



The incomes of ethnic minorities

Some minority groups have prospered in Britain, but others remain severely disadvantaged. Until recently there has been no reliable information on the total incomes available to minority households. Richard Berthoud, of the University of Essex, has been analysing the Family Resources Survey. He shows that there is wide diversity between minority groups. Some are in serious poverty.

f Pakistanis and Bangladeshis are easily the poorest groups in the country. High unemployment among men; low levels of economic activity among women; low pay; and large family sizes: these all contribute to a situation in which 60 per cent of Pakistanis and Bangladeshis are poor. This is four times the poverty rate found among white people.

f Indian and Chinese people have high levels of employment, and their earnings are on a par with those of white workers. On these measures, they can be seen to be prospering. But overall their rates of poverty are higher than for white households.

f Many people of Caribbean origin are unemployed, and there is a high rate of lone parenthood in this community. Wages for Caribbean men (though not for women) also tend to fall below those of their white equivalents. But overall, the rate of poverty among Caribbeans is only slightly higher than that among white households.

f It is difficult to characterise Africans as a single group, and they have not previously been the subjects of detailed study. But this research suggests that their incomes are low - lower than those of Caribbeans with whom they are often compared.

f The social security system, and especially means-tested benefits, contributes a large proportion of the incomes of some minority groups, especially Pakistanis and Bangladeshis.

Background

A number of previous surveys have provided information about the employment, occupations and earnings of ethnic minority groups. But until recently there have been no reliable data about their overall incomes. Two surveys undertaken in the mid-1990s have filled that gap.

The Fourth National Survey of Ethnic Minorities, which covered a specially selected sample of 3,315 minority households (and a comparison group of 2,867 white households), included a simple question about total household income. The results of that survey have already been published (see 'How to get further information' section for details).

More detailed income data for the whole population are now available from the Department of Social Security's *Family Resources Survey* (FRS). By combining two years' samples, the analysis covers 2,520 households from minority groups, as well as nearly 50,000 white households. (The samples of African and Chinese households were small, and it is therefore not possible to be very confident in the accuracy of the estimates for those two groups.) The new study reported here focuses on the FRS, which confirms but also expands on the findings of the earlier report.

The composition of family incomes

In all ethnic groups, incomes depend very much on the age and structure of the family. (A 'family' is defined here to mean the social security 'benefit unit': a single person, or a couple, with or without dependent children.)

Working families

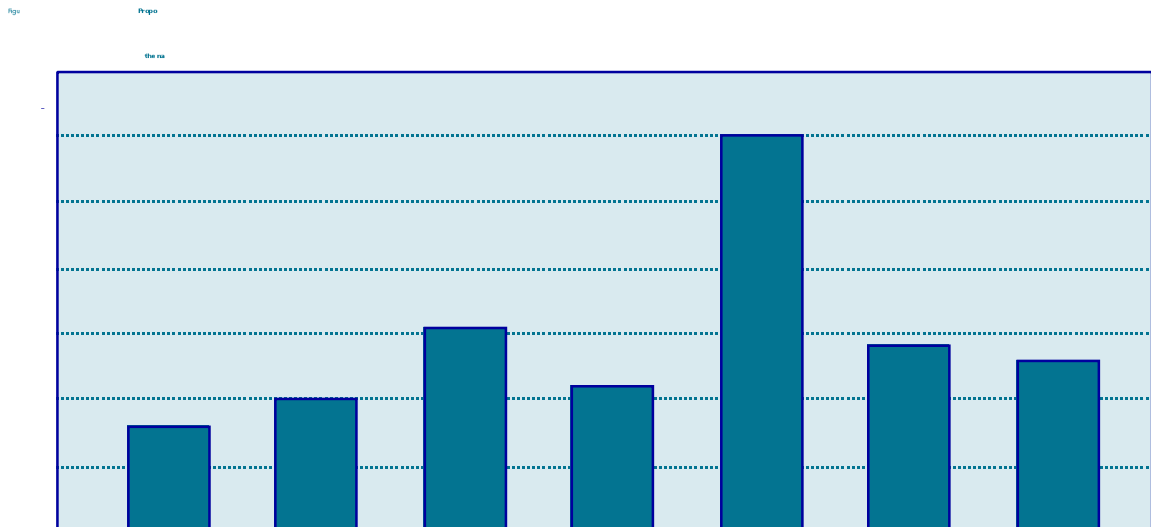
The largest group analysed by the research consisted of families below pensionable age with at least one worker. Chinese and Indian working families averaged slightly higher earnings than white people. Overall, Caribbean and African earnings were significantly lower than whites', though this was not true for black women. Pakistani and Bangladeshi families' earnings were much lower than those of any other ethnic group - partly because of low wages, but also because relatively few married women in these groups had a job.

The combination of low earnings and large family sizes in Pakistani and Bangladeshi households meant that, even among these working families, an exceptional number claimed means-tested benefits - especially Family Credit. As many as 40 per cent of Pakistani and Bangladeshi working couples with children received some means-tested support, compared with only 8 per cent of white couples with children.

This still left many Pakistani and Bangladeshi working families with only a little more income than they would have received if they had been out of work, claiming basic Income Support. Caribbean and African working families were rather better off on this yardstick, with whites, Indians and Chinese much better off.

Non-working families below 60

Although the majority of families below the age of 60 include at least one worker, some ethnic groups have more non-working families than others. One-parent families are relatively common among Caribbeans



and Africans. Unemployment is relatively common among Africans, Pakistanis and Bangladeshis.

