

Ethnic minorities and their pensions decisions

A study of Pakistani, Bangladeshi and white men in Oldham

Steven Nesbitt and David Neary

The **Joseph Rowntree Foundation** has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy makers and practitioners. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of the Foundation.

© Joseph Rowntree Foundation 2001

All rights reserved.

Published for the Joseph Rowntree Foundation by YPS

Cover photos: © www.johnbirdsall.co.uk

Posed by models

ISBN 1 902633 18 0

Prepared and printed by:

York Publishing Services Ltd

64 Hallfield Road

Layerthorpe

York YO31 7ZQ

Tel: 01904 430033; Fax: 01904 430868; E-mail: orders@yps.ymn.co.uk

Contents

	Page
Acknowledgements	v
Summary	vi
1 Introduction	1
2 Literature review	3
Introduction	3
The migration process	3
Demography	4
Economic position	5
<i>Desh pardesh</i> and social values	6
Ethnic minorities and the provision of welfare	8
3 The white respondents	10
Introduction	10
Socio-economic profile	10
Current pension status	10
Knowledge of pensions operations	10
Future expectations and the intergenerational contract	15
Concluding summary	17
4 The Pakistani respondents	18
Introduction	18
Socio-economic profile	18
Current pension status	19
Knowledge of pensions operations	20
Future expectations and the intergenerational contract	24
Concluding summary	25
5 The Bangladeshi respondents	26
Introduction	26
Socio-economic profile	26
Current pension status	27
Knowledge of pensions operations	28
Future expectations and the intergenerational contract	31
Concluding summary	33

6	Analysis and implications: determinants of knowledge, attitudes and action	34
	Introduction	34
	Cultural factors	34
7	Conclusion	43
8	Postscript: recent changes in pensions policy	45
	Introduction	45
	People without a second-tier position	45
	Stakeholder pensions	45
	OPRA on-line	47
	Conclusion	47
	Bibliography	48
	Appendix 1: Pensions – a glossary	52
	Appendix 2: Survey instrument – main	57
	Appendix 3: Survey instrument – hypothetical scenarios	82

Acknowledgements

We are very grateful to the Joseph Rowntree Foundation for funding this research and, in particular, we would like to thank Barbara Ballard, Janet Lewis and Lynne Spence (the Joseph Rowntree Foundation) for their encouragement, support and patience. Throughout the research, we received valuable advice from Dr Karl Atkin (University of Leeds); Dr Alice Bloch (University of East London); Andrea Garman (Department of Social Security); Dr Ian Law (University of Leeds); and Tim Robeson (Office of Fair Trading).

In addition, we are grateful to Munazza Alvi (Lincoln Financial Services) and Richenda Solon (Department of Social Security) for their useful suggestions, and to Shamim Miah and Shamas Relman for their interviewing and translation services.

Finally, we must thank the Pakistani, Bangladeshi and white respondents of Oldham whose generous co-operation made this study possible.

Summary

This project set out to assess the ability of Pakistani and Bangladeshi male respondents in Oldham to make pensions decisions that are in their best interests and establish whether those who had changed jobs were aware of the possibility that they might have accrued pensions rights with their previous employers' pension schemes. In order to achieve this, the study employed semi-structured interviews to look at respondents' knowledge and awareness of pensions and sought to identify the main factors that were influencing their choices.

The study employed semi-structured interviews that were carried out between January 1998 and February 1999 by ethnically matched interviewers. Three groups – Pakistani, Bangladeshi and white men – were studied and, within each group, there were two age cohorts. The younger cohort was aged approximately from early-20s to mid-30s and the older cohort was aged approximately between 40 years and 60 years. The reasoning behind this structure was to provide:

- 1 a comparison between ethnic groups with the white respondents providing a comparative function, helping to establish the problems that resulted from ethnicity rather than from the general lack of knowledge that is common throughout Britain
- 2 a comparison between and within age groups in order to reveal any differences in behaviour that could be attributed to age in addition to ethnicity.

This is a qualitative study and as such the emphasis was on the subjective feelings of respondents. It is therefore questionable how far

the findings can be generalised to other Pakistani and Bangladeshi communities. Nevertheless, the lessons from the Oldham study raise important questions for such communities elsewhere in Britain where similar social and economic conditions prevail. Below are the main findings of this research.

Main findings

Language

Language was not as significant a barrier to making pensions choices as had first been thought. The fact that most pensions information is in printed form made comprehension difficult for those who could not read or write English. However, this did not fully explain how the younger respondents, most of who had been educated mainly or entirely in British schools, had a similar lack of knowledge of how different types of pensions provision operated.

Role of the family

Perhaps the most significant finding relates to the success with which the Pakistani and Bangladeshi communities have preserved their traditional values. It had been expected that the older respondents who were adults when they first came to Britain would almost certainly live their lives by the same values that they held when they arrived here, but it was possible that the younger respondents, who were either born in Britain or arrived here as children, would have values that were relatively westernised. In fact, there was only a marginal difference between the two generations, with strong support expressed for an intergenerational contract that obliges adult children to provide

material and financial support for their retired parents.

This source of support was frequently cited by both older and younger Pakistani and Bangladeshi respondents as a reason why they had no need to make retirement provision through an occupational pension scheme or a personal pension plan. In connection with this, there was evidence of an intricate web of social and financial relationships (*Izzat*) that bound people into a community. In one respect, *Izzat* might make formal pensions provision less important, but it also provided one of the main reasons, together with low pay and high outgoings, for men not being able to afford contributions to second-tier pensions.

Unemployment

It was not surprising to find that unemployment was a powerful determinant of pensions knowledge, and this was true of all three groups of men – Pakistani, Bangladeshi and white. The best-informed respondents were those older white men who were in secure, well-paid employment. What was disturbing, however, was the fact that so many of the unemployed older Pakistani and Bangladeshi respondents had little or no idea of whether they had contributed to occupational pension schemes during those years when they had worked, and that so many of the unemployed younger Pakistani and Bangladeshi respondents had little or no understanding of alternative forms of pensions provision, even though, in theory, they could find employment tomorrow and be required to take steps to join an employer's occupational pension scheme or take out a personal pension scheme. A significant number of these respondents truly had no idea of how to

take out a personal pension, and this was equally true of the younger white respondents.

Accrued pension rights

It was not surprising to find that, as a consequence of being made unemployed, most respondents lost interest in matters relating to their former employer. This was particularly the case with Pakistani and Bangladeshi respondents who had little understanding of second-tier pensions and often had no idea of whether or not they had contributed to an occupational pension scheme. Since they tended to work for small concerns, this was generally unlikely, but there was a minority of respondents who had at some stage in their working lives worked for large employers. However, they had no idea of whether there might be accrued pension rights remaining with that employer's pension scheme. Even if they had been certain that they had accrued pension rights, industrial decline in the North West meant that many employers had closed down their Oldham factories or even gone into liquidation, leaving many respondents with no idea of how to trace and claim their pension rights.

Entrepreneurial spirit

A significant minority of younger Bangladeshi respondents justified their decision not to contribute to a second-tier pension with the argument that they preferred to save their contributions with a view to investing this in local businesses. This response came much more frequently from the Bangladeshi respondents than from their Pakistani counterparts. They seemed to believe that they could produce a greater profit by investing in businesses in their

own community than through mainstream investments or personal pension plans. Such aspirations may not be realistic but they give some idea of the ambitions held by these younger respondents.

Low wages

Respondents who were in employment were often in receipt of low wages and yet usually they had to finance the upbringing of large families and, on occasions, the care of retired parents. In addition, most respondents were home-owners living in old properties, which presumably would be expensive to maintain. This meant that, for many respondents, making provision for retirement was very low on their list of priorities.

Knowledge

The few respondents who had a good knowledge of the subject of pensions were exclusively white. Many white respondents could not give clear and complete answers when asked about the operations of the basic retirement pension, the State Earnings-related Pension Scheme (SERPS), occupational pensions and personal pensions. However, most white respondents seemed to possess an intuitive rather than technical grasp of how pensions provision worked. By contrast, the Pakistani and Bangladeshi respondents had very little understanding, technical or intuitive, of how different types of pension provision operated. Nor were the younger Pakistani and

Bangladeshi respondents any better informed than their older counterparts.

The white respondents, younger and older, all expressed their belief that the state could not be relied upon to provide for their future retirement. The Pakistani and Bangladeshi respondents, however, were totally unaffected by this idea, just as they were almost untouched by the lessons of the recent personal pensions scandals.

Pensions products are inherently complex financial instruments and this, together with the fact that for many respondents retirement is a long way off, must go some way towards explaining the lack of knowledge on the part of Pakistani and Bangladeshi respondents. Nevertheless, the failure of the Pakistani respondents to have more than a slightly better understanding of pensions than the Bangladeshi respondents, despite the fact that their community has been established in Britain for rather longer, is worthy of consideration for its policy implications.

The explanations for this lack of pensions knowledge are complex. Undoubtedly, the difficult language used in pensions literature is off-putting to anyone – including white respondents – whose command of English is not of a high standard. However, this did not seem to be the main factor. The principle explanation was that many Pakistani and Bangladeshi respondents did not see pensions information as relevant to them: in accordance with tradition they would be cared for in retirement by their adult children.

1 Introduction

Prior to 1 July 1988, the method by which workers provided for their second-tier pension – either SERPS or occupational pension – was chosen by employers. Although the situation changed in 2000/01 with the introduction of stakeholder pensions, in the post-1988 period, approximately half of all employees were members of an occupational pension scheme but could choose between continuing to contribute to their employer’s scheme or transferring to a personal pension plan. The other half could choose to remain in SERPS or they might alternatively take out a personal pension plan as the means of providing for their retirement. At the time of the interviews for this research (1998/99), the market for personal pension plans had broadened to include most of the working population, particularly those dependent on SERPS.

For the pensions market to work efficiently, it is necessary for potential contributors to have an understanding of the characteristics and relative merits of alternative pensions products from which they must choose. This qualitative study is an examination of how well white, Pakistani and Bangladeshi men in Oldham understand state and private sector pension systems, and the factors that influence them when they choose between second-tier pension products that are available to them. Additional voluntary contributions and free-standing additional voluntary contributions (see Appendix 1) were not considered by this study.

The study was carried out in Oldham with semi-structured interviews being conducted between January 1998 and February 1999 by ethnically matched interviewers. Three groups – Pakistani, Bangladeshi and white men – were studied and, within each group there were two

age cohorts. Matching the ages in each of the three groups was difficult because of the uneven age stratification that exists in Oldham. For example, the white population in Oldham is significantly older than either the Pakistani population or the Bangladeshi population. However, the younger cohort was aged approximately between mid-20s to mid-30s and the older cohort was aged approximately between mid-30s to mid-50s. The reasoning behind this structure was to provide:

- 1 a comparison between ethnic groups with the white respondents acting as a control group
- 2 a comparison between and within age groups in order to reveal any differences in behaviour that could be attributed to age in addition to ethnicity.

The white respondents were resident in the same geographic areas as the Pakistani and Bangladeshi respondents. This was partly for administrative convenience but also because it had been hoped that this would increase the probability of the three groups sharing at least some socio-economic characteristics. In fact, this was not the case; the social and economic characteristics of the Bangladeshi and Pakistani groups were very different from the white group, chiefly in terms of family size, household income and employment.

Other data sources included a professional financial advisor who, as a Pakistani woman, had some insight into the attitudes of Pakistani and Bangladeshi men towards pensions.

Consideration was given to including women in this research. However, this study already consisted of six sub-groups, being

Ethnic minorities and their pensions decisions

concerned with three ethnic groups and two age groups in each of these. In addition, the lower labour market participation rates for Bangladeshi and Pakistani women raised

particular methodological problems for the study of these two groups. It was therefore felt that a study which focused on men was sufficiently complex.

2 Literature review

Introduction

This review provides a background to the position of the Pakistani and Bangladeshi populations in Britain in general and in Oldham in particular. It involves a brief account of their migration to Britain, demography, economic position, social values and relationship to the provision of welfare.

The migration process

The migration from the Indian sub-continent is interesting because, in comparison to the West Indian migration, it does not neatly coincide with the long post-war boom or with the legislative restrictions introduced from 1962 onwards (Peach, 1994, p. 49). Certainly, the general demand for labour was a very important factor for the migration in the early stages (Mason, 1995, p. 24). By the early 1970s, chronic economy-wide labour shortages were no longer a characteristic of Britain's economy and must therefore have ceased to act as a powerful magnet to migrant labour. Nevertheless, the South Asian migration continued.

A number of factors explain the continuation of the South Asian migration. First, the demand for labour continued in a number of industries. Of particular importance, the textile industry in the Pennine mill towns continued to provide significant employment opportunities up until the 1980s (Ballard, 1996, p. 124).

Secondly, the process and motivations of the migration provided it with a momentum that could not be ended by changing macro-economic conditions or increasingly restrictive immigration legislation. The Pakistani migration is particularly noted for the process of

chain migration based around the *biraderi* (Anwar, 1979, Chap. 5). The pioneers of the migration were mostly male workers intent on earning sufficient money in Britain to improve the modest economic position of their extended family in Pakistan (Ballard, 1994, pp. 9–11). This was also the case for the early Bangladeshi migrants many of whom, according to Gardner and Shukur:

... went directly from their villages to textile towns in the north, with only brief diversions through Dhaka and Heathrow airport. There they became industrial workers, clocking up as much overtime as possible to send home as much money as possible.

(Gardner and Shukur, 1994, pp. 147–8)

Thirdly, allied to the chain nature of the migration, the very geography provided further impetus to its continuation. Both the Pakistani and Bangladeshi communities in Britain are notable for their geographic concentration. The Bangladeshis in Oldham are ranked as the most geographically concentrated minority ethnic grouping in the country (Rees and Phillips, 1996). Family reunification was a major reason for the growth of both groups in recent years (Ballard, 1996, p. 126; Eade *et al.*, 1996, p. 151) and it is likely that the process was eased by this geographic concentration.

It could be argued that the processes and motivations for the South Asian migration may have played a part in limiting both groups in terms of making adequate retirement provision in Britain because they perceived themselves as being sojourners but became settlers. However, the migration process alone is not an adequate means of understanding the position of Bangladeshi and Pakistani people in Britain.

Ethnic minorities and their pensions decisions

Demography

Within Britain's ageing society, the demographic profile of both the Bangladeshi and Pakistani groups is remarkably different compared to the white population (see Table 1).

Throughout Britain, family reunification, high fertility rates and their relative youth have contributed to the marked increase in the Bangladeshi and Pakistani populations (see Table 2).

More specifically, at a time when Oldham's white population is in decline, it is forecast that the Bangladeshi and Pakistani populations will continue to expand (see Table 3).

As Table 4 shows, a significant proportion of

the current minority ethnic population was not born in the United Kingdom and, in planning this research, the possibility was considered that this might be connected to a lack of understanding of alternative forms of pensions provision. To the extent that competency in written and spoken English is essential to making good pensions decisions, it should not be the significant barrier for the younger generation that it was for their parents.

It is not surprising, given this very young age structure and the estimate that less than 1 per cent of Britain's nine million pensioners are from minority ethnic groups (Warnes, 1996, p. 173) that pension provision is not at the top of their agenda.

Table 1 Median ages of males by ethnic groups in Britain in 1991

Ethnic group	Mean age (years)
White	34.9
Bangladeshi	17.3
Pakistani	19.9

Source: 1991 Census local base statistics, cited by Owen (1996, p. 120).

Table 2 Increase in the Bangladeshi and Pakistani populations, 1961–91

	Pakistani	Bangladeshi
1961	24,900	6,000
1971	127,565	22,000
1981	285,558	64,561
1991	476,555	162,835

Source: derived from Ballard (1996) and Eade *et al.* (1996).

Table 3 Ethnic population projections for Oldham, mid-1996 to mid-2011

	1996	2001	2006	2011	% change 1996–2011
Total	219,360	219,010	219,470	220,490	0.5
White	195,760	190,100	184,300	178,630	–8.8
Pakistani	11,660	14,680	18,210	21,940	88.2
Bangladeshi	7,230	9,600	12,380	15,340	112.2
Black	1,880	1,980	2,080	2,200	17.0
Indian	1,600	1,620	1,650	1,690	5.6

Source: Oldham MBC, Chief Executive's Policy Unit (1997).

Table 4 Percentage of the current minority ethnic population born in the UK

Ethnic group	% born in the UK
White	97
Bangladeshi	32
Pakistani	50

Source: Warnes (1996, p. 173).

Another feature of both groups is the large average household size. Nationally, for Pakistani households, the average is 4.8 persons while, for Bangladeshi households, it is 5.34 persons compared to only 2.43 persons in white households (Ballard, 1996, p. 143). Within Oldham, Bangladeshi and Pakistani households consist, on average, of 5.87 and 5.38 persons respectively (Oldham MBC, undated).

The 'large family' (i.e. three or more children) has become a rarity among white households (6 per cent) whereas about half of Pakistani and Bangladeshi households comprise large or extended families (Jones, 1993, p. 17). Similarly, Pakistani and Bangladeshi populations have the smallest proportion of families with no children aged below 16 years (30 per cent). Given the cost of bringing up children, making adequate provision for retirement might be difficult where there are large families.

A further notable feature of the Pakistani community is the high rate of home-ownership, which was estimated to be 77 per cent (Ballard, 1996, p. 144).

Economic position

It is very important to understand the economic position that Pakistani and Bangladeshi people

have come to occupy in Britain. As was mentioned earlier, the demand for labour, particularly in the textile industry, was an important factor at the start of the migration process. In his account of the textile industry, Fevre characterises Asian workers as representing 'cheap labour' who could be employed at low wage levels in the worst jobs in order to maximise the utilisation of capital equipment (Fevre, 1984).

The disadvantaged position of all ethnic minorities was a feature of the Policy Study Institute's (PSI's) second and third studies (Smith, 1977; Brown, 1984).

Peach suggests that the progress of South Asian migrants within British society can be divided, albeit crudely, into a 'Jewish' or 'Irish' pattern in which the former have prospered while the latter have not achieved the same level of socio-economic progress. In Peach's opinion, the Indians and Pakistanis show a 'Jewish' pattern while the Bangladeshis seem to be moving in an 'Irish' trajectory (Peach, 1994, p. 52).

