

Ethnic minorities in the labour market: dynamics and diversity

This research examines the labour market performance of Britain's ethnic minorities. In particular, it emphasises the diversity of their experience and the dynamic change in the relative positions of ethnic groups between 1991 and 2001. While some groups have improved their labour market position relative to white people, substantial disadvantage remains, both in access to jobs and in earnings once in employment. The study, by Ken Clark of the University of Manchester and Stephen Drinkwater of the University of Surrey, found:

- Employment rates increased most for Black African, Pakistani and Bangladeshi men, largely due to improvements in their educational attainment. However, substantial employment gaps remain for Black African, Black Caribbean, Pakistani and Bangladeshi men. Women from ethnic minority backgrounds did not close the employment gap with white women to the same extent as ethnic minority men and the employment rates of Pakistani and Bangladeshi women remain very low, at less than 30 per cent.
- Educational qualifications improved job prospects for everyone, but this effect was particularly pronounced for ethnic minorities. Thus, investment in education for these groups promises a high return in employment terms.
- Living in a deprived area reduced employment prospects. While this is unsurprising, the effect was larger for ethnic minorities.
- Self-employment rates, which are traditionally high for some ethnic groups, fell for Chinese and Indian people. This appears to be due to the greater paid employment prospects of British-born members of these groups. In contrast, self-employment rates remained largely unchanged for Pakistani and Bangladeshi men; furthermore their self-employment was highly concentrated in certain sectors such as retail, restaurants/takeaways and taxi-driving.
- In paid work, there was an improvement in the occupational attainment (or social class) of most ethnic groups. This is predominantly explained by higher levels of education. However, there was evidence that some ethnic minority graduates, particularly women, were finding it harder to gain higher-level positions.
- Individuals from all ethnic minorities earned less on average than white people, but the differences were smaller for women than for men. Earnings deficits were highest in professional and managerial occupations.



Background

The study used individual records from the 1991 and 2001 Censuses, supplemented with more recent data from the Labour Force Survey. It focused on the following ethnic groups: white, Black Caribbean, Black African, Indian, Pakistani, Bangladeshi and Chinese.

It also examined differences by gender and investigated three main labour market outcomes:

- *Employment rates excluding students.* Employment is a key determinant of individual and household welfare. Students were excluded from calculation of the rates to give a more accurate measure of the labour market status of the various ethnic groups;
- *Self-employment rates.* Self-employment is an important form of activity for some ethnic minorities in Britain;
- *Occupational attainment and earnings.* These were analysed to find out what happens to individuals from ethnic minorities once they find jobs.

Employment

Figure 1 shows employment rates for men and women from all ethnic groups over the period 1991-2001. For men it is clear that those groups which were at the greatest disadvantage relative to white people in 1991 (Black Africans, Pakistanis and Bangladeshis) caught up somewhat by 2001, largely due to factors such as improvements in their educational attainment. However, these groups continued to have far lower employment rates than white people in 2001. Indian and Chinese men had employment rates which were virtually identical to those of white people in 1991 and this had not changed significantly by 2001. The position of Black Caribbean men did not improve substantially over the period, reflecting their lower levels of education.

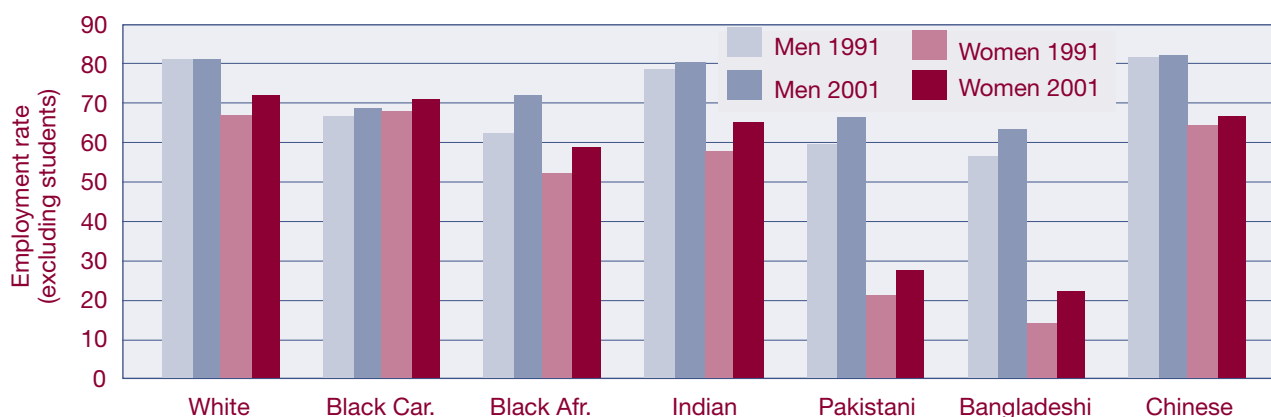
In line with longer-term labour market trends, Figure 1 shows that employment rates increased for women from all ethnic groups including white people. Relative to white people, the increases were larger for Black African, Indian, Pakistani and Bangladeshi women, while those for Black Caribbean and Chinese women were smaller. Pakistani and Bangladeshi women – predominantly Muslim – had very low employment rates in 2001, which could reflect traditional or religious attitudes.

