Poverty and prosperity among Britain’s ethnic minorities

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Recent research provides evidence of continuing economic disadvantage among minority groups. But the wide variation between specific groups contradicts the notion that being a member of a minority group is, in itself, associated with financial hardship. This article summarises some of the quantitative evidence about ethnic minority incomes. Chinese and Indian households are characterised by a wide range of inequality within each group, with many prosperous families as well as some poor ones. Caribbean and African households are often poorer than white households, but Pakistanis and Bangladeshis are easily the poorest groups in Britain, and depend very heavily on means-tested benefits.
The disadvantaged economic position of minority ethnic groups has been a matter of concern since the main post-war migration started in the 1950s. W.W. Daniel's pioneering survey (1968) revealed the very high levels of unemployment among West Indian and Asian men, despite the fact that it was labour shortages which had attracted migrants to Britain in the first place. Those who had jobs generally occupied low skill and low status positions, and such data as were available about earnings suggested that they were low paid as well. These disadvantages in the work place were directly linked to objective evidence of discrimination by employers.

The vast expansion of research into these issues since that early study has continued to provide evidence about economic disadvantage among minority ethnic groups. But the picture has become much more complex over the decades. We can no longer assume that straightforward colour-based discrimination in recruitment or promotion is the primary reason for what are now known as ‘ethnic penalties’ in employment. And other factors, not directly concerned with jobs and earnings, also help to explain the distribution of income within and between ethnic groups. Moreover, the wide variation between specific groups contradicts the notion that being a member of a minority is, itself, associated with financial hardship.

This article summarises some of the quantitative evidence about ethnic minority incomes. Most of the material is derived from the Family Resources Survey (Berthoud, 1998), although other figures are quoted from the Fourth National Survey of Ethnic Minorities (Modood and others, 1997) and the Labour Force Survey (Berthoud, 2000; Owen and others, 2000; Twomey, 2001). Each of these surveys has its particular advantages: the first the quality of its income data, the second the detail of its attention to ethnicity, the third its huge sample sizes. All three broadly tell the same story.

Variations in educational qualifications provide a clear example of the range of diversity between ethnic groups. Of the six main minority ethnic groups, three are typically less well-qualified than white people in the same age group, while three are often better qualified. Pakistanis and Bangladeshis are among the least qualified groups, are showing signs of catching up, but Caribbeans, especially young men, show persistently low rates of entry to higher education. Indian, Chinese and African people, on the other hand, are all more likely than white people to achieve degrees or equivalent qualifications, and some statistics show particular minorities to be doing exceptionally well in the education system.

White men and women are more likely to have a job than members of any other ethnic group, but Indians and Chinese are very close behind them. In contrast, the rates of unemployment among Caribbeans, Africans, Pakistanis and Bangladeshis tend to be two or three times the white average. The incomes of Pakistanis and Bangladeshis are also affected by economic inactivity. Only half of Bangladeshi men, and just 15% of Bangladeshi women, have a job. Some of these patterns of activity in the labour market seem to reflect the variations just referred to, in education: Indian and Chinese groups fare better in both sectors than Caribbeans, Pakistanis and Bangladeshis. Africans, however, show that high levels of educational attainment do not necessarily reduce minority groups’ risk of unemployment.

The economic and social positions of minority groups

Although the main aim of this article is to discuss direct evidence about the levels and sources of income available to households in different minority ethnic groups, it is appropriate to start by summarising some other characteristics of minority populations which may help to explain their economic positions. There are three demographic points which need to be taken into account.

- Because much of the migration has occurred within recent decades, a much smaller proportion of black and Asian people than of white people are of pensionable age. There is good reason to believe that minority groups will have less than adequate pension provision, but because there are so few older people (so far) they do not contribute to the poverty statistics in the same way as white pensioners.
- Half of all Caribbean women with children are single mothers. Although they are rather more likely to have a job than white lone parents, the majority rely on means-tested benefits and face a high risk of family poverty.
- Pakistani and Bangladeshi families tend to have more children than is now common among white families. Large families have always been associated with high rates of poverty.
Rates of pay also vary widely between minority ethnic groups. Pakistani and Bangladeshi employees earn less than any other group – around 30% below the national average. Other minority groups also fall around 10 percentage points behind whites; on the other hand, some minority groups (Chinese men and women, Caribbean women) earn more, on average, than white men and women respectively.

The point of this brief sketch of demographic and economic backgrounds is to show that, while there are two minority groups (Pakistanis and Bangladeshis) for whom all the indicators suggest a very high risk of poverty, there is no simple causal link which says that minority groups in Britain suffer high rates of unemployment, and that this then leads them to poverty. It will be seen in the following that all minority groups do, in fact, have high rates of poverty, but the severity of the problem, and the causal factors involved, are at least as variable between minority groups, as between minorities as a whole and the white majority.