Certainly, by the late 1980s, there was increasing evidence of continuity and change in the economic circumstances within and between immigrants (Jones, 1993, p. 2). Large-scale national surveys outline an economically disadvantaged position for both groups in terms of over-representation in semi- and unskilled employment, in night shift work and in very high rates of unemployment (Jones, 1993, Chaps 4 and 5). The estimated mean weekly income for Pakistani workers was £227 and for Bangladeshi workers it was only £191 compared to £336 for white people, while there was also a much greater likelihood of economic inactivity prior to retirement for both Pakistani and Bangladeshi

Ethnic minorities and their pensions decisions

men from middle age onwards (Modood, 1997, Chap. 4). These findings are in line with what was discovered in Oldham by this research. As Berthoud concluded:

The first and outstanding finding is the extent of poverty among both Pakistani and Bangladeshi households ... More than four out of five Pakistani and Bangladeshi households fell below a benchmark which affected only a fifth of white non-pensioners. Name any group whose poverty causes national concern – pensioners, one-parent families, the unemployed – Pakistanis and Bangladeshis were poorer.
(Berthoud, 1997, p. 180)

In Oldham, both Bangladeshi and Pakistani men are particularly disadvantaged in the labour market (see Table 5).

From such a disadvantaged economic position during their working lifetimes, the prospects for retirement income in old age appear to be bleak. Important though economic factors are in influencing the position of people in society, in the case of South Asians in Britain, other factors have to be considered.

***Desh pardesh* and social values**

A combination of the geographic concentration of South Asian communities, the process of family reunification and the bitter experience of discrimination and disadvantage in urban life in Britain made possible the creation of *desh pardesh*, literally home from home, a fully moral social universe mirroring the experience of growing up on the sub-continent as both feasible and attractive (Ballard, 1994, pp. 8–21).

Table 5 Analysis of male economic activity in Oldham MBC

	Bangladeshi		Pakistani		Whole borough	
	%	%	%	%	%	%
<i>Economically active</i>	68.8		72.3		73.8	
Consisting of:						
Employees		44.2		43.7		72.1
Self-employed		8.5		19.2		13.9
Govt scheme		2.2		2.7		1.3
Unemployed		45.1		34.4		12.6
Total		100.0		100.0		100.0
<i>Economically inactive</i>	31.2		27.7		26.2	
Consisting of:						
Students		35.0		33.3		13.4
Permanently sick		48.0		46.4		23.0
Retired		8.7		11.0		60.7
Other inactive		8.2		9.1		2.9
Total	100	100.0	100	100.0	100	100.0

Source: Oldham MBC (undated, derived from 1991 Census).

It is reasonable to believe that the 'myth of return', which Anwar highlighted as a feature of the older generation of Pakistanis in Rochdale (Anwar, 1979), owes its existence in part at least to the creation of *desh pardesh*. An expectation of return, whether real or illusory, is likely to have an impact on the felt need to make financial provision for retirement.

Desh pardesh is based on the notion of *Izzat*, a sense of personal honour in the context of the mutual obligations of extended patriarchal families. This implies a fundamentally different approach to life in Britain compared to the prevailing values of the white population. Certainly, the family structure of both the Bangladeshi and Pakistani communities in Britain is different from that of the white population. The large size and the extent of multi-generational households may well imply different social values and expectations within both communities with regard to relationships between the older and younger generations compared to the white population. This may also have had an impact on an individual's decision to make distinct provision for retirement.

A further distinctive feature of both communities is the central importance of Islam as a means of ethnic identification. Modood *et al.* (1994, pp. 57–60) offer an account of both the older and younger generations identifying themselves in terms of their religious faith. The significance of Moslem values in relation to welfare provision in Britain is largely unknown but a theoretical case can be considered in terms of the role of *zakat* (Dean and Khan, 1997).

As one of the five pillars of Islam, *zakat* is ennobled as a form of taxation on capital, the proceeds of which are distributed to sections of the *ummah*, the community of the faithful. The important point is that the motivation underpinning *zakat* is not charity or even altruism but a notion of social justice (Dean and Khan, 1997). In terms of intergenerational relations, Ahmad asserts the need for harmonious family relationships to play an important part of the Islamic social philosophy (Ahmad, 1992, p. 89). The failure to achieve this harmony can produce a sense of loneliness felt by older people left out and abandoned by their families and a sense of shame felt by most Moslems who hand over the responsibilities for elderly relatives to the state (Ahmad, 1992, p. 89). It does seem that the sense of obligation within the family is very strong. However, this emphasis on the family does not preclude the state and wider society from playing a prominent role:

The governments and the wealthy must constantly be on the lookout lest there be a section of society which is deprived of the fundamental right to live decently.
(Ahmad, 1992, p. 89)

It is part of the Moslem approach to economic and social well-being that an employer's relationship with their workers is based on rights and responsibilities. An employer can expect 'a fair day's work' from an employee and in return an employee can expect 'a fair day's pay' in addition to which benefits such as the provision of an occupational pension may be provided (Akhtar, 1992, p. 214)

Ethnic minorities and the provision of welfare

The examination of the relationship between ethnic minorities and the provision of welfare in Britain has produced a number of interesting studies. The study by Atkin *et al.* (1989) of Asian elders in the Midlands demonstrated their lack of awareness of welfare services and service providers' stereotypical views of the Asian community as providing and relying on informal welfare. Similarly, the study by McFarland *et al.* (1989) of the South Asian community in Glasgow found a low level of awareness and expectation of social work services compared to a comparative sample drawn from the white population.

In the area of income maintenance, Bloch's study (1993) of the information needs of ethnic minority groups in order to gain access to social security benefits indicated a low level of understanding of the principles and regulations governing the operation of the system. The study by Law *et al.* (1994) of the perceptions of social security amongst a range of minority ethnic groups in Leeds found a number of interesting similarities and differences between various groups. The sense of shame and stigma when claiming benefit was felt most acutely by young Bangladeshi, Pakistani and Chinese people although the socio-economic profiles of these three groups were very different. Amongst many younger Bangladeshi and Pakistani Moslems, benefits were seen as *lillah*, charity for the poor, whereas older people felt that, as they had paid National Insurance contributions in the past, they therefore had a strong sense of *haq*, a right of eligibility. Such generational differences may also be relevant in attitudes towards pension provision.

The common social policy theme underlying all these studies, and indeed the research in Oldham, is that they are concerned with what Titmuss called 'the difficult to reach' whom he defined as being made up of the poor, the badly educated, the old, those living alone and other vulnerable groups. These groups often had the greatest needs but, because of ignorance, inertia, fear, difficulty of making contact with services, failures of co-ordination and co-operation and a variety of other reasons, they did not receive the same level of attention and service as the affluent and articulate middle-income groups (Titmuss, 1976a, pp. 66–7).

Gordon and Newnham (1985) highlighted the structural disadvantages faced by minority ethnic groups in relation to a social security system organised on the contributory principle. Their tendency to occupy insecure and low-paid forms of employment made it difficult for workers drawn from minority ethnic groups to build contribution records that were sufficient to qualify them for contributory benefits. The combination of economic disadvantage and the impact of the reforms introduced by the Social Security Act 1986 exacerbated the disadvantaged position of ethnic minorities because the shift to the private sector was likely to mirror inequalities in the labour market (Amin and Oppenheim, 1992, p. 57).

The problems arising from limited knowledge of the pensions system have been a recurrent theme in recent research. Blakemore and Boneham (1994, p. 141) noted that the uneven coverage of occupational pension schemes was leading to increasing fragmentation and inequality between and within minority ethnic communities. Although it is contrary to the findings of this research, the

limited information available would seem to suggest that members of minority ethnic groups are about as likely to work for employers who provide an occupational pension scheme as white members of the workforce and are more likely to join the scheme than white employees (Hancock *et al.*, 1995, p. 48). The haphazard and inadequate arrangements often made by employers to inform employees about their pension arrangements, combined with language difficulties and the lack of any substantial understanding of pension arrangements of recent migrants, leading to the problem of 'wasted' contributions in the occupational pension schemes of former employers, was foreseen as long ago as 1974 (Jupp and Davies, 1974, p. 93). These contributions are 'wasted' in the sense that, when the former employee retires or dies, neither they nor their next of kin ever returns to claim their accrued entitlement.

Indeed, with regard to pension provision and ethnic minorities, the warning bells were sounded in 1984 by Barker who forecast that a combination of poor employment experiences, the expectation of return to the sub-continent and language barriers would all contribute to a situation in which many of those who migrated to Britain from the 1950s onwards faced the prospect of not having an adequate income on which to retire (Barker, 1984, p. 24). This research has helped to ascertain the level of knowledge of pensions and may highlight the extent of the problem of accrued occupational pension entitlements that have been left in the pension funds of former employers. This could have happened because, for example, respondents thought their pension rights were forfeited when they changed jobs, or because they simply had no idea how to claim their accrued entitlement.

3 The white respondents

Introduction

Although this is a study of Pakistani and Bangladeshi men, a group of white respondents was included for comparative purposes. Most people's knowledge is probably flawed and it is only by comparing the knowledge of Pakistani and Bangladeshi respondents with that of a group of white respondents that the lack of knowledge that is due to ethnicity might be distinguished from that which is commonplace among the general public.

Socio-economic profile

The white respondents ranged in age from 22 to 61 years and were divided into a younger cohort aged 22 to 30 years (16 respondents) with an average age of 25 years and an older cohort aged 35 to 61 years (16 respondents) with an average age of 42 years. They had been resident in the Greater Manchester area for all or most of their lives. The group was socially diverse, containing young bachelors living with their parents; middle-aged married men with dependent children and independent parents; divorcees separated from their children; middle-aged bachelors and married men approaching retirement, whose parents were deceased and who had independent adult children and grandchildren.

The economic position of these respondents reflected the diversity of the local labour market, ranging from unemployment, through insecure employment and secure but low-paid employment, to secure and well-paid employment. Accordingly, there was a wide divergence in the incomes and living standards ranging from those reliant on social security

benefits to those who enjoyed relatively affluent lifestyles. The more affluent respondents owed their condition to either high income levels or residence in the parental home, which meant that those with comparatively modest earnings nevertheless had quite high disposable incomes.

Current pension status

Members of the older cohort of white respondents were more likely than their younger counterparts to be current contributors to second-tier pension schemes. None of the older respondents was contributing to SERPS, though a small minority was unemployed and therefore had no active second-tier pension provision.

By contrast, members of the younger cohort of white respondents were slightly less likely to be members of an occupational pension scheme and much less likely to be contributing to a personal pension plan. A significant minority were contributing to SERPS by default, having failed to make arrangements for a second-tier pension. A small minority was unemployed and therefore had no active second-tier pension provision.

Knowledge of pensions operations

General assessment

Knowledge of how different types of retirement pension were financed and operated was assessed using a series of open questions on the basic retirement pension, SERPS, personal pensions and occupational pensions. On the basis of answers to these and other questions, an assessment was made as to whether respondents had a good, adequate, poor or

negligible knowledge of pensions (see Appendices 2 and 3). The two main determinants of respondents' knowledge appeared to be their employment record and their age; those who were middle-aged and with long-term secure employment were much better informed than those who were young, unemployed and/or with broken work histories.

Overall, there was considerable variation in the level of knowledge of the pensions system. A small minority seemed to have a good general knowledge of the pension system but even amongst this group SERPS was at best only superficially understood. This well-informed group consisted almost exclusively of those older respondents who were securely employed and often contributed to an occupational pension scheme. There were no unemployed respondents in this well-informed group.

A view clearly held and repeatedly expressed by these well-informed white respondents was that the state could not be relied upon to provide an adequate retirement income in the future. This view was frequently linked to the 'demographic time bomb' thesis which holds that the declining birth-rate and increasing longevity will make it politically and financially difficult for a contracting workforce to fund the increasing cost of state retirement pensions. With this in mind, the overwhelming majority of respondents believed that occupational pension schemes were most likely to offer the best method of providing for retirement. The information source most often mentioned was the quality national press, although they also used and valued the advice

of their employers' pensions officers whose services they generally used to the full.

There was a slightly larger minority who seemed to have an adequate level of knowledge of the pension system for the purposes of making pensions choices. However, while this group generally grasped how the different types of pension provision operated, their understanding lacked clarity and depth. Their knowledge of SERPS was noticeably weaker than for other types of pension. Furthermore, technical terms associated with pensions such as 'opted-out', 'rebates', 'incentives' and 'frozen' were often used in interview by these respondents but gentle probing soon revealed that they did not really understand what these terms meant. The composition of this group was more varied in terms of age, and of economic and current pension status than the well-informed group. The main information sources cited by this group were the local and national press and television.

The largest group, which was nevertheless a minority, appeared to have a poor knowledge of pensions. This group often had some sound knowledge of parts of the pension system but had significant gaps or made serious mistakes about other parts of the pension system. This group was less likely to understand occupational pension schemes and SERPS although their grasp of the basic retirement pension and of personal pension plans was generally better. Essentially, this group consisted of a variety of respondents who in many respects were similar to those who had an adequate knowledge. What defined this poorly informed group were three factors:

- 1 the strong representation of younger respondents, suggesting that age is an important determinant of pensions knowledge
- 2 a strong representation of respondents who had little or no experience of occupational pension schemes
- 3 the reliance of this group on television as their main information source.

Television coverage of pensions issues has two main weaknesses. First, there is a tendency for coverage to focus on such negative aspects of pensions as the mis-selling of personal pensions and events surrounding the death of Robert Maxwell. Second, there are rarely, if ever, television features of sufficient length and depth to properly explain to a wide audience the complexities of Britain's state and private pension systems.

By contrast, the quality press is generally a good source of detailed and technical information on pensions. The obvious question is: were the knowledgeable respondents well informed because they read the quality press, or did they read the quality press because of their pre-existing knowledge and interest?

The smallest group seemed to have a negligible technical knowledge of the pensions system. These respondents usually had some grasp of pensions but it was often very confused with large gaps in their overall knowledge. Those most likely to be part of this group were younger, unemployed respondents and those with particularly broken or short employment histories. Television was also an important source of information for this group. It would seem, therefore, that unemployment and a

broken work history are more powerful determinants of pensions knowledge than age.

Level of knowledge

The basic retirement pension was the most widely understood form of retirement pension provision. National Insurance contributions were identified by nearly all of the white respondents as the main method of financing state pensions with income tax incorrectly identified by a large proportion of this group. In complete contrast, SERPS was the least understood form of retirement provision and was widely perceived to be of very limited value.

It was generally reported that contributions to occupational and personal pensions were invested in 'stocks and shares' or 'the money market' in order to fund future pension entitlements. A majority of respondents were broadly aware of the tax incentives available to encourage people to make their own provision for retirement though only a few had an in-depth knowledge of how these incentives operated and they tended to be the respondents who spoke approvingly of their employer's in-house pensions advisor. A clear majority understood that personal pensions were based on contributions and a majority grasped that occupational pensions were usually, though not always, related to an individual's final earnings.

However, common flaws in knowledge of private pensions included a widespread belief that, if an individual with a personal pension plan lost their job, their contributions could be maintained by a form of insurance similar to mortgage protection. No such financial product was available from a number of financial advisors who were contacted in the course of

this research. A majority of respondents thought that an employer owned the occupational pension fund although public sector workers tended to be more aware of the separate status of the pension fund. Some personal pension plan holders believed that they had opted out of the basic retirement pension as well as SERPS and considered it to be a once-and-for-all decision. There was also very limited understanding of the options available to a member of an occupational pension scheme who changed jobs.

Old-fashioned terms such as 'National Insurance stamp' and 'paying the club man' from an insurance company were used quite frequently. This, in conjunction with other supporting data, suggests that pensions knowledge is disseminated verbally and may explain how many people accumulate their knowledge of pensions and how some urban myths have been constructed in relation to this subject.

Decision making and pensions preferences

Respondents were presented with a series of brief hypothetical scenarios requiring them to make a pension choice and to give an indication of their level of confidence in their selection (see Appendix 3). Supplementary questions allowed probing to establish why a particular choice had been made. This provided an indication of whether a lack of technical knowledge had an adverse impact on the choices people may have to make in the pensions market.

The white respondents made hypothetical decisions, which, when judged against basic criteria for choosing between SERPS, a personal pension plan and their employer's occupational pension scheme, generally could be considered

to be prudent choices. There were few cases where the respondent's decision was clearly detrimental to the interests of the character at the centre of the hypothetical scenario. More generally, respondents seemed unable to properly take account of the impact of fixed-term contracts on pensions decisions, despite their importance in the contemporary flexible labour market.

Only those respondents with the weakest knowledge of pensions showed a reluctance to choose occupational pensions. This group frequently could not differentiate between personal and occupational pensions and often expressed a reluctance to trust their pension arrangements to the employers for whom they had previously worked.

Almost all white respondents expressed the view that SERPS was a poor pension option for most people. However, they usually recognised that when a worker only had a few years in which to build up a pension entitlement SERPS was a better option than a personal pension plan, several respondents mentioning that it would take a number of years before a personal pension plan began to show a worthwhile return on investment.

Interesting differences between the younger and older respondents emerged with regard to personal pensions. The younger respondents were only slightly more likely to choose personal pension plans than the older respondents and yet they frequently expressed opinions favouring this option: 'a personal pension is your own' while seeing an occupational pension as their employer's asset. The impact of the Maxwell scandal on perceptions of occupational pensions was evident among almost all white respondents but

it appeared to have had a greater influence on the views of the younger respondents and those with flawed or poor knowledge of pensions who tended to have less trust in occupational pension schemes. The mis-selling of personal pension plans did not appear to have any significant impact on younger respondents or those with flawed knowledge of pensions. Their approaches to taking out a personal pension plan revealed an ideological commitment to self-reliance that was unaffected by the developments in this area of pensions provision.

Older respondents held a jaundiced view of personal pension plans, none more so than those who had adopted this method of retirement provision. There were several men in their 40s who, because they were in low-paid employment, were unable to make sufficient contributions to their personal pension plans. They had little confidence in the ability of their personal pension plans to deliver an adequate retirement income and were resigned to the long-term consequences of this.

On the basis of their technical knowledge and decision-making ability, it would appear that the overwhelming majority of white respondents had either an adequate knowledge or a sufficient intuitive 'feel' for how the system operated to be able to make reasonable pension decisions.

It was striking, however, that every white respondent, regardless of how well informed or well provided for they were in terms of accumulated pension rights, expressed some measure of anxiety about being able to afford a reasonably comfortable retirement.

