inclusion and ethnicity: An agenda for research and policy action	To review current evidence on black and minority ethnic (BME) communities' experiences of disadvantage, and considers how this might affect their access to, and use of, financial services	The study comprised a literature review of significant primary and secondary research, together with discussions with prominent academics, policymakers, civil servants, funders and third sector organizations working to promote financial exclusion	There is strong evidence of disproportionate low paid work amongst most BME groups. This results in higher rates of in-work poverty, notably among Bangladeshi and Pakistani households. In addition, some groups are more likely to be self-employed, and are over-represented among those self-employed people with low incomes.

2008	Steventon, A. and Sanchez, C.	The under-pensioned: Disabled people and people from ethnic minorities	To examine the likely future pension incomes of disabled people and people from ethnic minorities	Family Resources Survey 2005/06	People from ethnic minorities have many of the characteristics that are associated with lower pension incomes. These include: less likely to be in work, less likely to qualify for state pensions, have lower earnings when in work and are less likely to be saving for a private pension
2008	Law, I., Hunter, S., Osler, A., Swann, S. Tzanelli, R. and Williams, F.	Ethnic Relations In the UK	To examine the historical development of ethnic diversity in the UK	2001 Census	The differentiation in economic position, migration history, political participation and perceptions of social citizenship are significant across minority ethnic groups in the UK and they are becoming increasingly evident.
2009	Clark, K. and Drinkwater, S.	Immigrant self-employment adjustment Ethnic groups in the UK.	To examine two aspects of the self-employment adjustment of immigrant groups in the UK	Data from the UK Labour Force Survey collected between 2001 and 2005-graphically presented	The predicted self-employment probability of "Asian" immigrants increases faster than that of natives over the lifecycle while that of "Black" groups declines. Furthermore, the observed lower propensity of UK-born members of certain ethnic groups to be in self-employment is largely explained by differences in human capital.
2009	Silcock, D., James, S. and Adams, J.	Retirement income and assets: do pensioners have sufficient income to meet their needs?	To identify the sources of income which pensioners use in retirement and how the levels of income tend to change for pensioners during	Uses hypothetical individuals and couples to examine how different baskets of assets and income might be able to fund different needs in retirement.	It is not possible to calculate a single level of income that would be suitable for all pensioners to meet their needs or expectations in retirement, though minimum and desired income measures can provide a useful guide.

2009	Simpson, L. and Finney, N.	Spatial patterns of internal migration: evidence for ethnic groups in Britain	Reviews existing evidence and analyses 1991 and 2001 Census data to provide an overview of patterns and trends in the geographies of migration for each ethnic group.	1991 and 2001 Census	Ethnic clustering is a continuing feature of British residential geography. Residents of the same ethnic background act as magnets for residents of that same group
2010	Clark, K. and Drinkwater, S.	Patterns of ethnic self-employment in time and space: evidence from British Census micro data	To investigate the dynamic and spatial patterns of ethnic entrepreneurship.	micro data samples from the 1991 and 2001 Census	The over-representation of certain ethnic minority and immigrant groups in self-employment is, in common with other developed countries.
2010	Mawhinney, P.	Ready for Retirement?, Runnymede Financial Inclusion Report	It examines the level and type of pension provision people have and the particular barriers to pensions they face, in light of recent government reforms to pensions	Interviews and analyse data from the Ipsos-MORI Financial Services dataset	BME and self-employed people experience low levels of pensions and savings and are at risk of pensioner poverty. Pension provision is affected by a person's migration status, family size, religion and language
2010	Runnymede Trust.	The Future Ageing of the Ethnic Minority Population of England and Wales	To understand the experiences, choices and aspirations of older BME people. Also looks at likely changes in the age structures of the ethnic minority populations of England and Wales.	Uses the 16 ethnic group classifications used by the 2001 census	Most BME people live in urban areas. Ageing of the ethnic minority population of England and Wales will raise important issues for policy makers and planners, particularly in localities which a higher ethnic minority concentration.

