

POVERTY ACROSS ETHNIC GROUPS THROUGH RECESSION AND AUSTERITY

This research examined the impact of the recession which started in 2008 and subsequent austerity measures on different ethnic groups' economic well-being.

Key points

- Average incomes fell across all groups other than Pakistanis, whose average household incomes increased slightly (after deducting housing costs). Groups seeing the largest relative falls in average income were Chinese (30 per cent) followed by Black African, Indian and Other White (10 per cent). For the White majority, Black Caribbean and Bangladeshi groups, incomes fell by 3–4 per cent.
- For most groups, drops in income from earnings and investments drove falls in household income.
- Employment rates fell among both sexes in the Black Caribbean, Black African and Other White groups. For the rest, employment rates fell for men but rose for women, notably among Bangladeshis. As a result, the proportion of couples with both adults in paid work increased among Pakistani, Bangladeshi and Chinese groups by 7 to 15 percentage points. Unemployment rates increased, mostly for younger people. For older workers, the hours worked fell. Unusually, Pakistani men's employment rate increased, helping to explain why Pakistani households' incomes did not fall.
- The safety net of social security benefits and tax credits helped to offset part of the fall in earnings. Falls in deductions (including taxes) had a similar effect.
- Housing costs increased most for the Chinese and Other White groups, who had the highest proportion of private renters.
- Most likely to be in persistent poverty were the Pakistani and Bangladeshi groups, followed by Black African and Black Caribbean groups.
- For every ethnic minority group, there was an association between poor English skills and persistent poverty. Having English as a first language reduced the probability of being in persistent poverty by 5 percentage points.

The research

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BACKGROUND

Economic conditions vary widely across ethnic groups in the UK. Before the recession, Chinese and Other White groups had higher average weekly household incomes (after deducting housing costs) – £581 and £551 – than the White majority (£508); the Indian group had lower incomes (£467). Incomes of the Black Caribbean and Black African groups were even lower (£376 and £335), and for Pakistanis and Bangladeshis the lowest of all (£266 and £245). Living conditions measured through material deprivation showed a similar picture, except that the Black Caribbean and Black African groups had similar levels of deprivation as Pakistanis and Bangladeshis.

How might the recession and subsequent austerity measures have changed this picture? This project analysed large datasets to document changes between the period before and during the recession and austerity, and to explore patterns in the duration of spells in poverty.

Overall picture and subgroup variation

From 2009 to 2013, the ethnic groups seeing the largest income falls were Chinese (30 per cent) followed by Indian, Black African and Other White (10 per cent). The Black Caribbean, White majority and Bangladeshi groups had more stable incomes (falls of 3–4 per cent); Pakistanis actually saw income increases on some measures. So, some of the worst-off groups were the least adversely affected during the recession.

However, these changes hide important differences within ethnic groups. For example, pensioner income was more resilient during the period of recession and austerity. The White majority, Black Caribbean, Indian, Pakistani and Bangladeshi groups have higher proportions of pensioners than other groups. Excluding pensioners, the fall in household incomes for these groups was higher except for Pakistanis and Bangladeshis. Similarly, students (who have lower incomes) also affect the picture. The proportion of students increased for Chinese and Bangladeshi groups over the recession and austerity. After excluding students, average incomes were higher for Bangladeshis during austerity. However, the fall in income was greater among the Chinese group.

Employment

In general, employees' earnings fell (except for Pakistanis and Bangladeshis) as did self-employment earnings (except for Black Caribbean, Black African and Other White groups). The combined effect was a fall in average earnings for all except Pakistanis and Bangladeshis.

The proportion of men and women in paid employment increased for Pakistanis, but fell for the Black Caribbean, Black African and Other White groups. However, women's employment rates increased among the other groups, notably Bangladeshis. As a result, the share of dual-earner couples increased for Pakistani, Bangladeshi, Indian and Chinese groups. One explanation could be recent high-skilled immigration from these countries, with the introduction of skill-based immigration laws in 2008.

Self-employment rates increased among the Black Caribbean and Other White groups, perhaps to compensate for falls in formal employment. As a result, these groups' self-employment earnings increased. Other groups with high male self-employment rates (Pakistani, Bangladeshi, White majority, Indian and Chinese) experienced falls in self-employment, and except for the Chinese group an increase (but smaller) in female self-employment rates. The combined effect, however, was a fall in their self-employment earnings.