Taking out a personal pension plan

Respondents were asked a series of questions about how they would go about taking out a personal pension plan. They generally indicated a preference for dealing with large financial institutions with which they had a current, long-standing or recent connection. The high street banks and prominent insurance companies were cited as the main sources for advice on personal pension plans. There was a sense of trust towards these large financial institutions that had not been undermined by the mis-selling of personal pension plans. Independent financial advisors, the Benefits Agency, employers and trade unions were all cited as potentially important sources of advice, though to a lesser extent.

Many of the younger white respondents did not employ particularly systematic approaches towards the selection of a personal pension plan. The role of family and friends appeared to be particularly important in the decision making of the younger cohort. It was remarkable how often younger respondents said that they would ask their father for advice on pensions. Parental advice, despite its limitations, would seem to act as a rehearsal for seeking advice from a professional source. There was a widespread reluctance among younger respondents to contact professional advisors without first consulting their father – mothers were never mentioned – in case the complexity of personal pension plans should overwhelm them. For example, one younger white respondent said:

*I'd ask someone who's had first-hand experience.
I'd rather ask my dad because I always think it
goes over your head when you go to see a
financial advisor. It doesn't seem to be very
straightforward.*

A significant proportion of respondents took a passive approach towards selecting a personal pension plan, saying that rather than shop around they would rely on their existing bank or insurance company to provide them with the right product. The choice of personal pension plan was overwhelmingly guided by general trust in the financial institution and personal trust in an individual such as an insurance collector or known personal advisors at a bank or building society. It seems that Oldham is ideally suited to this personal approach because there is still a large number of door-to-door insurance collectors who command the sort of loyalty normally associated with long-standing family friends. Several respondents indicated that, rather than shop around and compare the policies offered by rival personal pension plan providers, they would use the insurance company whose agent had been known to their family for many years.

Importance of second-tier pensions

Amongst those who were members of occupational pension schemes or with a good knowledge of pensions, there was a strong recognition of the merits of occupational pensions because of the value of an employer's contributions and accompanying tax advantages. To a slightly lesser extent, the value of occupational pensions was also generally recognised by nearly all respondents because of their association with secure employment rather

than because of a technical understanding of occupational pensions.

Future expectations and the intergenerational contract

The intergenerational contract provides a definition of the roles and responsibilities of generations towards each other. As such, the extent to which it is accepted provides an important indicator of people's expectations towards pensions and social care. The extent to which adult children accepted the principle that they should provide support, both financial and material, for their parents was explored by a series of open questions and by a set of statements expressing unconditional or contingent support in favour of the intergenerational contract or opposition to it.

Respondents were asked to estimate how much money they would need to live comfortably in retirement and at what age they expected to retire. Respondents in secure well-paid employment, who were usually members of an occupational pension scheme, estimated an average future retirement income of approximately £275 per week at current prices. The possibility of early retirement, from their mid-50s onwards, featured strongly in this group's expectations. Given their labour market and pension status together with their strong commitment to making generous pension provision – most were making additional voluntary contributions through their occupational pension scheme – there is a reasonable probability that these expectations will be realised.

Respondents in either secure, low-paid employment or in secure employment that

made them reliant on a combination of personal pension plans and SERPS had much lower expectations, usually between £150 and £200 per week at current prices. The possibility of early retirement was not usually seen as feasible, although younger respondents were more optimistic about this. Older respondents felt that they would have to work for as long as they could. Their uncertain employment prospects and the doubts surrounding both the future value of SERPS and the yield produced by their personal pension plans mean that there is much less likelihood of the expectations of these respondents being met. The expectations of some respondents are probably reasonable, but others will face disappointment unless they either lower their current expectations, or increase their pension provision.

Respondents who were currently unemployed or economically inactive also had modest expectations that were broadly similar to those currently in insecure employment or low-paid secure employment. Some respondents in this group had particularly modest expectations of their future retirement incomes – less than £100 per week – but, given that the weekly pension income of the bottom decile was only £69.90 in 1995/96 (DSS, 1998), it may be that their expectations are not modest enough. In retirement, they may well have reason to be grateful for the Minimum Income Guarantee which has been payable since April 1999 (see Appendix 1 and Table 6 in Chapter 6 of this report).

The view that the state could not be relied on to provide an adequate retirement income was universally accepted among white respondents. The vast majority of younger respondents did

not expect the basic retirement pension to exist when they retired because of the perception that in the future the burden of the demographic time bomb would undermine the state system's pay-as-you-go basis in which current taxpayers pay for current pensioners. Furthermore, this pessimistic view that the basic retirement pension would be abolished had even been accepted by respondents who were within a decade of the statutory pensionable age.

The intergenerational contract, which plays a part in defining the roles and responsibilities of generations towards each other, provides an indication of people's expectations towards pensions and social care. The expectation of adult children providing support, both financial and material, for their parents was explored by a series of open questions and by a set of alternative statements expressing unconditional or contingent support for the intergenerational contract or opposition to it.

The older cohort were slightly more willing to support the intergenerational contract than the younger cohort, although they tended to be stronger towards their parents and were as likely to be contingent on their encountering real need as unconditional. With regard to the future role of their children, support for the intergenerational contract was notably weaker; parents did not want to be a burden on their children in the future. The younger respondents' commitment to the intergenerational contract was weaker than that of the older respondents, particularly in relation to the future role of their children. An extreme example of this weak commitment was given by a younger respondent who said:

I wouldn't expect anyone to look after me. It's their choice. It's their prerogative – I wouldn't expect anything. Like I say, whether I'm poor or not is really down to me at the end of the day. It's not down to anyone else.

Concluding summary

These respondents were diverse in terms of their socio-economic profile. Their current and previous second-tier pension status represented a selection of SERPS, occupational pensions and personal pensions. Their level of technical knowledge generally correlated with their current socio-economic status.

An important factor seemed to be the passivity of the younger respondents, with those whose employers provided an occupational pension scheme taking the line of least resistance and joining because it was easier than opting out.

When presented with hypothetical scenarios, the vast majority were able to make reasonably sound decisions apparently on the basis of an intuitive sense of the pros and cons of different types of pensions. Occupational pension schemes were generally well regarded while personal pensions were particularly attractive to the younger respondents. There was a strong consensus among white respondents that the state could not be relied upon for pensions provision. Their ideas of what income they would need for retirement were broadly attainable, although some poorer respondents' assessments of what they would need for retirement were not likely to be met. The intergenerational contract appears to be weakening as successive generations expect less from their children than they give to their parents.

4 The Pakistani respondents

Introduction

The Pakistani community in Britain is one of the longest established immigrant groups and so it was hypothesised that respondents in this group would be better informed about pensions than their more recently arrived Bangladeshi counterparts. While those older Pakistani men who came to Britain as adults would probably have retained their traditional values concerning welfare provision, it was possible that the younger respondents, most of whom were either born here or came to Britain as children, would have adopted a relatively western approach. By examining the older and younger Pakistani cohorts in relation to each other and in relation to their white and Bangladeshi counterparts, these ideas were tested.

Socio-economic profile

Respondents in the Pakistani group ranged in age from 25 to 55 years and were divided into a younger cohort aged between 25 to 35 years (13 respondents) with an average age of just over 29 years, and an older cohort aged between 45 to 55 years (13 respondents) with an average age of 52 years. The overwhelming majority of the younger respondents had come to Britain between the age of two and 13 years, and a significant minority had returned to Pakistan for several years during adolescence or as young adults.

The average period of time in Britain for those younger respondents born in Pakistan was 19 years with an approximately even split between those born in rural Mirpur and those born in urban Lahore. By contrast, the older

respondents had been in Britain for an average period of just over 31 years, two-thirds of them having come from rural Mirpur/Kashmir and the remainder from urban Lahore.

About half of the younger respondents were married. Most had young children and one large family had seven young children. The majority of these married respondents were in nuclear families and were home-owners, with social renting limited to the largest family.

The minority of married respondents and all of the single respondents, which when combined formed a majority of the younger respondents, lived with their home-owning parents.

With regard to the older respondents, all were married with between two and six children. The overwhelming majority were home-owners, but home-ownership was slightly more extensive amongst the younger cohort.

The respondents' proficiency in spoken and written English was measured by self-assessment and by the judgement of ethnically matched interviewers. In the view of the interviewers, there was a tendency for the respondents to overestimate their English language skills, although those older respondents who had serious problems with written and spoken English made more realistic assessments of their ability.

The younger cohort was generally fluent in spoken English but their written English was a little weaker. The older Pakistani respondents usually said they had a reasonable working knowledge of spoken English while acknowledging that their grasp of written English was weak or non-existent. Interview data showed that problems with English literacy were probably affecting the older respondents

because the main medium for communicating information on pensions is in a written form. For example, a 55-year-old Pakistani man said:

They keep throwing [information on personal pensions] through the door but I cannot understand because they are mainly in English, which I cannot read.

Clearly this man was not in the market for a personal pension plan, but he does need to be able to understand information on other types of pension provision.

A substantial minority of the younger Pakistani cohort had parents who were employed. The balance of these respondents was divided between those whose parents were deceased and those whose parents were 'retired', although they could more accurately be considered to be economically inactive before reaching statutory pensionable age. The majority of parents were resident in Oldham with only a small minority living in Pakistan.

There was an interesting difference in the employment profiles of the older and younger Pakistani respondents. The younger respondents could be divided into those who were employed in the public sector, those employed in the catering and retail industries, and those who were currently unemployed. In common with the younger Bangladeshi respondents, a few of the younger Pakistani men had secured employment in areas of the labour market such as local government, in which their fathers could not have succeeded, but the majority worked in poorly paid jobs or were unemployed. A feature of the employment history of the vast majority of younger Pakistani respondents was work in the restaurant trade or a family-run business.

In contrast, a third of the older Pakistani respondents were employed in what remains of Oldham's textile industry and another third had formerly been employed there but were now unemployed. Most of the remaining respondents were either self-employed or, in one case, employed by local government.

Current pension status

Only a small minority of younger respondents were members of an occupational pension scheme and one respondent had declined membership of such a scheme expressing a preference for saving and investing what would have been his pensions contributions. None of the younger Pakistani respondents had a personal pension plan, perhaps reflecting some degree of exclusion from mainstream financial institutions and a reluctance on the part of the financial services industry to actively pursue pensions business within the Asian market. Those in employment who were almost certainly securing a sufficient income to be reckonable for the SERPS were not aware of their current second-tier pension status.

All of those older Pakistani men who were employed had secure jobs but, because so many were employed in the declining textile industry, this rarely gave them access to high wages or occupational pension schemes. There was some diversity in their current pensions arrangements and possibly some confusion, with only one of the older respondents acknowledging that he was contributing to SERPS; this suggests a level of knowledge that is comparable with the white respondents and is in line with the findings of Hancock *et al.* (1995).

Unlike their younger counterparts, a significant minority of the employed/self-employed respondents said they were contributing to personal pension plans and only two employed respondents said they were not making any provision for their retirement. Consequently, there seemed to be much less reliance on SERPS among those older Pakistani men in full-time employment than among either the younger Pakistani men or any of the Bangladeshi respondents. However, this must be qualified by the observation that this group showed particular confusion when asked about current pensions arrangements.

Similarly, older Pakistani respondents were often confused over their pension rights linked to previous employment, some respondents believing that those contributions had been forfeited when they changed jobs. At least one believed incorrectly that when he had changed jobs some years earlier his accrued contributions had automatically been transferred to his present employer; in fact such a transfer could not have taken place unless initiated by him.

Knowledge of pensions operations

General assessment

The Pakistani respondents' knowledge of how alternative types of pension operate was generally poor. A significant minority of the younger respondents and virtually all of the older respondents had no substantive knowledge of how either public or private pensions operated. Among the younger respondents, the lack of understanding was especially prevalent among the unemployed who had had only limited experience of the formal labour market, a similar situation to that

found among unemployed respondents in the white and Bangladeshi groups. The evidence suggests, therefore, that the level of knowledge concerning SERPS is universally poor.

Virtually all the older Pakistani respondents displayed a negligible level of knowledge of how the state pension system operates; for example, according to a 55-year-old man:

All I know is that after you are retired they send you books and you go and you get your pensions from the Post Office.

While another slightly younger man said:

I have heard that at 66 years [sic] you get a pension. I do not know more than that.

Indeed, few older Pakistani respondents seemed to realise that there were two types of state pension (basic retirement pension and SERPS).

This was accompanied by negligible knowledge of the second-tier pensions system, several saying that they could not afford to contribute to a personal pension plan and therefore they were not interested.

Younger respondents employed in the service sector tended to have a negligible level of understanding of the financing and functioning of pensions. For those younger respondents employed in the public sector with access to an occupational pension scheme, their level of knowledge was either adequate or poor. None of the younger respondents demonstrated a level of knowledge that could be considered good for all types of pension.

Level of knowledge

A series of flaws characterised the younger Pakistani men's responses to the open questions

on how pensions worked, even amongst those respondents who otherwise demonstrated an adequate knowledge of the pensions system. There was confusion over the differences between occupational and personal pensions particularly amongst those who were unemployed. The response of an especially bitter and disillusioned unemployed 26-year-old respondent sums up the position of this group:

I haven't a bloody clue what a personal pension is never mind how to take one out. What I need is a bloody job, not a poxy pension plan, you know what I mean?

In the light of the low level of economic activity among these respondents, it is not surprising that their immediate interest in pensions should be limited.

There was no apparent awareness of the mis-selling of personal pension plans amongst the younger Pakistani respondents, although they often raised the possibility that personal pension plans were not a safe form of provision for retirement. Hence, although there was no evidence to suggest that personal pensions mis-selling had influenced their decisions on pensions, it was plain that something had shaped this negative perception. The system of consumer protection in relation to personal pension plans did not appear to be understood.

With regard to occupational pensions, there was only limited evidence of any awareness of the recent problems of regulation, often with some confusion as to the details. This may be due to the information sources upon which this group was most reliant; television, local radio (particularly Asian Sound, based in Manchester) and the locally based Asian Press. These mediums may not be the most appropriate to

give detailed coverage of such complex issues as occupational and personal pensions.

However, unlike their younger counterparts, several older Pakistani respondents had heard about personal pensions mis-selling, though they were often confused about the precise details. Robert Maxwell was occasionally mentioned and one older respondent even mentioned the scandal surrounding Barings Bank.

With regard to occupational and personal pensions provision, the level of knowledge revealed by the older Pakistani respondents was generally either poor or negligible. Examples of this lack of knowledge included a supervisor who thought that if members of occupational pension schemes changed jobs their 'pensions contributions will be wasted'. There was just one respondent in this older cohort – a local authority employee – who had a reasonable knowledge of pensions, though even he mistakenly believed that, if a personal pension plan contributor lost their job, the Department of Social Security would pay their contributions until they found employment.

Decision making and pensions preferences

When presented with the hypothetical scenarios, there was generally a marked reluctance to choose occupational pension scheme membership, even amongst those younger Pakistani respondents who had such current pension arrangements. Instead, the personal pension plan option was comfortably the most popular choice, although there was a consistent lack of sound reasoning to indicate a grasp of how personal pension plans actually operated. In contrast to the younger white respondents, there was an absence of statements

that demonstrated an ideological commitment to the model of self-reliance underpinning this type of retirement provision. Choosing SERPS was also common, accounting for nearly a third of all responses from younger Pakistani men, the main basis for this choice being a strongly held conviction that the state was a reliable source of future pension income. The belief – frequently volunteered by the white respondents – that the state could not be relied upon because of demographic pressures was not expressed by respondents in this group.

For those who favoured occupational pensions over personal pension plans, the most frequently mentioned advantage was that a personal pension plan required the contributor to make their own arrangements to pay the premiums to the personal pension provider, whereas with occupational pension scheme membership the money was deducted directly from your wages. For example:

Occupational pension is deducted from your wages and you don't even know ... Personal pensions you have to pay yourself; therefore more problems.

Interestingly, when making hypothetical pensions decisions, the Pakistani respondents, in common with their white and Bangladeshi counterparts, seemed unable to properly take account of fixed-term contracts of employment, despite their importance in the contemporary flexible labour market.

Taking out a personal pension plan

When asked where they would go for advice on taking out a personal pension plan, high street banks were the most popular unprompted response, particularly with those respondents in

secure employment. However, high street banks were not as popular with Pakistani respondents as they were with white respondents.

Unemployed respondents and those in insecure employment were much more likely to have no idea about where to go for advice on a personal pension plan.

Professional advice was not a valued commodity among Pakistani men. Family and friends were frequently nominated as possible sources of advice on personal pensions, although the likelihood of these people being able to offer reliable advice appears to be very limited. Indeed, there was some evidence that, when trust was placed in family friends, this did not necessarily give the sort of guidance that was called for. A textile worker explained:

I took out a pension plan when the son of my village fellow from Kashmir approached me. He was working at that time with an insurance company ... I took this because he told me 'Uncle it is good. You will not have to pay anything.'

[Interviewer]: *So you do not pay any instalments?*

No I do not ... All I know is that he told me that 'Uncle you do not have to go and pay instalments. They will deduct from your wages.' He told me 'Uncle it is good; sign here', and I did. That was it.

When the interviewer asked whether he ought to have taken independent advice, the respondent said:

I knew him and all his family and he knew me. So I believed whatever he told me.

When asked whether it was better to belong to an occupational pension scheme or to have a personal pension plan, the vast majority of younger Pakistani respondents were unsure of

the differences between the two options. Only a very small proportion of the respondents mentioned the value of an employer's contributions to an occupational scheme and none mentioned the portability of personal pensions. This lack of awareness confirmed the poor level of knowledge indicated by the open questions and the hypothetical scenarios, and it suggested too that these younger Pakistani respondents lacked the knowledge that would make informed decisions likely.

Older Pakistani respondents showed a similar inability to choose between membership of an occupational pension scheme and contributing to a personal pension plan, the most common response being 'Don't know'. Where possible, and with few exceptions, they showed an overwhelming preference for SERPS.

A partial explanation for their lack of interest in occupational pensions might be found in the quality of their employment experience. Significantly, most of these older respondents either worked or had worked for an employer who might have offered the benefits of occupational pension scheme membership. However, their experience of employment was very different to that of their white counterparts. Whereas their white counterparts had generally worked in well-paid skilled employment, the older Pakistani respondents had frequently spent years working in the most unpleasant working conditions performing unskilled jobs for low wages in an environment in which racism from their white fellow workers was not unusual. Given the unpleasant nature of their employment experience, it is not surprising that they were resistant to a type of occupational benefit that appeared to tie them

even closer to employers for whom they felt neither loyalty nor fondness.