Appendix 3
Major Economic and Social Data Surveys in the UK

Family Resources Survey (FRS)	General Household Survey (GHS) <i>Renamed General Lifestyle Survey (GLF) in 2008</i>	Office for National Statistics Labour Force Survey (LFS)	Fourth National Survey of Ethnic Minorities	The 1991 and 2001 Census	British Household Panel Survey (1991-99) <i>Incorporated into Understanding Society in 2009</i>	Living Costs and Food (LCF) formerly Expenditure and Food Survey (EFS)
<p>The Family Resources Survey is a major study, sponsored by the Department for Work and Pensions (DWP). It collects information on the incomes and circumstances of private households in the United Kingdom and provides facts and figures about the living conditions and resources of people in the UK today.</p>	<p>The General Household Survey (GHS) is a multi-purpose continuous survey carried out by the Social Survey Division of the Office for National Statistics (ONS) which collects information on a range of topics including household and family information, employment, education, income and migration from people living in private households in Great Britain.</p>	<p>The Labour Force Survey (LFS) is carried out for ONS Labour Market Division. It is a continuous, household survey, which provides a wide range of data on labour market statistics and related topics such as training, qualifications, income and disability. The data from the survey are used extensively both within and outside government. The UK is required by European Union Regulation to carry out a labour force survey annually.</p>	<p>This study was the fourth in a series of national surveys of ethnic minorities. The main objectives were: (1) To describe the social and economic conditions of Britain's main ethnic minority groups, including their health, and to compare these with the social and economic conditions of the white majority; (2) To assess changes over time through comparisons with other work; (3) To show how the position of ethnic minority groups is related to the social and ethnic compositions of the areas in which they live; (4) To explore diversity among different ethnic minority groups; (5) To describe perceptions and experience of racial discrimination and social harassment.</p>	<p>A census is a count of all people and households in the country. It provides population statistics from a national to neighbourhood level for government, local authorities, business and communities.</p>	<p>The main objective of the BHPS is to further understanding of social and economic change at the individual and household level in Britain and the UK.</p>	<p>The LCF is a continuous survey of household expenditure, food consumption and income. The primary uses are to provide information about spending patterns for the Retail Price Index, and about food consumption and nutrition.</p>

Appendix 4

A) Level 2 models in the between-group analysis of the first objective

- Variation in the intercept at the group level is represented by the following equation:

$$\alpha_j = \gamma_{00} + u_{0j}$$

The above equation is defined where α_j represents the intercept for each BME sub-sample and is dependent on: γ_{00} which refers to the overall mean of the intercepts for all the BME sub-samples and u_{0j} which represents the deviation of a sub-sample's mean from the overall mean.

- A within-group slope randomly varying across individuals within each BME sub-sample is represented by the following equation:

$$\beta_{1j} = \gamma_{10} + u_{1j}$$

The above equation is defined where β_{1j} refers to variability in the slope of the independent variable and is influenced by: γ_{10} which represents the group level, overall, mean intercept and u_{1j} which refers to the residual error term.

B) Distinct parts of Equation 6

Fixed Effects

$$\gamma_{00} + \gamma_{10}EDUCATION_{ij} + \gamma_{11}OCCUPATION_{ij} + \gamma_{12}GENDER_{ij} + \gamma_{13}AGE_{ij} + \gamma_{01}Z_j + \gamma_{20}Z_jEDUCATION_{ij} + \gamma_{20}Z_jOCCUPATION_{ij} + \gamma_{20}Z_jGENDER_{ij} + \gamma_{20}Z_jAGE_{ij}$$

Random Effects

$$u_{0j} + u_{1j}EDUCATION_{ij} + u_{1j}OCCUPATION_{ij} + u_{1j}GENDER_{ij} + u_{1j}AGE_{ij} + \varepsilon_{ij}$$

Appendix 5

Unconditional growth models used in the within-group analysis of the second objective

Linear unconditional growth model

$$(LOG)INCOME_{it} = \alpha_i + \beta_1 TIME_{it} + \varepsilon_{it}$$

Quadratic change model

$$(LOG)INCOME_{it} = \alpha_i + \beta_1 TIME_{it} + \beta_2 TIME_{it}^2 + \varepsilon_{it}$$

Cubic change model

$$(LOG)INCOME_{it} = \alpha_i + \beta_1 TIME_{it} + \beta_2 TIME_{it}^2 + \beta_3 TIME_{it}^3 + \varepsilon_{it}$$

The above equations are defined where log income is determined by: α_i which is the intercept of the time trajectory; $TIME$, $TIME^2$ and $TIME^3$ which represents the linear, quadratic and cubic rate time at which income is measured respectively and ε_{it} which refers to the residual error term. The subscripts i and t refer to BME individuals and time point respectively.