High and low household incomes

Ethnic comparisons of the income distribution have been based on the same income concepts, and mainly on the same data, as are used by the Department for Work and Pensions’ annual analysis of Households Below Average Income (DSS, 2000). Income is combined for all household members, net of tax but including social security benefits. The sum is divided by a factor based on the number and ages of people in the household. The national average is calculated, and each household’s net equivalent income is expressed in relation to the average.

Figure 1 illustrates the full distribution of income for each ethnic group. Among whites, for example, the 90th percentile is 68% above the national average; the 75th percentile 21% above average; the 25th percentile 43% below average and the 10th is 56% below average. These figures for whites provide a benchmark against which other minority ethnic groups can be compared.

There is good as well as bad news. A striking point is that better-off Chinese households tend to have higher incomes than those in any other ethnic group, including whites - the 90th percentile in the Chinese community is 20 percentage points above the white figure. This is consistent with a number of other indications that Chinese men and women have high levels of employment and of earnings. It should be said,

Figure 1: Percentiles (10, 25, 50, 75, 90) of the distribution of household income in relation to the national average

![Graph showing income distribution for different ethnic groups](image)

Note: Net equivalent household income before housing costs

*Percentiles*: if a representative group of 100 households is ranked in order of income, the figures show the incomes of the 10th from the bottom (also called the lowest decile), the 25th from the bottom (also known as the lower quartile), and so on.

Source: Family Resources Survey 1994/95 and 1995/96
however, that the Chinese income distribution is more widely stretched than any other, and this group also features strongly among the poor.

There are also indications of prosperity among better-off members of the Indian community. It is said that there are as many Indian millionaires in relation to the size of the population group as there are white millionaires. The surveys on which our statistics are based do not provide reliable estimates that high up the scale, but the 90th percentile for Indians is very close to the white figure. And if people of Indian origin who migrated to Britain after an extended period in East Africa are treated as a separate ethnic category, then African Asians join the Chinese as a group showing higher levels of prosperity than the white population. Yet again, however, inequalities within groups mean that there are poor as well as prosperous Indians.

When the focus switches to the other end of the scale, all the minority groups, even Chinese and Indians, recorded more households in poverty than whites. This is shown both by the position of the 10th percentiles in the figure, and in the proportions below the 'poverty line' in Table 1. The 16% of whites below half the national average is, of course, very close to the overall rate. Caribbeans and Indians both have higher levels of poverty. The Chinese have a higher rate too, although they are also well represented at the top of the income scale. As many as 31% of Africans are below the benchmark poverty line. This is an important finding, because they turn out to be significantly worse off than the Caribbeans with whom they are often combined in statistics. But Pakistanis and Bangladeshis are easily the poorest ethnic group in Britain. Three out of five are below the threshold. This is nearly four times the rate observed among white households.

One way of assessing the impact of poverty on minority ethnic groups is to show how the risk of falling below half the national average varies between types of household in each group, and between groups in each type of household. In the white population, only 9% of households containing any worker fall below the benchmark poverty line. For white households all of whose members are above pensionable age, the risk is 23%. For white non-pensioner households containing nobody in work, the risk is higher again, at 43%. This is exactly what would be expected from what we know of the workings of the labour market and the social security system.

In the minority ethnic groups, there are few pensioners, and this, on its own, ought to reduce the overall amount of poverty. The differences in risk between working and non-working households are always in the same direction as for whites. The levels of risk in each category are sometimes similar to whites, and sometimes higher. For most minority groups, it appears that increased levels of poverty are partly attributable to larger numbers of people of working age without employment, and partly due to lower levels of income once in that state.

The exceptions, again, are the Pakistanis and Bangladeshis. Half of their working households and three quarters of their non-working households fall below the poverty line. The risk of poverty among working Pakistani and Bangladeshi households is higher than the risk among non-working white households.

| Table 1: Proportion of people in households below 50% of the national average (%) |
|---------------------------------|---------|---------|---------|---------|---------|---------|
|                                | White   | Caribbean | African | Indian  | Pakistani/ Bangaleshi | Chinese |
| All households                 | 16      | 20        | 31      | 22      | 60                  | 28      |
| Working                        | 9       | 8         | 9       | 15      | 50                  | 18      |
| Pensioner                      | 23      | 29        |         |         |                     |         |
| Non-working non-pensioner      | 43      | 42        | 54      | 54      | 72                  |         |

Note: Net equivalent household income before housing costs. Cells with fewer than 50 households have been left blank.
Source: Family Resources Survey 1994/95 and 1995/96
Sources of income

Among working families, Chinese and Indians earn slightly more than whites, followed, in turn, by Caribbeans and Africans, with Pakistanis and Bangladeshis well behind the other groups.