There was a strong commitment to shopping around for as good a deal as possible when selecting a personal pension plan. Given that none of the younger respondents actually had a personal pension plan, this process may be rooted in Pakistan's entrepreneurial tradition rather than a fastidious approach to selecting the right pension plan. Nevertheless, it contrasts sharply with the much less rigorous approach of the white respondents.

Importance of second-tier pensions

Unlike the white respondents who almost all considered second-tier pensions to be at least important, there was an equal division of opinion as to whether second-tier pensions were important or not. Even amongst respondents with an adequate knowledge of the pensions system and who considered second-tier pensions to be important, there were some who nevertheless had reservations about second-tier pensions. A common sentiment among younger respondents who did not consider second-tier pensions important was expressed thus:

I am not interested in pensions, I really don't know, I guess it's just one of those things. Pensions are not important to me. I have my family and shop, which is, praises to God, doing really well.

Less frequently heard were comments such as:

I thought a great deal about this. I am working part time now and I need all the money [I can earn]. Pension [is a] short-term gain. You might rather use the money for something else ... for investment.

Future expectations and the intergenerational contract

In response to open questions, the younger Pakistani respondents in this group expressed a strong expectation that their parents would need help when they were retired. It might be interesting to note that their parents were much more likely to be economically active compared to the parents of the younger Bangladeshi respondents. A clear majority expected to help their retired parents and several respondents were already providing them with financial and social support. A clear moral obligation to support their parents was felt amongst this group, for example:

I am living with them now. I think it is only right of me to help them. It is my responsibility.

When presented with value statements on the intergenerational contract, there was solid support for the belief that children should expect to provide care and financial support for their parents, indicating a consistent pattern of support for their elderly parents from their adult children.

A combination of low incomes, high familial demands placed on these incomes and a widespread reluctance to choose to make private pension provision would indicate that poverty in old age is highly likely for many of this study's respondents and their families. It would appear that this probability is not fully recognised by the respondents concerned who, when asked what level of weekly income they would need to live comfortably, gave estimates that varied between £100 and £500 per week, producing an average estimated requirement of just below £243, reflecting an expectation that

they will have a large extended family to support. Assessing whether an individual's future requirements can be realised is clearly a process fraught with difficulty and uncertainty but in many cases the possibility of achieving even the modest income levels stated was remote. This assessment was based on the apparent poverty of many respondents in this group, their employment trajectory and the comparatively low level of importance they attached to making pension provision.

As noted earlier, a majority of respondents in this group considered that their young children would play a significant role in their future welfare because of moral instruction and a strong sense of reciprocal obligation between the generations. An older Pakistani respondent noted that:

Our pension is Our Lord who gives rizk [Arabic word for sustenance]. A good pension is having kids and environment and having a system which caters for every eventuality. But I must stress the main factor is having good children.

On his children helping him, a younger respondent said:

It is their moral duty to help and support me if they are in a position to help and support.

Among the few younger respondents who expressed a slightly less than traditional view was one who said:

I think having a pension plan is very important ... first of all you have to consider the future and secondly you get taxed more if you don't have a pension plan so you [have] tax advantages. Having said that I won't rely on pensions, it is my kids that I will be relying on.

Another younger respondent who was also a local government employee, commenting on whether his children, when they grew up, would help him, said:

It is the way we have been brought up in the traditional way; at the end of the day the traditional way is very good. The philosophy is very simple: you are looked after when you are in need and the people that have looked after you get similar treatment when they are in need.

Asked whether he expected his children to support him in retirement, a younger respondent said:

They have to if they are my kids. You have to teach them not to be like the non-Moslems.

A frequently held view was expressed by a 34-year-old unemployed man who said:

I think if you work in an office job it's okay to have a pension plan but people like me work for small back street firms. I am hoping my kids will look after me, they will hopefully sort me out.

A minority of respondents, even when they expressed support for the intergenerational contract, offered an opinion that was contradictory when asked open questions. For example: 'I would like to look after myself. I want my kids to have their own life', while another said: 'I would not want them to help me. They should have their own family to look after.' It would seem that traditional Moslem values that embody respect for and duty to parents and elders are being preserved within the Pakistani community in Oldham.

This wariness of making pension provision and the expectation of reliance on their children

was one of the strongest themes to emerge in the interview stage of this research. It was predictable that the older Pakistani respondents would maintain such a traditional stance, but what was surprising was the discovery that their younger counterparts, including those who were not yet married and did not have children of their own, held much the same values. The younger respondents' perspective illustrates the importance of the traditionally strong links within the extended family associated with the south Asian communities and is in marked contrast to the white respondents.

Concluding summary

The Pakistani respondents in this study represent a group that has experienced a large degree of continuity in terms of social roles and a certain degree of polarisation in terms of economic progress. What unifies them, in addition to poverty, language and their family values, is a significant disadvantage in the level of knowledge of how the pension system in Britain operates and what seems to be a general preference for staying away from mainstream retirement provision.

At the heart of this group's retirement provision is an implicit intergenerational contract through which the younger generation will provide for the financial and material well-being of their older relatives. With regard to their level of pensions knowledge, it was – to say the least – flawed; indeed, the knowledge that characterised the best-informed Pakistani men was on a par with that of the least well-informed white respondents.

5 The Bangladeshi respondents

Introduction

As one of the most recent groups to migrate to Britain it was expected that the Bangladeshi respondents would have the most limited knowledge of the British pensions system compared to their white and Pakistani counterparts. This chapter will consider the Bangladeshi respondents in similar detail and method to the other ethnic groups with a comparison of similarities and differences in Chapter 6.

Socio-economic profile

Respondents ranged in age from 24 to 64 years and were divided into a younger cohort aged from 24 years to 30 years (16 respondents) and an older cohort aged between 40 years and 64 years (15 respondents). The older cohort's mean age was just over 50 years with an average duration in Britain of nearly 22 years but the sample contained several respondents who had migrated to Britain over 35 years ago, amongst the earliest sojourners who became settlers. The younger cohort's mean age was 27 years with three-quarters of this cohort migrating to Britain as infants, the average age on entry to Britain being six years. The remaining respondents were born in Britain.

Proficiency in spoken and written English was assessed by the respondents themselves and by the judgement of ethnically matched interviewers. The younger cohort was generally fluent in spoken English but a little weaker with written English. The older cohort generally consisted of respondents with a reasonable working knowledge of spoken English but written English was often not understood at all.

Two of the oldest respondents had only a very basic understanding of spoken English after more than 35 years in Britain. As with the older Pakistani men, this inability to comprehend written English may have had a major impact on the older cohort because the main medium for communicating information on pensions is in a written form. However, even when respondents possessed reasonable literacy skills, they were not always put to good use in understanding pensions; for example, with regard to an employer's literature on the occupational pensions scheme, one of the younger Bangladeshi respondents said:

I have not bothered to read them ... my children are my pension, they will care for me when I am retired.

That this respondent had not read the literature supplied by his employer is not surprising in itself. Indeed, it was an almost universal response, with the only exceptions being found among those older white respondents whose future retirements were well provided for.

Half of the younger cohort were married with 21 young children between them. A significant minority of the younger respondents were single and a sole respondent lived with his partner in a privately rented house. The vast majority lived with their parents, in three-generational households, in the family-owned property. Members of the older cohort were all married, except for one respondent who was a widower. They lived with their children and in several cases their grandchildren in family-owned property.

An important aspect of their economic status is to be found in the informal financial

relationships that bind members of Oldham's Bangladeshi community both to each other and to their extended family in Bangladesh. This appears to be part of *Izzat* which refers to personal honour within the community. Although they were normally on low incomes, there were several respondents who were regularly sending money back to relatives in Bangladesh and there were others who supported less well-off family members in Oldham, financed trips to Bangladesh or paid for some other major commitment.

Despite their relative youth, it was usual for the younger Bangladeshi men to be married, often with children, and they therefore felt that they could not afford to make adequate pensions provision, quite apart from which they were distracted by other problems such as overcrowded and poor housing. As one younger Bangladeshi respondent said:

Many people from Bangladesh in our community are interested in important issues such as housing and race relations. Pensions are at the bottom of their priority list.

In terms of economic status, the Bangladeshi respondents were remarkably concentrated in a narrow range of occupations. A minority of the younger Bangladeshi respondents were employed in secure well-paid jobs, usually in the public sector, for example in youth and community work. A substantial minority were employed in jobs that were either insecure or secure but low paid, with a particular concentration in the restaurant trade as chefs and waiters with work across the region and even as far afield as Bognor Regis. The balance of the younger cohort were unemployed and often had very broken employment histories.

Virtually all of the younger Bangladeshi respondents had at one time or another worked in the restaurant trade.

The older cohort was not, nor ever had been, employed in secure well-paid jobs. Their employment histories covered a limited range of occupations that were invariably associated with cheap labour. Only those respondents in their 40s were currently employed and this was exclusively in the restaurant trade. All of the respondents in their 50s and 60s were currently unemployed or economically inactive and had experienced an employment history in heavy industry, elsewhere in Britain or in Oldham, and in the textile industry. The possibility of these respondents securing employment again, even if their health allowed it, is very remote. Most accepted this economic reality although a few clung to the idea that they might work again. It is noteworthy that the parents of respondents in the younger cohort were nearly all considered by their sons to be 'retired', although it was highly unlikely that they had yet reached statutory pensionable age.

The Bangladeshi community is one of the poorest groups in Britain (Berthoud, 1997). The community in Oldham reflects this situation and the respondents in this study typify this poverty. Apart from an elite, most of whom were employed in the public sector, Bangladeshi respondents had a weak labour market position.

Current pension status

As a consequence of their disadvantaged position in the labour market, access to occupational pension schemes was limited to the minority of younger respondents who were employed in secure well-paid jobs. However,

some members of this small elite group had chosen not to join their employer's occupational pension scheme. A couple of older respondents thought that they might have been contributors to a previous employer's occupational pension scheme, but they were very confused about this. None of the Bangladeshi respondents had ever had a personal pension plan.

The Bangladeshi respondents were much more reliant on the basic retirement pension and SERPS than on private pensions provision. None of the employed respondents was aware that they were part of SERPS – a situation much the same as was found among the white and Pakistani respondents. Several respondents expressed concern about their National Insurance contributions being forwarded by their employers. The large proportion of Bangladeshi respondents who were either currently unemployed or economically inactive meant that the majority did not have any active second-tier pension arrangements. This lack of involvement in second-tier pensions undoubtedly contributed towards the respondents' low level of pensions knowledge.

Knowledge of pensions operations

General assessment

Using the same method as with the other groups of respondents, an assessment of the knowledge of pensions was made on the basis of interview data (see Appendices 2 and 3) and respondents were categorised as having a good, adequate, poor or negligible knowledge.

No respondent could be considered to have a good knowledge of the pensions system. Only a small minority of the Bangladeshi respondents, all part of the younger elite in

secure well-paid jobs, displayed anything approaching an adequate knowledge of how pensions worked, and even this was poor when compared with the level of knowledge shown by their white counterparts. A clear majority of respondents had a poor understanding of the system that was very sketchy and incomplete. Respondents in this category were all part of the younger cohort, including the remaining respondents in secure well-paid employment, except for one respondent in his 40s. The balance of respondents, a slight majority of all Bangladeshi respondents and including nearly all of the older cohort, had a negligible understanding of the system so weak as to provide no effective technical understanding of how alternative methods of pensions provision operated.

There can be little doubt that the Bangladeshi respondents in this study represent a community that has a distinctly low level of technical knowledge to draw upon when making choices in the contemporary pensions market. They had a similarly weak understanding of accrued pension rights and were only vaguely aware of the possibility that they might have an accrued entitlement in the occupational pension funds of previous employers:

No one told me about pensions, nobody explained what pensions were ... I remember they used to take something from my wage in [location of former employer] ... I think it was for a pension but no one told me what it was for.

This overall level of technical knowledge is not surprising given the Bangladeshi workers' disadvantaged labour market position and their relatively short time in Britain. There are

comparatively few Bangladeshi men who have thus far reached pensionable age and gone on to experience the poverty in old age that is so common among people who, regardless of ethnicity, were low-paid or unemployed for substantial parts of their working lives.

Level of knowledge

The basic retirement pension was the most widely and best understood form of pension with National Insurance contributions often mentioned in ways that showed a reasonable understanding of their function. SERPS was the least well understood type of pension with respondents possessing no more than a vague outline of how the state provided an earnings-related pension. These findings are broadly in line with the findings for the Pakistani and white respondents.

It tended to be those respondents in secure well-paid jobs who properly understood occupational pension schemes. For almost all the Bangladeshi respondents, the idea of employers providing pensions for their workers had little resonance, particularly amongst those respondents with broken employment records.

A small minority of exclusively younger respondents grasped personal pension plans. For the vast majority of respondents, their understanding was either non-existent or limited to the fact that the pension belonged to the individual. Examples of the confusion surrounding personal pension plans included:

Personal pensions are no good; look what happened with Robert Maxwell.

Similarly, the funding of private pensions through investment in corporations and government securities was rarely understood:

... it's the same money they give you back, so what's the point?... Pension schemes are a waste of time.

A number of serious flaws were evident in respondents' knowledge. Of particular importance was the belief held by a number of respondents in secure well-paid employment and with access to occupational pension schemes that, if they did not join their employer's scheme, then they would have 'saved' their contributions. There was no appreciation that employees would forego the contribution to their pensions entitlement that their employer would otherwise have made. The evidence suggested that this misunderstanding was very common and had had a material influence on the pensions decisions of several respondents.

Contributing to either an occupational pension scheme or a personal pension plan was quite often considered to be less attractive than building up a private investment portfolio:

... you make sure that you have made various investments or have money saved. If not it is a good idea to have a pension scheme.

In this context, 'investment' refers not to equities but to having a stake in a local businesses or, ideally, self-employment.

Self-employment was an ambition that was sometimes mentioned by the younger respondents, reflecting the entrepreneurial spirit that is often a feature of this community and the status that accompanies self-employment. This type of employment was not mentioned by any of the Pakistani respondents, although it was not actively raised during the interview. Self-employment affords a measure of flexibility, which is advantageous to people who wish to

maintain close links with family members in Bangladesh, and it affords both the freedom to observe religious festivals and an escape from racism that can occur in the workplace.

In common with their Pakistani counterparts, the main sources of information for Bangladeshi respondents were the South Asian media, consisting of local radio and press. However, the complex nature of pensions provision is such that these media would be unlikely to provide adequate information to the community. Television was often mentioned as an important source of information for the younger cohort while the older cohort attached particular importance to community groups and local networks. These forums are undoubtedly useful sources of reliable information on developments in the community, but they may not be best suited to providing information on the subject of pensions.

Decision making and pensions preferences

To further examine respondents' knowledge of pensions operations, they were presented with a series of hypothetical scenarios and asked to select what they thought would be the most appropriate pensions option. There was no apparent connection between the level of knowledge and the quality of the choices they made in the hypothetical scenarios. In fact, their hypothetical choices were characterised by a clear bias towards SERPS whenever this option was available. Through statements explaining the reasons behind their choices, some respondents said that it was better to stay with SERPS rather than choose a private pension, an explanation that was identical to that often given by Pakistani respondents. An alternative explanation might arise from the fact that this

was the only state provision they could choose; their familiarity as social security claimants with state welfare provision might have increased their disposition towards this type of pension. Finally, personal pension plans were also a popular option but there was very little logical reasoning to support this choice. Only those in employment showed an interest in occupational pensions where this option was available.

There was little evidence that the declining relative value of state pensions was appreciated. Many respondents expressed strongly held opinions that the state would provide an adequate income in retirement, saying of the basic retirement pension, for example, that: 'this scheme is from the government; it makes sure that nobody loses out' and, more generally: 'it's up to the government to provide some sort of pension'.

It may be that this assumption, when coupled with negative views of employers providing pensions, partially explains the reluctance of respondents in this group to commit themselves to making formal pension provision by private means. There was practically no evidence to suggest that recent pensions scandals, either personal pension plan mis-selling or unscrupulous employers misappropriating resources from an occupational pension fund, had influenced the hypothetical choices or actual behaviour of these respondents. Furthermore, respondents took no account of the influence of fixed-term employment contracts, despite their importance in the contemporary flexible labour market.

Taking out a personal pension plan

Respondents' accounts of how they would go about selecting a personal pension plan

highlighted the limited knowledge that characterised this group. Respondents with some technical knowledge of the pensions system were more willing than others to consider advice from mainstream financial institutions. These knowledgeable respondents were willing to contact their present bank about personal pension plans but there was also a strong commitment to shop around for the best available deal.

However, the majority of Bangladeshi respondents and almost all of the older cohort did not have any idea where they might go for advice about personal pensions. Only when the interviewer provided them with a prompt list, which suggested alternative sources of advice, were they able to nominate possible sources. The older respondents expressed some reluctance to deal with banks without the assistance of their more linguistically able children. The younger respondents displayed an aversion to consulting the main providers of formal advice, saying that they preferred to consult family, friends and the wider community.

Given that no respondent had any experience of having a personal pension plan, it would appear that these hypothetical responses are rarely turned into consumer action. With regard to the more affluent Bangladeshi respondents, it is quite likely that they engage in what one informant called 'the never-ending search for a better deal' in which they search for opportunities to invest in local businesses rather than in mainstream pension provision.

There must be a suspicion, however, that many of those who nurse an ambition to set up in business or seek out investments in other people's businesses will be unlikely to build up

sufficient capital to make up a worthwhile investment. The most likely obstacle to the fulfilment of their ambitions would be in the form of demands on their limited incomes either from their extended families or from friends in the community to which they belong. These long-standing and complex reciprocal arrangements – *Izzat* – might provide security but they also militate against geographical mobility and building up either an adequate pension entitlement or a capital sum with which to establish themselves in business.

Importance of second-tier pensions

Older respondents did not place great importance on making formal pension provision. An almost universal response amongst the older respondents was that 'my children are my pension'. This view indicates that traditional Asian values of the extended family taking care of dependants are still a very strong feature of this cohort.

A clear majority of respondents did not consider making pension provision to be important. Younger respondents frequently spoke of needing every penny of income they could earn now rather than being able to make pension contributions. One younger respondent said:

I don't think it's important to have these pensions because you have to die when the time comes so there's no point in wasting money.