Unemployment rates also increased, mostly for younger people; for older workers, hours worked per week fell.

Benefit incomes and housing costs

Benefit incomes generally increased (except for the Indian and Bangladeshi groups), and taxes and deductions generally fell (except for Bangladeshis), buffering the fall in earnings, but not completely. A possible explanation for the decline in benefit income among Indians could be the immigration of high-skilled workers since 2008. For Bangladeshis, the explanation lies in the increase in students. Excluding students, their benefit incomes hardly changed.

During the recession and austerity period, mortgage interest rates dropped. As a result, the White majority, Indian and Pakistani groups, with a high proportion of mortgage payers, experienced much lower increases in housing costs. However, the Other White and Chinese groups had greater increases in housing costs, as they had the highest proportions of private renters. Bangladeshi, Black Caribbean and Black African groups had high proportions of social renters.

Poverty rankings

What do these income changes imply for poverty rankings? The proportion of individuals with household incomes below a fixed poverty line (£246 per week) increased during the period of recession and austerity for the Chinese, Other White, Indian and White majority groups, but remained unchanged for the four least well-off groups: Pakistani, Bangladeshi, Black Caribbean and Black African.

Material deprivation of families with children

Regarding whether families with children could afford necessities such as winter clothing, short holidays and socialising with friends, during the period of recession and austerity families sacrificed purchases for adults so that they could afford items their children needed. Material deprivation scores ranging from 0 to 100 measure this type of deprivation, with higher numbers signifying higher deprivation. The average material deprivation score based on all items (child- and adult-specific) hardly changed. However, average adult-specific material deprivation scores increased by 3, 4 and 5 points for Indian, Other White and White majority families with children, by 7 points for Bangladeshi and Black African families with children, by 8 points for Chinese and by 11 points for Black Caribbean families with children. It only increased by 1.7 points for Pakistani families with children.

Persistent poverty among ethnic minority groups

Persistent poverty was most prevalent among the Pakistani and Bangladeshi groups, with 37 per cent of Pakistanis in poverty for two consecutive years and 14 per cent in poverty for three consecutive years. Only a third (32 per cent) of Pakistanis and Bangladeshis did not experience poverty in the period 2009 to 2012.

Although Black African and Black Caribbean groups did not have especially high poverty rates, they had high rates of persistent poverty (31 and 23 per cent, respectively). So although many were not in poverty, those falling into poverty seemed to find it hard to escape.

English skills

In every ethnic minority group, those in persistent poverty reported more problems in reading and speaking English than those who were better off. Separating this from other factors (education level, family type and ethnicity), English as a first language reduced the probability of being in persistent poverty by a substantial 5 percentage points.

Conclusion

In general, most ethnic groups fared worse during the recession because of higher non-employment, fewer hours worked, lower labour-market earnings, lower self-employment rates, lower self-employment earnings, lower investment income and higher housing costs, particularly among groups with higher proportions of private renters. There was some variation across ethnic groups. Changes in employment patterns seem to have protected the Bangladeshi and Pakistani groups from the worst effects. The proportion of managers and senior officials among Pakistani and Bangladeshi employees was higher during the recession and austerity, as were their employment rates and average labour-market earnings. These differences may be down to the immigration of high-skilled individuals since 2008, when skill-based immigration laws were introduced.

The welfare system and progressive taxation provided some protection. However, the period of recession and austerity under consideration (2009/10 to 2012/13) includes two years prior to the implementation of austerity measures. Therefore it is difficult to predict how the most vulnerable groups will fare under a regime of continued austerity measures.

In spite of being least adversely affected during the recession, the Pakistani, Bangladeshi, Black Caribbean and Black African groups experienced much higher rates of persistent poverty and material deprivation during this time. English language skills played a key role in reducing persistence of poverty.

About the project

This project analysed data from the Family Resources Survey (2004/05 to 2012/13) to document changes between the period before and during the recession and austerity (2004/05 to 2007/08, and 2009/10 to 2012/13). In addition, using new data following a large sample of individuals over multiple years (Understanding Society data from 2009–2012), the study explored patterns in the duration of spells in poverty for different ethnic groups.

FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

The full report, **Poverty across ethnic groups through recession and austerity** by Alita Nandi and Paul Fisher, is available as a free download at www.jrf.org.uk

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