Among pensioners, members of minority groups are rather less likely to receive the state pension, and often much less likely to have either an occupational pension or investment income than their white counterparts. These shortfalls can be explained by the relatively short periods that many migrants have lived in this country, as well as by the economic disadvantages they may have experienced since arriving. With the exception of Indians, minority groups also receive fewer insurance-based benefits if they are out of work below pensionable age.

The most striking feature of the composition of minority incomes is the extent to which black and Asian families in general, and Pakistanis and Bangladeshis in particular, rely on means-tested provision. This is especially true of working couples with children. Only 8% of white, Caribbean, Indian or Chinese working couples with children receive any means-tested benefit (the figures in this paragraph derive from the time when Family Credit was still the in-work benefit for families with children). The figure rises to 24% for Africans with this family structure, and 40% for Pakistanis and Bangladeshis. Of course, the Working Families’ Tax Credit, and its predecessor Family Credit, were designed for families with low earnings and many children, so Pakistanis and Bangladeshis are in the centre of the target population. Consequently, even for those able to find employment, the family income is often determined, in the end, as much by the scale rates of social security benefits as by their actual earnings.

When you also take account of the means-tested benefits received by the large number of non-employed families in some ethnic groups, the picture is even more striking. A total of £7 in every £100 received by white families consists of means-tested benefits—mainly Income Support, Housing Benefit and Council Tax Benefit. This is widely considered, on both the left and the right of the political spectrum, to be far too high. It is a drain on public expenditure, and keeps families at poverty levels of income, dependent on the state.

The proportion of income accounted for by means tests is very similar for the two relatively prosperous minority ethnic groups, the Chinese (£7 in every £100) and Indians (£8). It is rather higher for Caribbeans (£17 in every £100). It is much higher, however, for the two poorest groups, Africans and Pakistanis/Bangladeshis: for every £100 they have to spend, £27 and £34 respectively are accounted for by means-tested benefits. These are astonishingly high figures, and speak volumes about the scarcity of other resources for these families.

Diversity and inequality

A first conclusion of this type of analysis concerns the very wide range of economic positions observed among Britain’s minority ethnic groups. According to the indicator of prosperity used here—the 90th percentile of household income—well-off Chinese have more than twice as much income as Pakistanis and Bangladeshis. At the bottom of the scale, all minority groups have higher poverty rates than the white majority, but the Pakistanis and Bangladeshis face three times the poverty risk of Caribbeans.

These conclusions suggest that ‘ethnic minority’ (as a single category) is not a helpful way of summarising variations in income distribution. Specific minorities face high risks of poverty. Other specific minorities are remarkable more for the range of inequality within the group than for the difference between their average and either whites or other minorities.

By the same token, combinations of minorities based on skin colour are not helpful either. It is by now well established that the position of Indians is too far removed from that of Pakistanis and Bangladeshis to cover all three groups under the heading ‘South Asian’. As new evidence about the small African community emerges, it is becoming clear that they cannot be combined with Caribbeans under the heading ‘black’ either: Africans are significantly more likely to experience unemployment and poverty, in spite of their much higher levels of education.

The diversity of experiences even among men and women with the same skin colour also raises complex questions about the role of racial discrimination. It is known that employers continued to discriminate after it was made illegal, although no objective tests have been carried out for many years now. Ethnic penalties
in the labour market remain an important issue, but it would be a sophisticated form of discrimination that could distinguish so effectively between Caribbeans and Africans, or between Indians (on the one hand), and Pakistanis or Bangladeshis (on the other).

The number of young people of Chinese or Indian origin now achieving university degrees may be associated with the successful economic trajectories of those communities. This has led to some optimism about the potential role of education as a counter to racial disadvantage. But other evidence may suggest less hopeful conclusions. Caribbeans (especially men) continue to experience disadvantages in the education system which inevitably hinder their progress in employment. And Africans remain among the poorest groups, despite being among the most highly educated.

Some minority ethnic groups have reached higher levels of income than might have been feared 10 or 20 years ago. But that should not obscure the serious poverty experienced by two groups: Pakistanis and Bangladeshis. An astonishing 60% live below the poverty line – four times as many as among the white community. Part of the problem is that far too few families from these communities have any wage-earner. But even among working families, no less than half are in poverty. The disadvantages faced by other ethnic groups are overshadowed by these shocking findings.

Analysis of the position of minority ethnic groups often provides an acid test of the overall effectiveness of policy. If there are any weaknesses in the system they will show up most clearly in disadvantaged minority communities. The fact that as much as a third of the tiny incomes received by Pakistanis and Bangladeshis is based on means-tested benefits illustrates their role perfectly. Pakistanis and Bangladeshis would be even poorer without means-tested benefits. Or perhaps this statistic is more a measure of the failure of the labour market and of rights-based benefits to enable Britons to escape poverty.

References