Future expectations and the intergenerational contract

When asked to estimate the level of retirement income at current prices they would need in the future, the majority of the respondents stated

Ethnic minorities and their pensions decisions

levels which averaged £215 and varied from £100 to £400 per week. It is extremely unlikely that even their lowest estimates of required income will be approached by these respondents, given their current economic position and history coupled with their reluctance to make private pension provision. It would take very significant and regular income transfers between the generations to be maintained to achieve retirement incomes of this level.

Support for the intergenerational contract appeared to be strong among the Bangladeshi respondents both up and down the generations. From the older cohort, there was a strong expectation that their children would play a vital role in their future welfare and evidence to support the contention that this was already happening. Hardly any of these respondents thought that a second-tier pension was worth having. This group seems to have been completely untouched by what has been going on in the world of politics and social security. A 56-year-old man said:

*There's no point in wasting money on pensions.
The Government will pay when you're retired.*

This view may be linked to a belief that is held by some Bangladeshi men that, if you save for retirement, you will disqualify yourself from a state pension, presumably because of some means-testing process. Alternatively, it may be that the basic retirement pension alone is perceived as adequate, particularly by those who, as a consequence of long-term unemployment, have existed on social security for several years. Other responses included:

I think for people like us pensions are not very important because we have kids and family. I'll go to Bangladesh if I have to when I'm very old.

I think it is important for people like you who work in offices and who can speak English and understand the system. It's not important for people like us who can't speak or read or write English.

A 40-year-old man thought that occupational and personal pensions were:

... not important, not a good thing. I want my kids to look after me.

Similarly, a much older man, aged 54 years and a father of five children, said of occupational and personal pensions:

[They are] not important; my kids will provide, God willing.

All members of the younger cohort acknowledged that their parents would need financial and social care support and a small majority stated that they were already providing some form of support for their parents. Younger respondents who said they were not at present providing support for their parents often expressed a willingness to provide such support if they were able to do so.

One, while expecting to support his parents because it was the 'duty of the son' did not expect that in old age he would be reliant on his own children. There was only a small minority who expected not be reliant on their children at all. A minority accepted the possibility that they would be reliant on their children in old age but the majority took it for granted that they would

be reliant on their children, saying, for example: 'My children are my pension' and explaining that having an occupational or personal pension was:

Important, I think when you are on your own but not if you have children.

(25-year-old Bangladeshi man)

Several respondents emphasised that they would raise their children in such a way as to ensure that they understood their duty towards their parents:

I will give them a good teaching so that they should look after their parents.

[I will] raise them the right way... we are not like the English.

Concluding summary

The Bangladeshi respondents have much in common with the Pakistani respondents in this study. They have succeeded in preserving their traditional Moslem-based values in the face of acute economic pressure. Furthermore, they have a preference for self-reliance and reliance on their families and their community rather than becoming fully integrated into the second-tier pension system. Their inability to understand the state and private sector pensions systems was a serious obstacle to them taking full advantage of the financial incentives that are on offer. An interesting feature of some of the younger respondents is their aspiration towards self-employment, which, even if it is unrealistic, gives an interesting insight into what younger Bangladeshi men see as a route to independence, security and status.

6 Analysis and implications: determinants of knowledge, attitudes and action

Introduction

The central problem for this research is the lack of participation in and understanding of the second-tier pensions system on the part of Pakistani and Bangladeshi men, even though those who are in full-time employment are required by law to make contributions to a personal pension plan, an employer's occupational pension scheme, or the State Earnings-related Pension Scheme (SERPS). The scale of the problem is difficult to assess because so many of the Pakistani and Bangladeshi respondents did not know what their current pensions arrangements were, but a problem does exist.

The explanation for Pakistani and Bangladeshi respondents' failure to participate fully in Britain's second-tier pension system is complex and involves at least seven reasons.

Cultural factors

1 Settlement in Britain

Settlement in Britain was not initially the aim of coming here. Most Pakistani and Bangladeshi men came here with the goal of working for a few years, sending money home to their families and saving money to take back when they returned home. It is true that many soon became home-owners but this reflected not an intention to settle here permanently but, rather, the lack of rented housing in the areas they moved into. Most arrived here as single men and so they would not have qualified for immediate help with housing and the best they could have done was to join local authority and housing association waiting lists. Out of this

arose the practice of buying cheap housing in run-down areas, often relying on loans from within their own communities.

Given this lack of initial commitment to staying in Britain, it is probable that, even if they had been predisposed to be interested in the subject of pensions, few if any Pakistani or Bangladeshi men would have troubled to learn about such a complex and, above all, long-term project as accruing worthwhile pension rights. Again, this might explain the attitude of the older men, but it does nothing to explain the attitude of the younger respondents who rarely entertained serious hopes of returning to their parents' country of birth.

2 Language

Language was plainly a barrier, though not as significant as is sometimes supposed. Most information on pensions is disseminated in printed form. A large proportion of the older Pakistani and Bangladeshi respondents, though often able to speak enough English to get by, could read little or no English and were thus unable to gain access to any of the written information on pensions. Indeed, the interviewers who administered the survey instrument (see Appendix 2) for this study had to use great care and skill to ask some of the questions because certain terms, e.g. 'personal pension', do not translate readily into appropriate languages such as Bengali or Urdu. To the extent that most of the younger respondents normally use their parents' language when speaking in the home or to their friends, a similar problem will arise over some of the formal language and, at times, esoteric

terminology used in pensions documents. However, this does not explain why so many younger respondents, most of whom have spent all or most of their lives in Britain, showed a lack of knowledge that was similar to that of their parents.

3 Knowledge

Knowledge is one of the main factors that separate those who are able to make advantageous pensions decisions from those who cannot. The recent scandal concerning the mis-selling of personal pensions was only possible because so many people possessed a low level of knowledge.

About half of the Pakistani and Bangladeshi interviewees had a poor knowledge of how any type of pensions provision worked. Indeed, only a small proportion had a good general understanding and this included a very small proportion of the younger respondents who expressed a preference for personal pension plans because of what they saw as elements of individualism that characterised them. A majority of Pakistani and Bangladeshi respondents showed no intuitive knowledge of how different types of pension provision operated.

When Pakistani and Bangladeshi respondents were asked questions about how the basic retirement pension, SERPS, personal pensions and occupational pensions worked, they had very little idea at all and, when they were presented with hypothetical scenarios (Appendix 3), most could only make guesses, influenced by a belief that the state could be safely relied on to provide for them in their retirement. This belief in the state contrasts sharply with the white respondents and is

probably a result of Pakistani and Bangladeshi respondents being unaware of the 'demographic time bomb' argument that so affected their white counterparts. Nor was this limited to the older respondents. Younger respondents displayed a surprisingly similar level of knowledge to that of their older counterparts. This might not have been so serious if the Pakistani and Bangladeshi respondents had had a better idea of where to turn for informed advice. Those Pakistani respondents in employment were generally willing to consult a bank on the subject of pensions, although those who were unemployed had less idea of who to ask. The situation was more serious for Bangladeshi respondents, the overwhelming majority of whom had little or no idea of where to go for advice on pensions. The older Bangladeshis were unwilling to deal with banks without the benefit of their children's linguistic skills, while the younger Bangladeshis were reluctant to seek formal advice from pensions providers and financial advisors, preferring instead to consult family and friends. Hence, the majority of Pakistani and Bangladeshi respondents would have difficulty making a meaningful decision between alternative forms of retirement provision.

The low level of technical knowledge that was found among the Bangladeshi respondents was largely predictable. However, it was a little disturbing to find that, although the Pakistani community in Britain has been established for significantly longer than their Bangladeshi counterparts, they appeared to be only a little better informed. In part, this might reflect the extent to which position in the workforce rather than the length of time for which they have been settled in Britain is a key determinant of

pensions knowledge. However, as will be seen, tradition and family structure are yet more important.

The white respondents showed considerable variation in the quality of their knowledge. Only a small proportion of respondents understood the full range of state and private pensions provision. The majority was divided into sub-groups that possessed different levels of understanding in respect of different types of pension provision.

It would seem that the basic retirement pension was quite well understood by the majority of white respondents in terms of its contributory basis and its value in relation to earnings. With regard to the state and private sector pensions system as a whole, there was a small proportion of white respondents who had a good general knowledge, but far more either knew a great deal about private pensions but not a lot about state pensions *or* knew little about any type of pension. The main determinant appeared to be their employment history.

Some people who were occupational pension scheme contributors did not have more than an outline knowledge of the basic retirement pension; this probably indicates that they thought of future pensions primarily in terms of their occupational pension scheme. They had effectively stopped thinking about the basic retirement pension because it was something over which they had no control and, as they were committed to occupational pension scheme membership, SERPS held no interest for them. However, respondents in this group were, for the most part, well informed about personal pensions, although there was no question of them transferring their accrued pension rights.

Despite their limited knowledge, when presented with a series of hypothetical scenarios, the white respondents generally seemed to know enough to be able to make well-informed pensions choices and in this respect they differed significantly from the Pakistani and Bangladeshi respondents. Some of the white respondents, despite their lack of technical knowledge, appeared to have developed an intuitive feeling about how occupational pensions and personal pensions should work. On the basis of their decision-making ability, as tested with the use of hypothetical scenarios (see Appendix 3), it appeared that the vast majority of white respondents had either an adequate technical knowledge or a sufficient intuitive 'feel' for how the system operated to be able to make reasonable pension decisions. However, this is an assessment based on academic research in which advice on pensions was actively withheld, rather than real-world situations in which it is now known that individuals were sometimes inappropriately influenced by pensions sales personnel.

The Pakistani and Bangladeshi respondents' expectations of retirement income were quite different from those of the white respondents. There was an expectation that the basic retirement pension alone would be sufficient to live on in retirement. Very few of the Pakistani and Bangladeshi respondents were aware of the basic retirement pension's real value. The Minimum Income Guarantee means that from April 2000 pensioners would receive no less than the amounts shown in Table 6.

However, the annual British Social Attitudes Survey suggests that few would regard this as sufficient to live on for a sustained period. It

Table 6 Minimum Income Guarantee

Age	Single £	Couple £
60–74 years	78.45	121.95
75–79 years	80.85	125.35
80 years and over	86.05	131.05

Source: DSS press release, 00/105, 9 April 2000.

may be that, to those Bangladeshi and Pakistani men whose formative years were spent in their countries of origin, the welfare state appears to be a source of amazing bounty. The elderly are highly respected in Moslem society and they can therefore rely on their adult children to support them. With this in mind, many of the Pakistani and Bangladeshi respondents might expect that their future retirement would in part be funded by the basic retirement pension, providing one tier of their retirement provision and, as discussed below, their sons and their families would provide the second tier, albeit in kind rather than in cash.

By contrast, the white respondents in this study were convinced that they could not rely on the state to provide them with an adequate retirement income. In the absence of duty-bound adult children or what they perceived to be a generous welfare state, the only guarantee of financial security was to make adequate provision either through one's employer's occupational pension scheme or through a personal pension plan. Many people perceived the value of the basic retirement pension to be declining, and the 'demographic time bomb' argument had clearly reached and been accepted by even the least knowledgeable white respondents. Some were well aware of the tax

advantages and National Insurance rebates which make occupational and personal pensions an advantageous form of retirement provision. Even those white respondents who lacked a detailed knowledge of the fiscal advantages attached to private pensions provision generally believed that occupational pensions provision was highly desirable and personal pensions provision was perhaps slightly less desirable.

A topic about which the Pakistani, Bangladeshi and white respondents showed a similar lack of understanding concerned the impact of fixed-term contracts on pensions choices. When shown a hypothetical scenario involving a worker taking up employment that was based on a fixed-term contract (see Appendix 3), all three groups of respondents, whether older or younger, showed a similar inability to take this factor into account.

4/5 Employment and age

Employment and age comprised two closely related determinants of respondents' pensions knowledge. Those white respondents employed in the public sector had a very good breadth and depth of knowledge of their current occupational pension scheme. The knowledge of private sector occupational pension scheme members was more superficial and strongly in favour of occupational pensions. However, two of the main and interrelated determinants of the white respondents' knowledge appeared to be their employment history and their age; those who were middle-aged and with long-term secure employment were much better informed than those who were younger and either unemployed or with broken work histories.

Current membership of an occupational pension scheme appeared to be the most important determinant of older white respondents' knowledge of occupational pensions. Those whose knowledge benefited most from such membership were those whose high earnings and proximity to retirement gave them reason to make full use of their access to in-house pensions advisors. Because of their age, they were often at or near the peak of their earnings potential and their children, if any, were by now grown-up. The next big event in their lives would be retirement. Consequently, they usually had 'spare' money with which they could afford to make extra pension provision and this gave them the ability and motivation to become well-informed about both occupational and personal pensions in order to maximise their retirement income.

The best-informed white respondents were those who were middle aged and, for much of their working lives, had been in long-term, secure and well-paid employment. With this in mind, a partial explanation for the lack of knowledge shown by Pakistani and Bangladeshi men might be connected with the fact that for the most part they did not work in continuous, well-paid and secure employment. Nor did many have access to an occupational pension scheme, although there may well be some cases in which respondents had either forgotten about their occupational pension scheme membership or through lack of understanding had never been aware of it. Indeed, many of the older respondents had been unemployed for some time and therefore had little reason to explore the subject of pensions, save for the possibility that they might have left accrued pension contributions in the pension fund of a former

employer. To this extent, they were no different from those white respondents who were in the same position.

It was striking that every white respondent expressed some anxiety about pensions provision. Regardless of whether they were currently in well-paid secure employment with every prospect of a comfortable retirement based on decades of occupational pension scheme membership, or if they were currently unemployed with a broken employment record and every likelihood of relying principally on the basic retirement pension supplemented by the Minimum Income Guarantee, every white respondent was concerned about the adequacy of their retirement pension provision. However, there was no straightforward correlation between these worries and the probable future level of retirement income. Some of those white respondents who appeared likely to attain comfortable retirement incomes were worried about pensions while others in a similar position expressed only minor concerns. By contrast, white respondents who appeared to be unlikely to secure what they considered to be an adequate retirement income were divided between those who only dimly appreciated that they would not achieve their target income in retirement and those who understood the magnitude of the problems they faced but were resigned to their fate.

Pakistani and Bangladeshi respondents, on the other hand were at best fatalistic and at worst uncomprehending about the retirement income they might eventually receive. However, those employed in the public sector did appear to have better appreciation of the value of a second-tier pension. There was a minority group of younger Bangladeshi and Pakistani

respondents who were employed in well-paid jobs, usually in the public sector, and who appeared to have good prospects. Among them were people with some knowledge of how occupational pensions worked. The interview data showed that the opportunity to contribute to an occupational pension scheme did not undermine these respondents' reliance on and commitment to the traditional Moslem way of providing for old age through the family. Indeed, where SERPS contributors are concerned, their reliance on the family for care in old age has not even been challenged by the providers of personal pensions who have left this market of generally low earners untapped.

A small proportion of Pakistani and Bangladeshi respondents were paid cash in hand for their work and were making no second-tier provision for retirement.

It would seem therefore that employment and age were significant determinants of white respondents' pensions decisions but had little bearing on the decisions of Pakistani and Bangladeshi respondents.

6 Commitment to and reliance on family and community

Commitment to and reliance on family and community appeared to have a powerful influence on the outlook of all groups of respondents. The older white respondents accepted that they might need to provide material or financial support for their own parents but had no intention of in turn becoming reliant on their adult children in old age. Nor did they appear to have any responsibilities to their extended families. They seemed, therefore, to accept that their intergenerational responsibility towards their

own parents continued but they did not expect the same commitment from their own children. Similarly, the younger white respondents had no real expectations of either supporting their parents in old age or being reliant themselves on their own children. Rather, the white respondents seemed to rely on employers and private pension provision.

A significant minority of white respondents explained that by reason of either low pay or unemployment they were unable to fully provide for retirement. Indeed, a small proportion had been persuaded to take out personal pension plans in the late 1980s but, in the next few years, they lost their jobs and abandoned any hope of relying on this pension provision. The well-informed valued their retirement provision and the opportunities to exploit the attendant tax advantages, but often the younger respondents had yet to be persuaded that they should now be providing for retirement.

Whereas a significant majority of the older white respondents were married or otherwise in long-term relationships, the overwhelming majority of younger white respondents were single and living a subsidised existence in the homes of their parents who themselves were usually physically fit and in full-time employment. In this environment, most of the younger white respondents were relatively free of financial and moral responsibilities and indeed were still receiving a measure of parental care. They had no reason to start wondering if there might come a day when their parents would need financial and social support from them.

At a similar stage in their lives, most of the younger Pakistani and Bangladeshi men were

married with young children and had mortgages on old houses that were undoubtedly expensive to run and maintain. Home ownership might provide the people concerned with a form of accumulated wealth but, to the extent that many are low paid, it has the effect of limiting their reliance on such benefits as Housing Benefit while burdening them with the high costs of repairs and maintenance associated with low-cost private housing. They may qualify for Housing Benefit to help cover the cost of Council Tax but, if they lived in rented accommodation, they might also qualify for help with the rent and their landlord would be responsible for the repairs and external decoration.

Furthermore, these young Pakistani and Bangladeshi respondents had financial commitments (*Izzat*) not only to their extended families but also to the community. Almost all described their fathers as 'retired', though in truth they were unlikely to have reached pensionable age and were more likely to be in their 50s and long-term unemployed.

It had been expected that the older Pakistani and Bangladeshi respondents would preserve their traditional values concerning the family and its duty towards retired members, and this was confirmed by the interview data. Many of the older men were either low paid or unemployed and the majority felt they had more pressing obligations. For example, some, despite their poverty, were either lending or repaying money to friends and family, and a few were still sending money to their families in Pakistan and Bangladesh.

To the extent that they favoured making retirement provision, both the younger and older Pakistani and Bangladeshi respondents

often felt unable to do so because of the competing demands on their incomes. However, even those Pakistanis and Bangladeshis who did have secure and well-paid jobs together with access to occupational pension provision did not know a great deal about pensions, nor were they predisposed to find out.

In this setting, it is easy to understand why the younger Pakistani and Bangladeshi men had already become committed to the traditional ways of providing informal support. *Izzat* had drawn them into a traditional network of community relations and many were aware that, because of long-term unemployment, there would come a time in the future when their parents would be reliant on them for social and financial help. Similarly, for the majority of older respondents, retirement at the end of either a long period of unemployment or a lifetime of low pay must be a daunting prospect unless they can rely on the support of their adult children. For these reasons, both older and younger Pakistani and Bangladeshi respondents attached considerable importance to the perpetuation of traditional Moslem values, particularly with regard to respect for and duty towards parents.