Appendix 6
Previous retirement research with method and sample size

Author(s)	Title	Aim	Methodology and Sample size
Barnard and Pettigrew (2003)	Delivering benefits and services for Black and Minority ethnic older people	To understand the barriers to take-up of benefits among Black and Minority ethnic older people.	10 and 15 interviews with older people from Indian, Bangladeshi, Pakistani, Chinese, African, Caribbean and Irish communities
Moriarty and Fisher (2003)	Quality of Life and Social Support Among Older People from Different Ethnic Groups	To explore quality of life and social support among older people from different ethnic groups	203 in-depth interviews with older people from Caribbean, Asian (including Chinese), African and White communities aged 55 and over.
Warren (2004)	Retirement planning for the over 50's	To examine in more depth consumer views about retirement planning	12 face-to-face interviews
Wright (2004)	Old and Cold: Older People and Policies Failing to Address Fuel Poverty	To explore poverty among older people (58 homeowners, 6 private renters) in the UK	Interviews with 64 older householders aged 60-90 (over 50% 75 or over).
Barnes and Taylor (2006)	Work, saving and retirement among ethnic minorities: a qualitative study	To examine the different factors that affect the work, saving and retirement decisions of ethnic minority groups.	60 semi-structured interviews
Hill <i>et al.</i> (2007)	Understanding resources in later life: Views and experiences of older people.	To gain insights into the resources and experiences of older people through a qualitative longitudinal design	In-depth interviews 91 people. Demographic spread of age (65-84), gender, household type, income, urban/rural UK

Jefferson (2007)	Discussing Retirement: Insights from a Qualitative Research Project	To explore women's savings and their retirement incomes	30 interviews
Wray (2007)	Women making sense of midlife: Ethnic and cultural diversity	to examine the experiences and perceptions of British midlife women, aged between 36 and 60 years age, from different ethnic backgrounds	38 females in semi-structured individual and joint interviews
Phua and McNally (2008)	Men Planning for Retirement Changing Meanings of Preretirement Planning.	To examine how men define financial and pre-retirement planning.	69 in-depth interviews
Thomas <i>et al.</i> (2009)	Individuals' attitudes and behaviours around planning and saving for later life	To explore and understand broad issues about money, pensions, lifestyles and plans for the future.	30 in-home depth interviews. The sample included an even mix of males and females
Zubair <i>et al.</i> (2010)	Researching Ethnicity: Critical Reflections on Conducting Qualitative Research with People Growing Older in Pakistani Muslim Communities in the UK	To identify some of the linguistic and cultural challenges of conducting qualitative research with an under-researched ethnic minority group.	60 in-depth, semi-structured, interviews with older members of our local Pakistani Muslim community.

Appendix 7

Index Tree of Codes

Nodes\\Demographics

Nodes\\Demographics\Age

Nodes\\Demographics\children

Nodes\\Demographics\children\1 child

Nodes\\Demographics\children\2 children

Nodes\\Demographics\children\3 children

Nodes\\Demographics\children\4 children

Nodes\\Demographics\children\5 children

Nodes\\Demographics\children\6 or more children

Nodes\\Demographics\children\no children

Nodes\\Demographics\employment status

Nodes\\Demographics\employment status\employed full-time

Nodes\\Demographics\employment status\employed part- time

Nodes\\Demographics\employment status\retired

Nodes\\Demographics\employment status\self-employed

Nodes\\Demographics\Location

Nodes\\Demographics\Location\East London

Nodes\\Demographics\Location\North London

Nodes\\Demographics\Location\North-East London

Nodes\\Demographics\Location\North-West London

Nodes\\Demographics\Location\South London

Nodes\\Demographics\Location\South-East London

Nodes\\Demographics\Location\South-West London

Nodes\\Demographics\Location\West London

Nodes\\Demographics\marital status

Nodes\\Demographics\marital status\divorced

Nodes\\Demographics\marital status\married or widowed

Nodes\\Demographics\marital status\single

Nodes\\Demographics\occupation (previous)