Non-working families below pensionable age depend very largely on the social security system. This treats every ethnic group in the same way, though the details of the scheme can affect specific groups in different ways. For example, whites and Indians received more benefit based on the National Insurance scheme; Africans, Pakistanis and Bangladeshis depended more on means-tested benefits such as Income Support.

But overall, there was much less ethnic variation in non-working families' available incomes than was seen among working families.

Pensioners

Because most of the migration has occurred over the past 40 or 50 years, relatively few members of ethnic minority groups have reached pensionable age, so retired families are most common in the white population.

Pensioners' incomes are based on various combinations of occupational/private pensions, the basic state pension; and means-tested benefits such as Income Support for those with limited resources. White pensioners, many of whom had spent a full career in Britain building up various entitlements, had relatively high levels of non-state income and very low dependence on means-tests. Pakistani and Bangladeshi pensioners were at the opposite extreme, with few non-state sources and high receipts from means-tested benefits. Indians and Caribbeans were in-between. (There were too few African and Chinese pensioners to analyse.)

Means-tests meant that the overall incomes of poorer pensioners were rather similar, whatever their ethnic group. The greater availability of non-state income to white pensioners meant, on the other hand, that there were far more well-off pensioners in the white group than in other communities - especially Pakistanis and Bangladeshis.

Levels of household income

The analysis of household income from the Family Resources Survey used exactly the same methods as those used by the Department of Social Security for its annual report on *Households Below Average Income*. Each household's total net income (before housing costs) was added up, and divided by a measure of the number of people in the household (an equivalence scale). Each household was then compared with the national average. Those below half the average are conventionally identified as having low incomes, and are often labelled 'poor'.

'Poverty'

Figure 1 shows the proportion of 'poor' families in each ethnic group: 16 per cent of white households had low income by this measure. All minority groups had a higher percentage, but the gap was quite small for Caribbeans (20 per cent) and Indians (22 per cent). The extent of poverty was more serious for Chinese (28 per cent) and Africans (31 per cent), though in the case of Chinese people, there were also more well-off households than in other groups.

The new, more detailed, data confirm the previous survey's estimate that Pakistani and Bangladeshi households were four times as likely to be 'poor' as white households. Pakistanis and Bangladeshis were much, much more likely to be poor than any other ethnic group.

Not surprisingly, low incomes were rare among working households; more common among pensioner households; and more common again among non-working households below pensionable age. This was true in every ethnic group. But the difference *between* groups is emphasised by the fact that poverty was more common in Pakistani and Bangladeshi *working* households (50 per cent), than in white *non-working, non-pensioner* households (43 per cent).

There was some sign that levels of income in households where both white and ethnic minority adults lived together were closer to the white pattern than to the position of all-minority households.

Geographical variations

It is well-known that a very large proportion of the ethnic minority population lives in London, Birmingham and other big cities; and that they are also more common in particular districts of those cities. Many of the places where minority groups live are also 'deprived'. The research briefly considered the distribution of household incomes in relation to local measures of unemployment and of minority density.

It is to be expected that households living in districts with a high level of unemployment would have lower incomes, on average, than households living in districts where job prospects are better. This proved to be the case. But the incomes of Chinese and Indian households were *more* sensitive to the local unemployment rate than those of white people were. Pakistanis', Bangladeshis' and Africans' (and Caribbeans') incomes were *less* sensitive to the local unemployment rate than those of white people.

Indians and Chinese who lived in areas of high minority concentration also had rather lower

incomes than those in predominantly white areas; this effect was weaker or non-existent for the other minority groups.

These findings suggest that the prosperous Indians and Chinese identified in other parts of the analysis were quite likely to be found in areas of economic success and/or low minority concentration. But Pakistanis, Bangladeshis and Africans could be just as poor, wherever they lived.

Issues for policy

The researcher concludes that these findings raise three main issues for policy-makers:

First, the extent of poverty among Pakistanis and Bangladeshis demands attention. Every component of their income is involved: high unemployment among men; low rates of economic activity among women; low wages; large families. Lack of appropriate education and training provides part, but only part, of the explanation. Islamic traditions are relevant to the low rates of female economic activity and large family sizes in these groups - characteristics which were common in Britain in the fairly recent past, but which are now unusual in the white population. External market factors also play a role - such as the collapse of the textile industry in which so many Pakistanis had been employed.

Second, the analysis demonstrates the importance of the social security system, and of means-tested benefits, to minority groups - especially (again) Pakistanis and Bangladeshis. Means-tests alone accounted for a third of their total income. These communities experience both the successes and the failures of these highly selective benefits: means-tests maintain families at a minimum income without wasting public money on those not in need, but they create a sense of dependence on the state from which it is exceptionally difficult to build a position of modest prosperity.

Third, it is important to discuss the meaning of these findings. Do different ethnic groups have varying minimum 'needs', or should we apply a consistent benchmark across the whole population? Can variations in income be explained in terms of the different characteristics of the minority groups, some of whom have arrived in Britain quite recently? Will inequality persist into the second and third generation?

About the study

The study is based on detailed analysis of data from the Family Resources Survey for 1994/5 and 1995/6.

How to get further information

The full report, *Incomes of Ethnic Minorities* by Richard Berthoud, is available (price £15.00 inc. p&p) from: Institute for Social and Economic Research, University of Essex, Wivenhoe Park, Colchester CO4 3SQ, Tel: 01206 873087, Fax: 01206 873151; E-mail katet@essex.ac.uk.

The analysis of the Fourth National Survey of Ethnic Minorities, *Ethnic Minorities in Britain: diversity and disadvantage* by T. Modood, R. Berthoud and others (see especially chapter 5), was published by the Policy Studies Institute in 1997 (ISBN 1 85383 670 2).