According to respondents, the perpetuation of Moslem values was achieved by bringing children up 'the Islamic way'. In interview, open disapproval was sometimes expressed towards the 'western' style of raising children – a view founded on the belief that many white Britons uncaringly put their elderly parents into residential care rather than look after them themselves.

The researchers were also interested to know whether the younger Pakistani and Bangladeshi respondents would show signs that they were

letting go of tradition and beginning to embrace a more western approach to welfare provision. It soon emerged that the older and younger respondents were holding onto traditional values with almost equal enthusiasm, with a slight majority of younger men and a significant majority of older men holding very traditional attitudes towards retirement. Essentially, most of these respondents said with certainty that in their old age they expected to receive social care from their younger family members, and they linked this either to Islam or to 'traditional' ways of doing things. Only a small proportion of older Pakistani respondents made the connection between their sons' poor performance at school and the difficulties this would create when the time came to give support to their parents in old age. Even the low-earning and unemployed younger Pakistani and Bangladeshi respondents seemed to overlook the possibility that their children (sometimes as yet unborn) might not earn enough to keep themselves, their own family and their retired parents. Hence their support for *desh pardesh* (home from home) was untempered by the likelihood that their children would be earning low wages in their adult lives.

7 Entrepreneurial aspirations

Entrepreneurial aspirations clearly affected the outlook of the several younger Bangladeshi respondents. They were imbued with the ideas of self-reliance and personal capitalism. Not surprisingly, many of these respondents seemed to be drawn towards the individualism of personal pension plans. Although as a last resort they were willing to accept SERPS, they apparently preferred to stay out of occupational pensions provision, perhaps because of their

confusion over its nature. Indeed, there were several younger respondents who would rather have stayed out of the mainstream second-tier pension system altogether, relying instead on the rewards from investments in a parallel economy and on informal provision of financial help through *Izzat*. It was usual for younger Bangladeshi respondents who did not have access to occupational pensions to put off taking out a personal pension plan, and there were several young men who had withdrawn from their employer's occupational pension scheme. In both groups, the respondents' explanation centred either on their inability to afford pensions provision or on their goal of building up a capital sum that they would invest. Those who had withdrawn from their employer's scheme did not realise that they were forgoing their employer's contribution to their pension provision.

When used by respondents, the term 'investment' referred to investment in businesses in their community. Unlike conventional equity investments, an investment in someone's business cannot be sold to a third party without the consent of the proprietor. Most of these younger respondents said that ultimately they wanted to be self-employed, although none said what type of business they intended going into.

That the subject of self-employment should be raised by some of the younger Bangladeshi respondents but not by the younger Pakistani respondents may be connected with the relatively poor position of the Bangladeshi community in relation to the Pakistani community. The same entrepreneurial spirit is undoubtedly alive in Oldham's Pakistani community. Although in many respects the two

communities are similar, the Bangladeshi community is undoubtedly the more impoverished of the two.

These younger Pakistani and Bangladeshi men did not distrust the personal pensions providers – indeed they did not know enough about them to have been deterred by recent scandals. It was more likely, according to an informant, that they were convinced their investments within their own community could outperform mainstream investment vehicles and indeed personal pension plans, despite the absence of income tax advantages and National Insurance rebates.

It is questionable how many of these younger Bangladeshi proto-capitalists have realistic prospects of achieving their ambitions, in which case their plans for self-reliance rather than reliance on the mainstream state and private sector pensions system are going to be unfulfilled. Those who are low paid and in insecure employment probably decided to attach a low priority to retirement provision because they needed to maximise their net pay in order to meet current outgoings, including those that flow from *Izzat*. Unfortunately, by so doing, they forgo the tax relief and National

Insurance rebates that make occupational and personal pensions one of the most tax-efficient methods of saving.

Nevertheless, it is an interesting reflection on the way in which the minds of younger Bangladeshi men are taking shape, and contrasts sharply with the thinking of some of their younger white counterparts who had no interest in pensions and often:

- 1 adopted a passive role, joining their new employer's occupational scheme because it was easier than setting up a personal pension plan and it was better than SERPS, or
- 2 took out a personal pension plan on the advice of an insurance company representative whom they may have known for several years without troubling to compare it with those on offer from alternative providers.

Those younger Bangladeshi men who did take a proactive role were often more concerned with maximising their own and their family's immediate consumption than with saving.

7 Conclusion

Oldham, and probably Britain, seems to be witnessing the creation of a large and poor group of Bangladeshi and Pakistani men who have little to do with the mainstream economy. In large part this is because since 1979 the use of casual labour, frequently paid cash in hand, has increased dramatically and it has primarily affected low-paid workers. Pakistani and Bangladeshi men in Oldham often share aspirations of long-term financial security for their families but they have little prospect of achieving these goals.

The risk of poverty in old age was being exacerbated by the fact that most of the older Pakistani and Bangladeshi respondents had so little understanding of second-tier pensions and often had not been able to understand their payslips with the result that they did not know whether or not they had contributed to an occupational pension scheme. Most of these men tended to work for small concerns and so it was unlikely that they had worked for concerns that offered membership of occupational pension schemes to their workers. However, there were some Pakistani and Bangladeshi men who had at some stage in their working lives worked for large employers but through lack of understanding they had no idea of whether there might be accrued pension rights remaining with that employer's pension scheme. The sums involved might be quite modest, but given that this group is already prone to poverty they can ill-afford to leave valuable rights unclaimed, although it should be acknowledged that for many of these men the effect of activating accrued pension rights would simply be to reduce their claim to means-tested benefits; it would not result in an improvement in their retirement income.

More interesting from the point of view of this research, those men who are in cash-in-hand employment are usually not providing for retirement. Workers who are on an employer's payroll and fail to make arrangements to contribute to either a personal pension plan or their employer's occupational pension scheme soon find themselves contributing to SERPS by default. However, there is no such compulsion for workers who are paid cash in hand and they therefore pay neither National Insurance contributions nor second-tier pensions contributions; not until they retire will they be confronted with the consequences of their under-provision. Nor is this problem confined to Pakistani and Bangladeshi workers; a significant number of white workers are in exactly the same position.

It was surprisingly common to find that Bangladeshi and Pakistani respondents with access to employers' occupational pensions had opted out, often without making alternative arrangements for contributing to a personal plan. Even the few who were employed by local government had usually opted out of their employer's very attractive scheme. However, a simple lack of knowledge does not explain their decision to opt out of their employer's scheme; their white counterparts showed a similar lack of knowledge but through sheer inertia most of those with access to an employer's occupational pension scheme did nothing to end their membership.

It seems, therefore, that these younger Pakistani and Bangladeshi respondents failed to make second-tier pensions provision not through a lack of knowledge but, rather, because of the more immediate pressures of providing for a family, paying a mortgage, and

meeting responsibilities that arise through *Izzat* to the extended family, friends and the community. To the extent that these commitments enmeshed them in a community that is governed by traditional values, it was almost inevitable that the younger respondents should find themselves expecting to rely on their children for support in old age.

Since family size and labour market position often mean that these Bangladeshi and Pakistani respondents cannot look forward with any confidence to either continuous employment or a 'surplus income' that can be invested in pensions provision, there may be a strong case for arguing that, to the extent that they see their children as providing a pension, it makes very good sense to 'invest' in them rather than in an occupational or personal pension. It would seem that the large family and the elaborate social network beyond it are both obstacles to

making adequate retirement provision and, at the same time, the informal safety net that will protect older family members from the worst aspects of poverty in old age. The expectations of retirement within Pakistani and Bangladeshi communities that are characterised by large and young households may therefore be significantly different from those of the white population whose average family size is much smaller.

It is interesting to consider what would happen if current pensions law, requiring full-time workers to contribute to a second-tier pension, were fully enforced, and especially if it was augmented by further legislation designed to introduce an element of compulsion. The likely outcomes would be to weaken the intergenerational cohesion of the Pakistani and Bangladeshi communities.

8 Postscript: recent changes in pensions policy

Introduction

Having studied respondents' knowledge of the current pensions arrangements, it remains only to bring the story up to date by looking at the most recent developments and debates in pensions policy and assessing their likely impact on Bangladeshi and Pakistani men who have settled in Britain.

People without a second-tier pension

All employees earning above a set limit (£3,500 – the Lower Earnings Limit) are automatically in a second tier pension, either SERPS or a contracted-out pension (occupational or personal). The main group that often don't have a second-tier pension are self-employed people. Where members of minority ethnic groups are disproportionately likely to be self-employed, personal stakeholder pensions (see below) may provide an option where none existed previously.

The other groups who often end up without a second tier pension are carers or disabled people with intermittent work records. The new State Second Pension (planned for introduction in April 2002) will, for the first time, enable these groups to get a second pension. State Second Pension will reform SERPS by improving the support available to lowest-paid workers (earning £3,500 – £9,500 p.a.), enabling them to build up better second pensions than under SERPS. It will also extend entitlement to carers and disabled people with intermittent work records.

Stakeholder pensions

Individuals may contribute to a stakeholder plan (if eligible) from 6 April 2001. Stakeholder pensions are aimed primarily at individuals who earn between £10,000 and £20,000 p.a. who cannot join an occupational pension scheme and who may not be suited to a personal pension.

Employers with five or more employees who do not offer an occupational pension scheme will, with certain exceptions, have to provide access to a designated stakeholder pension scheme. These employers do not have to provide access until 8 October 2001. (See Appendix 1 for more details.)

Firms with fewer than five employees will be exempt from providing stakeholder pensions. This means that some two-thirds of British employers who employ about 750,000 workers will be outside the stakeholder pension scheme (Woodcock, 2000a).

However, anybody under the age of 75 can start a stakeholder plan for themselves if they are resident in the UK and are not in an occupational scheme earning in excess of £30,000 a year (unless a controlling director). So employees in small businesses can still benefit from a stakeholder scheme if their employer does not have to provide access, although they would obviously not benefit from any employer contributions.

The stakeholder pension is designed to be low cost with charges equal to approximately 1 per cent of the funds being managed. However, Guardian Employee Benefits argue that this low cost has been achieved by not making proper

allowance for the cost of providing independent advice, thereby increasing consumers' vulnerability to pensions mis-selling (Reuters, 2000a). If potential contributors to the stakeholder pension scheme want such personal advice, pension providers will be allowed to make an additional up-front charge in respect of this (Woodcock, 2000a).

The minimum monthly employee contribution of £20 is more than the £10 originally proposed but is unlikely to produce an adequate second-tier retirement pension (Woodcock, 2000a) – and some scheme providers may also accept payments of less than £20. The low contribution level might help to make stakeholder pensions attractive to potential contributors, particularly those who complained that they could not afford to make adequate provision through either an employer's final salary occupational pension scheme or through a personal pension plan. However, for individuals who earn less than £10,000 a year (e.g. low earners) a stakeholder pension may not be a good choice. An alternative is the Second State Pension (see above). Both the Minimum Income Guarantee and the Pensioner Credit would also be important for individuals in this earning bracket.

Of course, all this is academic if the public lacks the requisite information with which to make pensions decisions. The problem is the lack of accessible information in the public domain. Much has been written about stakeholder pensions in the specialist press but the mainstream press has tended to leave this subject alone. Consequently, there is a lack of knowledge among both small to medium employers, and among the general public, many

of whom are going to be faced with a new set of pensions decisions, in particular between SERPS (or the State Second Pension when it is introduced) and stakeholder pensions.

With regard to employers, the evidence up to January 2000 suggested that few are aware of either stakeholder pensions or their obligations to make them available to their workers. For example, a study of 1,500 independent financial advisors by Scottish Equitable revealed that 63 per cent of respondents thought employers were not aware of the forthcoming introduction of stakeholder pensions (Reuters, 2000a). Nor had the situation improved significantly by August 2000 when it was revealed that Britannic Assurance had commissioned a National Opinion Poll study of 400 small and medium businesses and found that almost half of the respondents knew nothing about the stakeholder pension. However, 46 per cent of respondents had decided to offer stakeholder pensions to their workforce (Atherton, 2000c).

The major pensions providers, including insurance companies, banks and building societies, do not seem to be adopting a particularly determined approach to the launch of their new stakeholder pensions products. If they were, their efforts would be focused on employers who would be much better informed than is suggested by the studies mentioned above. Given that stakeholder pensions are aimed at low-paid workers and have a cap on the management charges, some potential providers may believe that the consequently low returns on these money-purchase schemes are not sufficiently attractive to justify the cost of developing new products and training their sales forces.

A partial solution to the problems caused by employers' lack of knowledge came in October 2000 with the setting up of a new helpline run by the Occupational Pensions Advisory Service (OPAS). The helpline provides employers with expert information on stakeholder pensions. Staffed by trained advisors, the helpline is funded by the DSS and the Financial Services Agency (10 Downing Street website, 2000). Other steps being taken before October 2001 to increase employers' awareness include DSS representation at Inland Revenue conferences throughout the UK to answer questions and promote DSS literature on stakeholder pensions.

The value of providing a pensions helpline for workers was the subject of a study by Bunt *et al.* (2000). Their study of pensions helpline users found that members of minority ethnic groups tended to be under-represented. They accounted for 3 per cent of callers while members of minority ethnic groups account for 6 per cent of the general population (Bunt *et al.*, 2000, p. 26). Under-representation of ethnic minorities could be a result of their being a disproportionately younger group, as pensioners and older people made disproportionate use of the helpline. This does suggest, however, that Bangladeshi and Pakistani workers might derive at least some benefit from a helpline that provided accurate and impartial advice on stakeholder pensions, especially if consultation could establish a better way of targeting these communities.

OPRA on-line

One of the principal agencies responsible for regulating the pensions industry is the Occupational Pensions Regulatory Authority

(OPRA). In order to make itself more accessible to the public, OPRA has been using its website [www.opra.gov.uk] to conduct a number of on-line question and answer sessions (Atherton, 2000a). Such a service might be useful to those Bangladeshi and Pakistani workers who are young, reasonably well educated and affluent. However, it is unlikely to reach those who are older or who, for various reasons, lack familiarity with or access to the Internet.

Conclusion

By creating a new pension product that is designed not for the workforce as a whole but for low-paid workers, the Government risked discouraging the major pensions providers from getting involved in this new market. As the launch date neared, it was apparent that most of the main providers were ambivalent about providing stakeholder pensions. At once, they were reluctant to become heavily involved in this new market that could challenge their personal pensions business but, at the same time, frightened of being left out altogether in case it should prove to be a valuable source of additional income.

In the absence of compulsion, those low-paid workers who have thus far not felt inclined to contribute to a second-tier pension scheme are unlikely to be attracted by a stakeholder pension. It is difficult to imagine many of the Bangladeshi and Pakistani men who formed the subject of this research making use of stakeholder pensions. Indeed, the arrival of a new pension product might serve only to further complicate the pensions choice they previously faced.

Bibliography

10 Downing Street website (2000) 'Pensioners income changes – the details', 11 April [www.pm.gov.uk/news.asp]

Ahmad, Mirza Tahir (1992) *Islam's Response to Contemporary Issues*. Tilford: Islam International Publications

Ahmad, Waqar I.U. and Walker, Reg (1997) 'Asian older people: housing, health and access to services', *Ageing and Society*, Nos 1–2, March, pp. 141–62

Akhtar, Ramzan (1992) 'An Islamic framework for employer–employee relationships', *American Journal of Islamic Social Sciences*, Vol. 19, No. 2, Summer, pp. 206–18

Amin, K. with Oppenheim, Carey (1992) *Poverty in Black and White: Deprivation and Ethnic Minorities*. London: CPAG with Runnymede Trust

Anwar, Muhammed (1979) *The Myth of Return: Pakistanis in Britain*. London: Heinemann

Atherton, Mark (1999) 'Ignorance of stakeholder pension', PA News, 30 November

Atherton, Mark (2000a) 'OPRA goes online for questions', PA News, 30 March

Atherton, Mark (2000b) 'Experts slam government pension initiative', PA News, 12 July

Atherton, Mark (2000c) 'Survey reveals stakeholder ignorance', PA News, 15 August

Atkin, Karl, Cameron, Elaine, Badger, Frank and Evers, Helen (1989) 'Asian elders' knowledge and future use of community social and health services', *New Community*, Vol. 15, No. 3, April, pp. 439–45

Ballard, Roger (ed.) (1994) *Desh Pardesh: The South Asian Presence in Britain*. London: Hurst & Company

Ballard, Roger (ed.) (1994) 'The emergence of Desh Pardesh', in Roger Ballard (ed.) *Desh Pardesh: The South Asian Presence in Britain*. London: Hurst & Company

Ballard, Roger (1996) 'The Pakistanis: stability and introspection', in Ceri Peach (ed.) *Ethnicity in the 1991 Census, Volume 2: The Ethnic Minority Populations of Great Britain*. London: Office of National Statistics/HMSO

Barker, Jonathan (1984) *Black and Asian Old People in Britain*. Mitcham: Age Concern Research Unit

Berthoud, Richard (1997) 'Income and standards of living', in Tariq Modood *et al.* *Employment in Ethnic Minorities in Britain: Diversity and Disadvantage, the Fourth National Survey of Ethnic Minorities*. London: Policy Studies Institute

Blakemore, Kenneth and Boneham, Margaret (1994) *Age, Race and Ethnicity: A Comparative Approach*. Buckingham: Open University Press

Bloch, Alice (1993) 'Improving access to benefits for minority groups', *Benefits*, No. 9, January, pp. 3–6

Brown, C. (1984) *Black and White Britain: the Third National Study of Ethnic Minorities*. London: PSI

Brown, Judith and Foot, Rosemary (eds) (1994) *Migration: the Asian Experience*. London: Macmillan

Bunt, Karen, Adams, Lorna and Vivian, David (2000) *Evaluation of the Pension Power for You Helpline*. DSS Research Report No. 121. London: HMSO