Nodes\\Demographics\occupation (previous)\husband or wife's occupation

Nodes\\Concept of Retirement

Nodes\\Concept of Retirement\age, health and money related

Nodes\\Concept of Retirement\cultural view

Nodes\\Concept of Retirement\Frightening

Nodes\\Concept of Retirement\loneliness and boredom

Nodes\\Concept of Retirement\no meaning

Nodes\\Concept of Retirement\retire from work

Nodes\\Social plans for or in retirement

Nodes\\Social plans for or in retirement\Charity or community work

Nodes\\Social plans for or in retirement\Family or grandchildren

Nodes\\Social plans for or in retirement\Go for walks and exercise

Nodes\\Social plans for or in retirement\looking after the house and family

Nodes\\Social plans for or in retirement\meeting Friends

Nodes\\Social plans for or in retirement\reading, poetry, further studies

Nodes\\Social plans for or in retirement\religious activities

Nodes\\Social plans for or in retirement\Return migration

Nodes\\Social plans for or in retirement\Return migration\No - life established here but will visit

Nodes\\Social plans for or in retirement\Return migration\yes - extended family system back home

Nodes\\Social plans for or in retirement\Travel

Nodes\\Financial plan (sources of income in retirement)

Nodes\\Financial plan (sources of income in retirement)\Benefits

Nodes\\Financial plan (sources of income in retirement)\\children or vice versa

Nodes\\Financial plan (sources of income in retirement)\\children or vice versa\\do not help

Nodes\\Financial plan (sources of income in retirement)\\children or vice versa\\do not help\\culture - childrens' help not expected

Nodes\\Financial plan (sources of income in retirement)\\children or vice versa\\help

Nodes\\Financial plan (sources of income in retirement)\\children or vice versa\\help children instead

Nodes\\Financial plan (sources of income in retirement)\\children or vice versa\\help\\culture - childrens' help expected

Nodes\\Financial plan (sources of income in retirement)\\Husband

Nodes\\Financial plan (sources of income in retirement)\\Job - still working

Nodes\\Financial plan (sources of income in retirement)\\no pension

Nodes\\Financial plan (sources of income in retirement)\\occupational pension

Nodes\\Financial plan (sources of income in retirement)\\private pension

Nodes\\Financial plan (sources of income in retirement)\\Properties or investments

Nodes\\Financial plan (sources of income in retirement)\\savings

Nodes\\Financial plan (sources of income in retirement)\\Stakeholders pension

Nodes\\Factors enabling or encouraging retirement saving

Nodes\\Factors enabling or encouraging retirement saving\\concerns about financial security in old age

Nodes\\Factors enabling or encouraging retirement saving\\cultural background

Nodes\\Factors enabling or encouraging retirement saving\\type of occupation

Nodes\\Factors enabling or encouraging retirement saving\\no plans made

Nodes\\Factors enabling or encouraging retirement saving\\relevant financial information or advice

Nodes\\Factors limiting ability to plan and save

Nodes\\Factors limiting ability to plan and save\\culture and religious practices

Nodes\\Factors limiting ability to plan and save\\Dependent children

Nodes\\Factors limiting ability to plan and save\\discrimination

Nodes\\Factors limiting ability to plan and save\\discrimination\\ethnicity and colour

Nodes\\Factors limiting ability to plan and save\\discrimination\\name

Nodes\\Factors limiting ability to plan and save\Education and skills

Nodes\\Factors limiting ability to plan and save\English language

Nodes\\Factors limiting ability to plan and save\Lack of financial resources and information

Nodes\\Factors limiting ability to plan and save\Low level jobs and low incomes

Nodes\\Factors limiting ability to plan and save\Overseas remittances and extended family

Nodes\\Factors limiting ability to plan and save\Other financial commitments

Nodes\\Factors limiting ability to plan and save\complicated pension system and lack of trust in pension schemes

Nodes\\Second and third generation retirement provision

Nodes\\Second and third generation retirement provision\advice

Nodes\\Second and third generation retirement provision \advice\For government

Nodes\\Second and third generation retirement provision \better off or more opportunities

Nodes\\Second and third generation retirement provision \childrens' occupations

Nodes\\Second and third generation retirement provision \difficult to tell

Nodes\\Second and third generation retirement provision \kinship and extended family household

Nodes\\Second and third generation retirement provision \worse off

Nodes\\Second and third generation retirement provision \worse off\no respect

Appendix 8

Aide-Mémoire

1. The concept of retirement
2. Social planning for retirement and factors influencing this.
3. Financial planning for retirement and factors influencing this
4. Factors influencing retirement saving
5. Factors limiting the ability to save effectively
6. Retirement provision among the second and third generation