- Coleman, David and Salt, John (eds) (1996) *Ethnicity in the 1991 Census, Volume 1: Demographic Characteristics of the Ethnic Minority Populations*. London: Office of Population, Census and Surveys/HMSO
- Craig, Gary and Rai, Dhanwant K. (1996) 'Social security, community care – and "race": the marginal dimension', in Waqar I.U. Ahmad and Karl Atkin (eds) *Race and Community Care*. Buckingham: Open University Press
- Dean, Hartley and Khan, Zafar (1997) 'Muslim perspectives on welfare', *Journal of Social Policy*, Vol. 26, No. 2, April, pp. 193–209
- Deane, John (1999) 'Government pushes ahead with welfare reforms', PA News, 17 November
- Department of Social Security (DSS) (1998a) 'Denham calls for better debate on compulsion for second tier pensions', DSS press release No. 98/109, 30 April
- Department of Social Security (1998b) *Social Security Statistics*. London: HMSO
- Department of Social Security (2000a) 'Cash boost for pensioners from today', DSS press release No. 00/105, 9 April
- Department of Social Security (2000b) 'Individual pension accounts: helping more people save for the future', DSS press release No. 00/203, 11 July
- Eade, John, Vamplew, Tim and Peach, Ceri (1996) 'The Bangladeshis: the encapsulated community', in Ceri Peach (ed.) *Ethnicity in the 1991 Census, Volume 2: The Ethnic Minority Populations of Great Britain*. London: Office of National Statistics/HMSO
- Fevre, Ralph (1984) *Cheap Labour and Racial Discrimination*. Aldershot: Gower
- Gardner, Katy and Shukur, Abdus (1994) 'I'm Bengali, I'm Asian and I'm living here: the changing identity of British Bengalis', in Roger Ballard (ed.) *Desh Pardesh: the South Asian Presence in Britain*. London: Hurst & Company
- Gordon, Paul and Newnham, Anne (1985) *Passport to Benefits? Racism in Social Security*. London: Child Poverty Action Group and the Runnymede Trust
- Green, Adrian (1997) 'Patterns of ethnic minority employment in the context of industrial and occupational growth and decline', in Valerie Karn (ed.) *Ethnicity in the 1991 Census, Volume 4: Employment, Education and Housing among Ethnic Minority Populations of Britain*. London: The Stationery Office
- Greenhill, Sam (2000) 'Pensioners urged to claim their benefits', PA News, 5 May
- Hancock, R., Jarvis, C. and Mueller, G. (1995) *The Outlook for Incomes in Retirement, Social Trends and Attitudes Retirement Income Inquiry*. London: King's College
- HM Treasury (2000) 'Individual pension accounts consultation document HM Treasury', August [www.hm-treasury.gov.uk/docs/2000/ipa/110/00.html]
- Jacobson, Jessica (1997) 'Religion and ethnicity: dual and alternative sources of identity among younger British Pakistanis', *Ethnic and Racial Studies*, Vol. 20, No. 2, April, pp. 238–54
- Jones, Trevor (1993) *Britain's Ethnic Minorities: an Analysis of the Labour Force Survey*. London: Policy Studies Institute

Ethnic minorities and their pensions decisions

- Jupp, Thomas C. and Davies, Evelyn (1974) *The Background and Employment of Asian Immigrants: a Manual for Preparing Short Courses, Talks and Discussions*. London: Runnymede Trust
- Karn, Valerie A. (ed.) (1997) *Ethnicity in the 1991 Census, Volume 4: Employment, Education and Housing among Ethnic Minority Populations of Britain*. London: The Stationery Office
- Law, Ian, Hylton, Carl, Karmani, Alyas and Deacon, Alan (1994) 'Perceptions of social security amongst black minority ethnic groups: evidence from fieldwork in Leeds', paper presented to the annual conference of the Social Policy Association, University of Liverpool, 12 July
- McFarland, Elaine, Dalton, Mike and Walsh, Dave (1989) 'Ethnic minority needs and service delivery: the barriers to access in a Glasgow inner city area', *New Community*, Vol. 15, No. 3, April, pp. 405–14
- Mason, David (1995) *Race and Ethnicity in Modern Britain*. Oxford: Oxford University Press
- Modood, Tariq, Beishon, Sharon and Virdee, Satnam (1994) *Changing Ethnic Identities*. London: Policy Studies Institute
- Modood, Tariq et al. (1997) *Employment in Ethnic Minorities in Britain: Diversity and Disadvantage, the Fourth National Survey of Ethnic Minorities*. London: Policy Studies Institute
- Occupational Pensions Regulatory Authority (2000) 'Stakeholder pensions', August [www.opra.gov.uk.stakeholder/index.shtml]
- Office of National Statistics (1997) *Social Trends 27*. London: HMSO
- Oldham MBC, Chief Executive's Policy Unit (1993) 'Poverty in Oldham', in *Poverty Profile of Oldham*. Oldham: Oldham MBC
- Oldham MBC, Chief Executive's Policy Unit (1997) *Ethnic Population Projections for Oldham: Results for Mid-1996 to Mid-2011*. Oldham: Oldham MBC
- Owen, David (1996) 'Size, structure and growth of ethnic minority populations', in David Coleman and John Salt (eds) *Ethnicity in the 1991 Census, Volume 1: Demographic Characteristics of the Ethnic Minority Populations*. London: Office of Population, Census and Surveys/HMSO
- Owen, David (1997) 'Labour force participation rates, self-employment and unemployment', in Valerie Karn (ed.) *Ethnicity in the 1991 Census, Volume 4: Employment, Education and Housing among the Ethnic Minority Populations of Britain*. London: The Stationery Office
- Peach, Ceri (1994) 'Three phases of South Asian emigration', in Judith Brown and Rosemary Foot (eds) *Migration: the Asian Experience*. London: Macmillan
- Peach, Ceri (ed.) (1996) *Ethnicity in the 1991 Census, Volume 2: The Ethnic Minority Populations of Great Britain*. London: Office of National Statistics/HMSO
- Quayyum, M.A. (1988) 'Bangladeshi in the North West', workshop paper, Oldham Social Services
- Quinn, Joe (2000) 'Pensioners to get their hotline to benefits', PA News, 26 May

- Ratcliffe, Peter (ed.) (1996) *Ethnicity in the 1991 Census, Volume 3, Social Geography and Ethnicity in Britain: Geographical Spread, Spatial Concentration and Internal Migration*. London: HMSO
- Rees, P. and Phillips, D. (1996) 'Geographical patterns in a cluster of Pennine cities', in Peter Ratcliffe (ed.) *Ethnicity in the 1991 Census, Volume 3, Social Geography and Ethnicity in Britain: Geographical Spread, Spatial Concentration and Internal Migration*. London: HMSO
- Reuters (1999) 'Britain unveils welfare reform plans', Reuters, 17 November
- Reuters (2000a) 'UK employers unaware of government pension plans – survey', Reuters, 5 January
- Reuters (2000b) 'UK employers unaware of government plans – survey', Reuters, 1 February
- Shaw, Alison (1994) 'The Pakistani community in Oxford', in Roger Ballard (ed.) *Desh Pardesh: The South Asian Presence in Britain*. London: Hurst & Company
- Smith, D. (1977) *The Second National Study of Ethnic Minorities*. London: PSI
- Timmins, Nicholas (1999) 'New package to "attract modest earners and boost mobility"', *Financial Times*, 4 February
- Timmins, Nicholas, Martinson, Jane and Wighton, David (1999) 'Government launches pensions revolution', *Financial Times*, 4 February
- Titmuss, Richard M. (1976a) 'The relationship between social security and social service benefits: an overview', in Richard Titmuss *Commitment to Welfare* (2nd edn). London: George Allen and Unwin
- Titmuss, Richard M. (1976b) 'The role of redistribution in social policy', in Richard Titmuss *Commitment to Welfare* (2nd edn). London: George Allen and Unwin
- Warnes, Tony (1996) 'The age structure and ageing of ethnic groups', in David Coleman and John Salt (eds) *Ethnicity in the 1991 Census, Volume 1: Demographic Characteristics of the Ethnic Minority Populations*. London: Office of Population, Census and Surveys/HMSO
- Werbner, Pnina (1994) 'Renewing an industrial past: British Pakistani entrepreneurship in Manchester', in Judith Brown and Rosemary Foot (eds) *Migration: the Asian Experience*. London: Macmillan
- Woodcock, Andrew (2000a) 'Small firms "exempted" from new pension scheme', PA News, 10 January
- Woodcock, Andrew (2000b) 'OAPs' minimum payment too low – says Minister', PA News, 5 July

Appendix 1: Pensions – a glossary

At the heart of British pensions policy is the principle that most people should have a basic retirement pension and a second-tier pension in the form of a State Earnings-related Pension, an occupational pension or a personal pension. Furthermore, there is encouragement for those who contribute to an occupational pension scheme to take out either additional voluntary contributions with their employer or free-standing additional voluntary contributions with a private sector provider.

The pensionable age is 65 years for a man and 60 years for a woman. However, the retirement age for women will be increased to 65 years in stages between the years 2010 to 2020.

Basic retirement pension

The basic retirement pension is managed by central government agencies. It is paid for by National Insurance contributions and payment of this pension is undertaken by the Benefits Agency. A person's entitlement to this pension depends on their age and their National Insurance contribution record. To qualify for a full pension in their own name, a person must have an 'adequate' contribution record over their working life. This pension is paid at two flat rates: there is a lower rate for single people and a higher rate for those couples of whom either one has an adequate contribution record. Where both partners have adequate National Insurance contribution records, they will each qualify for a single person's basic retirement pension, the sum of which is greater than the higher rate which is payable to a couple.

The basic retirement pension is up-rated annually in line with the Retail Price Index.

Minimum Income Guarantee

Since April 1999, a Minimum Income Guarantee has been in operation. This ensures that all retirement pensioners receive no less than an age-related minimum income (see Table 6 in Chapter 6). The principal beneficiaries are those without any other source of income – which includes people who receive little or no second-tier pension (and have no alternative financial provision for retirement).

State Earnings-related Pension Scheme (SERPS)

The State Earnings-related Pension Scheme is managed by central government agencies and was created by legislation in 1975 that became effective in 1978.

In exchange for a slightly higher National Insurance contribution, the State Earnings-related Pension Scheme provided a modest earnings-related retirement pension based on a worker's best 20 years' earnings, in addition to the flat-rate basic retirement pension (mentioned above), to all workers whose employers did not provide an occupational pension scheme. The legislation provided that, from 1978, all full-time employees had to contribute to either an employer's occupational pension scheme which had been authorised to contract out of SERPS, or to SERPS itself. Henceforth, there were two possible outcomes for any worker who changed employers:

- 1 One possibility was that the employee's contributions to the occupational pension fund to date would be frozen until retirement and, in the meantime, the employee would commence contributing

to his or her new employer's occupational scheme (if one existed).

- 2 Alternatively, the worker might be allowed to withdraw from the first employer's occupational pension scheme, usually where the period of membership had been less than five years (though the precise regulations vary between schemes). Where this occurred, the employee received a refund of contributions (usually valued at somewhat less than their real worth) from which a sum had been deducted in order to 'buy into' SERPS for the period no longer covered by the former employer's pension scheme.

A third outcome is for the worker's contributions to be transferred to the occupational scheme of the new employer.

The value of SERPS contributions is to be reduced from 25 per cent of the contributor's best 20 years' average relevant earnings to 20 per cent of the contributor's average lifetime relevant earnings. This measure is being phased in during the period 6 April 1999 to 6 April 2009.

Since July 1988, it has been possible for contributors to SERPS to opt for contracted-out personal pensions instead. This involves choosing from a wide variety of pension providers. There is tax relief on contributions up to a maximum of 17.5 per cent and there is a National Insurance Rebate of 5.8 per cent. Retirement can begin at any time between the ages of 50 and 75 years.

Final earnings occupational pension schemes

Final earnings occupational pension schemes are set up and managed by employers to provide a retirement pension that is usually a percentage of each employee's final earnings.

'Final earnings' are calculated according to a formula specified in the pension scheme's constitution. For example, in some cases, it is literally the last 12 months' earnings; sometimes it is an average of the last three years' earnings, or it might be the best of the last three years' earnings. The worker then receives a fraction (e.g. one-eightieth) of this average figure for each year of service. So, if they have worked with their present employer for 20 years, they will receive a quarter (twenty-eightieths) of their final earnings figure. In a final earnings occupational pension scheme, the more years' service an employee has with their employer, the larger the proportion of their final earnings that will be paid as a pension on retirement.

The levels of pension fund contributions are decided by an actuary who takes account of such factors as the following:

- *The age of the workforce:* this affects life expectancy and, therefore, the number of years over which a retired worker will draw their pension. It therefore affects the cost of providing a pension.
- *The gender mix of the workforce:* as before, this affects life expectancy and, therefore, the number of years over which pensions will be drawn. It costs more to provide pensions for a workforce that consists largely of women than for one which consists largely of men.

- *Likely future returns on investments*, since this will determine how much must be invested now in order to produce a reasonable pension in, say, 30 years' time.

The actuary calculates the percentage of earnings that should be paid into the pension fund and invested in order to produce sufficient funds to pay pensions.

Many occupational pension schemes were set up by medium and large employers as an incentive to potential employees to join their staff and as a disincentive to current employees who might otherwise have considered changing jobs. Although the proportion of the workforce belonging to such schemes has grown over the years, peaking at around 1967–1970, it has long been realised that such schemes did not extend maximum potential benefit of an earnings-related pension (usually based on final salary) to more than a very small percentage of all members. In fact, members frequently only benefited from their contributions to their last employer because earlier job changes resulted in refunds of contributions (reduced by the amount necessary to contract back into SERPS and the lost tax relief on the contributions). In other instances, retirees who drew occupational pensions from a succession of employers received considerably less than would have accrued had their entire working lives been spent with one employer.

Personal pension plans

Personal pension plans have existed since the 1950s and have in the past been primarily associated with self-employed workers. However, before July 1988, there was also a

small proportion of employed people using personal pensions as an addition to either their employer's occupational pension scheme or, where none existed, as an additional provision to that made through SERPS.

Since July 1988, it has been possible for workers who contributed either to an occupational pension or to SERPS to opt out of these schemes and take out a personal pension plan instead. A personal pension plan can either be free-standing or set up by an employer. In contrast with occupational pensions, where in theory at least the main determinant of pension level is final earnings, the crucial factors in determining the level of income are:

- the quality of investment and the performance of shares generally
- the ability of the retiree to get a good rate of return on the annuity when it is purchased at the point of retirement
- the rate of inflation during the post-retirement period. The fixed/pre-determined rate of return on annuities can leave their owners extremely vulnerable during periods of high inflation or during a prolonged period in which a modest rate of inflation prevails.

It is important to remember that the first two years' contributions are largely taken up by set-up costs and commission. Furthermore, employers do not have to contribute to their employees' personal pension plans. Taken together, this will mean that many workers who ceased contributing to their personal pension plan after a short period will find that they have little or nothing in the way of benefits when they retire. Similarly, there are many workers

currently contributing really small sums to personal plans who will probably be shocked to discover the modest extent of their benefits on retirement. On retirement, many of these contributors are likely to find that all they have done is disqualify themselves from receiving the Minimum Income Guarantee.

Contracted-out money purchase schemes

The Social Security Act 1986 allows employers to provide their employees with *contracted-out money purchase schemes* (COMPS) which operate in the same way as a personal pension plan except that the choice of provider is that of the employer. The ‘contracted-out’ status means that the contributor no longer contributes to SERPS. They cannot transfer their accrued SERPS contributions to their COMPS. However, they will not lose their entitlement to benefits resulting from any SERPS contributions paid to date. A COMPS pension is similar to a final salary occupational pension scheme in that the employer makes a contribution towards the contributor’s pension and towards the management costs of the scheme. However, at retirement, the benefits will take the form of a lump sum with which an annuity is to be purchased. The size of the lump sum is difficult to predict and, in any case, it is the value of annuity that can be purchased (rather than final earnings and number of years’ contributions) that will determine retirement income.

Additional voluntary contributions

Additional voluntary contributions (AVCs) are offered by employers with final earnings occupational pension schemes and provide their

contributors with a means of topping up an occupational pension entitlement. However, unlike a final earnings occupational pension scheme, whose value is based on a combination of final earnings and number of years’ service, additional voluntary contributions operate in exactly the same way as a personal pension plan, i.e. on a money-purchase basis.

Free-standing additional voluntary contributions

Free-standing additional voluntary contributions (FSAVCs) work in much the same way as additional voluntary contributions and provide a means by which a final earnings occupational pension scheme contributor can top up their retirement provision. The main difference is that they are provided not by an employer but by an independent provider, most commonly an insurance company that also offers personal pensions.

Stakeholder pension

With effect from 6 April 2001, stakeholder pensions provide a low-cost money-purchase pension plan aimed at people earning between about £10,000 and £20,000 per annum. They are primarily for people who cannot join an occupational scheme and/or whose circumstances mean that a personal pension is not suitable for them. It is hoped that they will be an alternative to SERPS as a means of providing a second-tier pension. The measures that govern stakeholder pensions are contained in the Welfare Reform and Pensions Act 1999 and the Stakeholder Pension Schemes Regulation 2000 Statutory Instrument 1403.

Ethnic minorities and their pensions decisions

According to the Occupational Pensions Regulatory Authority (OPRA, 2000), the principal qualities that a pension scheme must have in order to qualify as a stakeholder pension are as follows:

- 1 The stakeholder pension must operate on a money-purchase basis.
- 2 The stakeholder pension managers must not levy charges of more than 1 per cent of the fund's asset value.
- 3 The stakeholder pension scheme must be registered with the Occupational Pensions Regulatory Authority. The register is available for view on the Occupational Pensions Regulatory Authority website [www.opra.gov.uk].
- 4 The minimum contribution level should not normally be less than £20 per month (but there are cases where it is possible to contribute less). Although this is a very low minimum contribution, unlikely to produce a generous second-tier pension, it has been set at this level by the Department of Social Security in the hope

that few potential contributors are discouraged from joining.

- 5 The maximum annual contribution is £3,600 (including tax relief).
- 6 A stakeholder pension scheme must accept transfers.

An individual can contribute towards a future stakeholder pension either by making payments to a trust fund managed by a board of trustees or by making an individual contract with a stakeholder manager (e.g. a bank, building society or insurance company) that has been authorised by the Financial Services Authority to carry out stakeholder business.

Employers with five or more employees must designate a stakeholder pension scheme and ensure that its workers have access to it.

In order to encourage SERPS contributors to use stakeholder pension schemes as a means of contracting out of SERPS, a National Insurance rebate is payable to ex-SERPS contributors' stakeholder pension plans (Occupational Pensions Regulatory Authority, 2000).

Appendix 2: Survey instrument – main

Knowledge of state and private pensions

Hello, my name is ... I've come on behalf of the Manchester Metropolitan University to interview ... about people's recent employment, pensions provision and their needs for information.

It will take about 45 minutes and we will pay you £10 for taking part.

Everything you say is in complete confidence. There is no question of selling pensions or any other financial product.

I'd like to start by asking a few background questions.

Ethnic minorities and their pensions decisions

Opening section: background information

Q 1. Which one of these describes your command of the English language?

Native speaker

Fluent

Reasonable working knowledge

Q 2. How well can you read and write English language?

Please tick as appropriate:

	Read	Write
<i>ENGLISH</i>		
Fluently		
Reasonable working knowledge		
Basic		
Not at all		

Q 3a. What country were you born in?

.....

If not born in Britain go to Q 3b.:

Q 3b. How long have you lived in Britain?

..... years

Part A: personal information

Q 1. Can I ask how old you are?

..... years

Q2. And are you married?

Please tick as appropriate:

	<input type="checkbox"/>
Married	
Widowed	
Divorced	
Unmarried, living with partner	
Single	

Q3. Do you have any children?

	<input type="checkbox"/>	
YES		<i>go Q 4</i>
NO		<i>go Q 5</i>

Q4. Can I ask how many are sons and how many are daughters, and how old they are?

Child	M/F	Age
1		
2		
3		
4		
5		
6		

Ethnic minorities and their pensions decisions

Q 5. *Young respondents only:*

Are your parents working?

Tick as appropriate:

	Mother	Father
	<input type="checkbox"/>	<input type="checkbox"/>
Retired		
Employed		
Self-employed		
Unemployed		
Deceased		
Have lost contact		
Other (please specify):		

Part B: employment

Now I'd like to ask you about firms you have worked for and whether they are going to provide you with a future retirement pension.

Q 6. Do you have a job at the moment?

	<input type="checkbox"/>	
YES		<i>go Q 7a</i>
NO		<i>go Q 24</i>

Q 7a. What sort of work are you doing?

If possible discover job title

.....

Q 7b. Is it full-time or part-time?

	<input type="checkbox"/>	
Full-time		go Q 8
Part-time		go Q 7c

Q 7c. How many hours do you normally work each week?

..... hours

Q 8. Would you say this type of work is:

Please tick as appropriate:

	<input type="checkbox"/>
Skilled	
Semi-skilled	
Unskilled	

Professional	
Managerial	
Semi-professional	

Q 9. Who do you work for?

.....

If self-employed, please tick:

	<input type="checkbox"/>
Self-employed	

Q 10. Is this a local employer?

Ask approximate address (e.g. town)

.....

Ethnic minorities and their pensions decisions

Q 11. And how long have you worked there/been self-employed?

..... years

If self-employed go to Q 26

Q 12a. Roughly how many people work there?

.....

Q 12b. Are these mainly full-time or part-time workers?

	<input type="checkbox"/>
Mainly full-time	
Mainly part-time	
Don't know	

Q 13. Does this employer provide an occupational pension for its staff?

	<input type="checkbox"/>	
YES		<i>go Q 14</i>
NO		<i>go Q 16b</i>
Don't know		<i>go Q 16b</i>

Q 14. Did you decide to join this?

	<input type="checkbox"/>	
YES		<i>go Q 15</i>
NO		<i>go Q 16a</i>
Don't know		<i>go Q 24</i>

Q 15. And have you remained in this pension scheme?

	<input type="checkbox"/>	
YES		<i>go Q 16a</i>
NO		<i>go Q 16a</i>
Don't know		<i>go Q 24</i>

Q 16a. So, in the last few years you had a choice between different types of pension provision. Did you choose:

Tick as appropriate:

	<input type="checkbox"/>
Occupational pension	
State Earnings-related pension	
Personal pension	
Don't know	

If 'don't know' go to Q 17

Otherwise go to Q 16b

Q 16b. And which type of pension did you choose?

Tick as appropriate:

	<input type="checkbox"/>
Occupational pension	
State Earnings-related pension	
Personal pension	
Don't know	

If 'don't know' go to Q 24

Otherwise go to Q 17

Q 17. As you made this decision what factors did you take into account?

.....

.....

.....

.....

.....

Ethnic minorities and their pensions decisions

Q 18. Who did you approach to get information that would help you with your decision?

.....

.....

.....

Q 19a *Prompt:* Did you discuss this with:

	<input type="checkbox"/>
Friends	
Family	
Workmates	

Q 19. And did you seek advice from any of the following?:

Prompt and tick as appropriate:

	<input type="checkbox"/>
Employer's leaflets	
Personnel/wages staff	
Financial advisor	
Bank	
Building society	
Insurance company literature	
Insurance company representatives	
Local/national radio	
Newspaper articles	
Other (please specify):	
.....	
.....	

Q 20. Did you feel that you had enough information to make your decision, or were there other things you would like to have known about?

.....

.....

.....

.....

Q 21. Looking back, have you had any doubts about the decision you made?

	<input type="checkbox"/>	
YES		go Q 22
NO		go Q 24

Q 22. What were these doubts?

.....

.....

.....

.....

Q 23a. So what did you do? Did you consider seeking further advice?

.....

.....

.....

.....

Q 23b. What lessons have you learned from your experience?

.....

.....

.....

.....

Ethnic minorities and their pensions decisions

Q 24. Just suppose you had definitely decided to take out a personal pension plan in the next few days.

How would you go about it?

.....

.....

.....

.....

Initially do NOT prompt. When this is exhausted, THEN use prompting.

(a) Interviewee would *get advice/information* from:

<i>Tick all that are mentioned</i>	Unprompted <input type="checkbox"/>	Prompted <input type="checkbox"/>
Bank		
Benefits Agency / Department of Social Security		
Building society		
Community groups		
Employer		
Family		
Financial advisor		
Friends		
Insurance companies		
Trade union		
Other (please specify):		
.....		

(b) *If interviewee has indicated 'Bank' or 'Building society', would this be:*

- (1) their *present* bank/building society/insurance company OR
- (2) a *well-known* bank/building society/insurance company OR
- (3) they would '*shop around*' the well-known banks/building societies/insurance companies.

Q 25. Have there been any other ways in which you have found out about pensions?

	<input type="checkbox"/>
YES	
NO	

If 'Yes', what ways were these?

.....

.....

.....

SELF-EMPLOYED ONLY:

Q 26. How are you making provision for retirement?

.....

.....

.....

ALL RESPONDENTS:

Q 27. Did you have any other jobs (before the present one)?

	<input type="checkbox"/>	
YES		<i>go Q 28</i>
NO		<i>go Q 30</i>
Don't know		<i>go Q 30</i>

Ethnic minorities and their pensions decisions

Q 28. Starting with your last job, can you tell me where you worked and what sort of pension, apart from the Basic Pension, each employer provided?

(Go back to 1978 if possible)

From	To	Employer's name	Approximate address (town)	Type of pension: (a) Occupnl (b) Personal (c) SERPS (d) Don't know	Type of contract: (a) Perm./F-time (b) Perm./P-time (c) Temp./F-time (d) Temp./P-time
		(1)			
		(2)			
		(3)			
		(4)			
		(5)			

Q 29. For each employer for which the respondent has indicated in Q 28 that they contributed to an occupational pension scheme, ask:

When you left (*each employer's name*) what happened to your occupational pension contributions? Did you:

Please tick as appropriate:

	Employer 1	Employer 2	Employer 3	Employer 4	Employer 5
Transfer them to your new employer					
Leave them with former employer's pension fund					
Take a refund and contract back into SERPS					
Use them to purchase a personal pension plan					
Other (please specify):					

Part C: general information

Q 30. I'm interested in where you get *general* information. Which of the following have you done in the last week – have you:

Tick as appropriate:

	☐ Prompted
Read a local newspaper	
Read a national newspaper	
Listened to local radio <i>which station?</i>	
Listened to national radio	
Watched television	
Had contact with any community groups	
Read any employers' leaflets	

Q 31. Can you think of any other sources of information that you have used in the last week?

.....

Q 32. Which of the following do you find are the best sources of good information: (*read out*):

	☐
Local newspapers	
National newspapers	
Local radio	
National radio	
Television	
Community groups	
Employers' leaflets	
Other (please specify):	

Ethnic minorities and their pensions decisions

Part D

Q 33a. Do you own your home or do you rent it?

	<input type="checkbox"/>
Home-owner	
Rented from private landlord	
Rented from local authority	
Rented from housing association	
Live with parents	
Other (please specify):	

Q 33b. Have you moved house since your last job change?

	<input type="checkbox"/>
YES	
NO	

Part E

All respondents

Now I'd like to ask some questions about how you would obtain information about pensions.

Q 35. Did you know that the DSS provides leaflets on social security?

	<input type="checkbox"/>	
YES		<i>go Q 36</i>
NO		<i>go Q 38</i>
Didn't know		<i>go Q 38</i>

Q 36. Have you ever used any of these DSS leaflets?

	<input type="checkbox"/>	
YES		<i>go Q 37a</i>
NO		<i>go Q 38</i>
Don't know		<i>go Q 38</i>

Q 37a. Did you use leaflets that were written in English or had they been translated into another language?

Please tick:

	<input type="checkbox"/>
English	
Other (please specify):	

Q 37b. Did you find them useful?

	<input type="checkbox"/>
YES	
NO	

Q 38. Have you seen any leaflets on pensions or social security prepared by local groups/advice centres/Citizens' Advice Bureaux?

	<input type="checkbox"/>	
YES		<i>go Q 39</i>
NO		<i>go Q 41a</i>
Don't know		<i>go Q 41a</i>

Ethnic minorities and their pensions decisions

Q 39. Did you find them useful?

	<input type="checkbox"/>	
YES		<i>go Q 40</i>
NO		<i>go Q 40</i>
Don't know		<i>go Q 41a</i>

Q 40. Why was this?

.....

.....

.....

.....

Part F: Knowledge of pensions operations

I'd like to ask you some questions about the different types of pension that are available to us. As before, if you don't know the answer to a question, just say so. Very few people know the answers to all these questions.

Q 41a. How does the state basic retirement pension work? For example, can you tell me who manages it and how it is paid for?

.....

.....

.....

.....

Q 41b. And how is the *value* of the basic retirement pension decided?

.....

.....

.....

.....

Q 42. Can you tell me briefly how the State Earnings-related Pension Scheme works? For example, who manages it and how is it paid for?

.....

.....

.....

.....

Q 43a. Now can we talk briefly about personal pensions? For example, do you know who manages personal pensions and how they work?

.....

.....

.....

.....

Q 43b. And do you know how the value of a personal pension is calculated? Is it based on a person’s final earnings or will it be based on the amount they have paid into the personal pension plan?

	<input type="checkbox"/>
Final earnings-based	
Contribution-based	
Don’t know	

Q 43c. What would happen to someone’s *personal* pension if they were made redundant?

.....

.....

.....

.....

Ethnic minorities and their pensions decisions

Q 43d. What would happen to someone's *personal* pension if their employer closed down or went bust?

.....

.....

.....

.....

Q 44a. And how do occupational pensions work? For example, can you tell me how they are paid for?

.....

.....

.....

.....

Q 44b. And do you know how the value of an occupational pension is calculated? Is it based on a person's final earnings or is it based on the amount they have paid into the employer's pension fund?

	<input type="checkbox"/>
Final earnings-based	
Contribution-based	
Don't know	

Can you explain your answer?

.....

.....

.....

.....

Q 44c. What would happen to someone’s occupational pension if they changed jobs and moved to a different employer?

.....
.....
.....
.....

Q 44d. Who owns the actual occupational pension fund?

.....
.....

Q 44e. What would happen to a person’s *occupational* pension if their employer closed down or went bust?

.....
.....
.....
.....

Q 45. Generally speaking, how important do you think it is to have an occupational or personal pension?

.....
.....
.....
.....

Q 46. Do you think it is better to belong to an occupational pension scheme or to have a personal pension plan? Why? (*Probe*)

.....
.....
.....
.....

Ethnic minorities and their pensions decisions

Q 47a. Have you ever had any difficulty finding out about what you would be entitled to from your occupational or personal pension scheme?

	<input type="checkbox"/>	
YES		<i>go Q 47b</i>
NO		<i>go Q 47c</i>
Don't know		<i>go Q 47c</i>

Q 47b. Could you describe the difficulties:

.....

.....

.....

.....

Q 47c. If you did have any difficulties what would you do?

.....

.....

.....

.....

Part H: knowledge of pensions entitlements

I'd like to ask you a few questions about how different types of pension operate. If you don't know the answer just say so and don't worry about it. You'll be in good company. Please don't try to guess the answer.

Q 48. Can you tell me which of the following pensions you will qualify for on retirement:

Tick as appropriate:

Type of pension	☐		
Basic state retirement pension	YES	NO	Don't know
State Earnings-related Retirement Pension	YES	NO	Don't know
Occupational pension: <i>current</i> employer	YES	NO	Don't know
Occupational pension: <i>previous</i> employer	YES	NO	Don't know
Personal pension	YES	NO	Don't know

Q 49a. With regard to the pensions you will be entitled to, can you tell me what if anything you will have to do to claim them:

Type of pension	How to claim	☐
Basic state retirement pension		Don't know
State Earnings-related Retirement Pension		Don't know
Occupational pension: <i>current</i> employer		Don't know
Occupational pension: <i>previous</i> employer		Don't know
Personal pension		Don't know

Q 49b. When you retire, how much money do you think you will need each week to have a reasonable standard of living?

£ per week

Ethnic minorities and their pensions decisions

Part H

Q 50. I would like you to read these three statements and tell me which one is the closest to what you agree with: (*USE SHOW CARDS*)

- (a) I think adult children should expect to care for their retired parents.
- (b) I think adult children should only care for their retired parents if their parents cannot look after themselves.
- (c) I think adult children should concentrate on caring for their own families and not caring for their retired parents.

Q 51. I would like you to read these three statements and tell me which one is the closest to what you agree with: (*USE SHOW CARDS*)

- (a) I think adult children do not have a duty to give financial help to their retired parents. Parents should take care of themselves.
- (b) I think adult children should only give financial help to their retired parents if they are earning very good wages and their parents are really poor.
- (c) I think adult children should expect to give financial help to their retired parents.

Q 52. Do you think it is usual for young people (in your community) to help their retired parents?

	□	
YES		<i>go Q 53</i>
NO		<i>go Q 54</i>
Don't know		<i>go Q 54</i>

Q 53. What kind of help do young people give to their retired parents?

.....

.....

.....

.....

Q 54. Do you think your parents will need financial help when they are retired or will they be able to afford a reasonable standard of living?

	<input type="checkbox"/>
YES – they will need help	
NO – they will not need help	
Don't know	

Q 55. If your parents do need financial help when they are retired, do you think you will be able to give them financial support?

	<input type="checkbox"/>
YES	
NO	
Don't know	

Please explain:

.....

.....

.....

.....

Q 56. Is it likely that one day, when they are elderly, your parents will move in with you, or perhaps with another member of your family?

	<input type="checkbox"/>
Move in with me	
Move in with another family member	
Other	
Don't know	

Ethnic minorities and their pensions decisions

Please explain:

.....

.....

.....

.....

Q 57. Now I would like you to read these three statements and tell me which one is the closest to what you agree with: (*USE SHOW CARDS*)

- (a) When my children are grown up and I am retired, I expect they will look after me.
- (b) When my children are grown up and I am retired, I expect they will look after me only if they are earning very good wages and I am really poor.
- (c) When my children are grown up and I am retired, I do not think they should have to look after me.

Q 58. Do you think that you will need financial help when you are retired or will you be able to afford a reasonable standard of living?

	<input type="checkbox"/>
YES – I will need help	
NO – I will not need help	
Don't know	

Q 59. If you do need financial help when you are retired, do you think your grown-up children will be *able* to give you financial support?

	<input type="checkbox"/>
YES	
NO	
Don't know	

Please explain:

.....

.....

.....

.....

Thank you very much, etc.

Interviewer's comments

Reception and welcome

Problems with interview/questionnaire/understanding

Assessment of the interviewee's command of written and spoken English

Length of interview

Signature of interviewer:

Appendix 3: Survey instrument – hypothetical scenarios

Part G: hypothetical scenarios (*Use show cards*)

- 1a. A 44-year-old man was made redundant. His pension record consists of the following:
1978–97 he contributed to the State Earnings-related Pension Scheme for 19 years.

He has now found a new job with an employer that offers membership of an occupational pension scheme. Should he:

Please tick one:

- (i) take out a personal pension plan OR
- (ii) contribute to the State Earnings-related Pension Scheme OR
- (iii) join the new employer’s occupational pension scheme.

- 1b. How confident do you feel about the choice you have made?

Very uncertain	Not quite sure	Certain

- 2a. A 32-year-old labourer was made redundant. His pension record consists of the following:

- (a) 1985–88 he contributed to the State Earnings-related Pension Scheme for three years, and
- (b) 1988–98 he contributed to his employer’s occupational pension scheme for ten years.

He has now found a new job with an employer where he expects to stay for many years. However, this firm does not provide an occupational pension scheme. Should he:

Please tick one:

- (i) take out a personal pension plan OR
- (ii) contribute to the State Earnings-related Pension Scheme.

- 2b. How confident do you feel about the choice you have made?

Very uncertain	Not quite sure	Certain

Appendix 3: Survey instrument – hypothetical scenarios

3a. A 28-year-old man lost his last job in 1995. He had contributed to the State Earnings-related Pension Scheme for five years. He has just found a job on a two-year contract. His new employer provides an occupational pension.

Should this man:

- (i) join his employer’s occupational pension scheme OR
- (ii) take out a personal pension plan OR
- (iii) contribute to the State Earnings-related Pension Scheme.

3b. How confident do you feel about the choice you have made?

Very uncertain	Not quite sure	Certain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. A 55-year-old woman has been working in part-time jobs for the last 20 years. She now returns to full-time work with an employer that has no occupational pension scheme. This woman expects to retire when she is 60 years old.

Should she:

Please tick one:

- (i) take out a personal pension plan OR
- (ii) contribute to the State Earnings-related Pension Scheme.

4b. How confident do you feel about the choice you have made?

Very uncertain	Not quite sure	Certain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5a. A 22-year-old woman recently left college and is now employed as a clerical assistant on a two-year contract with a firm that offers an occupational pension scheme. Should she:

Please tick one:

- (i) join her new employer’s occupational pension scheme OR
- (ii) take out a personal pension plan OR
- (iii) start contributing to the State Earnings-related Pension Scheme.

Ethnic minorities and their pensions decisions

5b. How confident do you feel about the choice you have made?

Very uncertain	Not quite sure	Certain