The drivers of employment were also found to be ethnically diverse. Figure 2 demonstrates this by displaying the percentage point improvement in the employment rate for a typical member of each ethnic group as a result of having a post-school qualification, relative to a similar individual with no qualifications. The figure shows that men and women from the groups with the lowest employment rates experience some of the biggest improvements in their employability as a result of obtaining higher qualifications. The implication is that individuals from these groups who choose to invest in their education are likely to reap a substantial future return in employment terms.

Religion is a further source of diversity among ethnic groups and being Muslim is associated with lower employment rates after ethnicity is taken into account. For example, the probability of white British Muslims gaining employment is 16-20 percentage points lower than those with no religion. This may reflect a number of factors including discrimination on the grounds of religious belief in the wider labour market, attitudes to certain forms of employment and/or lack of access to employment opportunities.

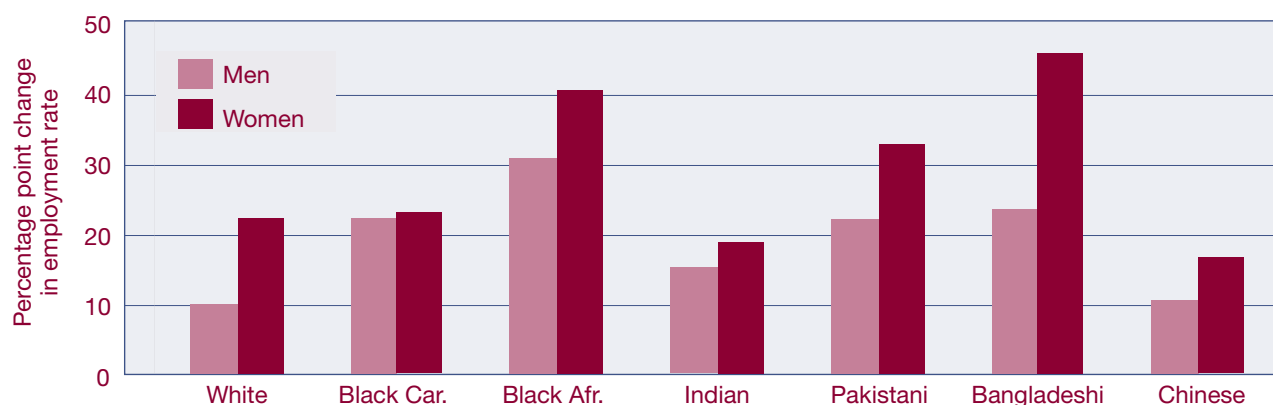
Characteristics of local areas are also important drivers of employment and, unsurprisingly, living in a deprived area is associated with poorer employment prospects for people from all ethnic groups. However, there is ethnic variation in the size of this effect. In particular, reducing

Figure 1: **Employment rate by ethnic group**



Sources: 1991 Census Samples of Anonymised Records and 2001 Controlled Access Microdata Sample

Figure 2: **Improvement in employment rate from post-school qualifications**



Source: 2001 Census Controlled Access Microdata Sample

deprivation in local areas will have disproportionate benefits for people from ethnic minorities. The concentration of people from these groups in relatively deprived parts of Britain opens the way for policy interventions targeted at specific localities.

Self-employment

At the aggregate level, self-employment rates in Britain were relatively stable during the 1990s, at around 13% of total employment. However, this disguised a lot of ethnic variation. In particular, there was general convergence in self-employment rates over the period – groups with relatively low rates in 1991 saw some increase, while those with high rates saw theirs decline. Falling self-employment among Chinese and Indian men is particularly noticeable and is associated with the improved job prospects of young, UK-born men within these groups. Thus, the children of Chinese and Indian immigrants are leaving the family business because of their greater employment prospects and improved educational attainment.

Self-employment rates did not fall to the same extent for Pakistani and Bangladeshi men, despite their similar characteristics. This may reflect greater discrimination faced by these groups in the paid labour market, their religion, patterns of geographical location, the occupations of their parents and the types of self-employment they undertake. Self-employment among ethnic minorities remains highly concentrated in certain sectors, often involving long hours working in restaurants, takeaways or driving taxis.

Occupational attainment and earnings

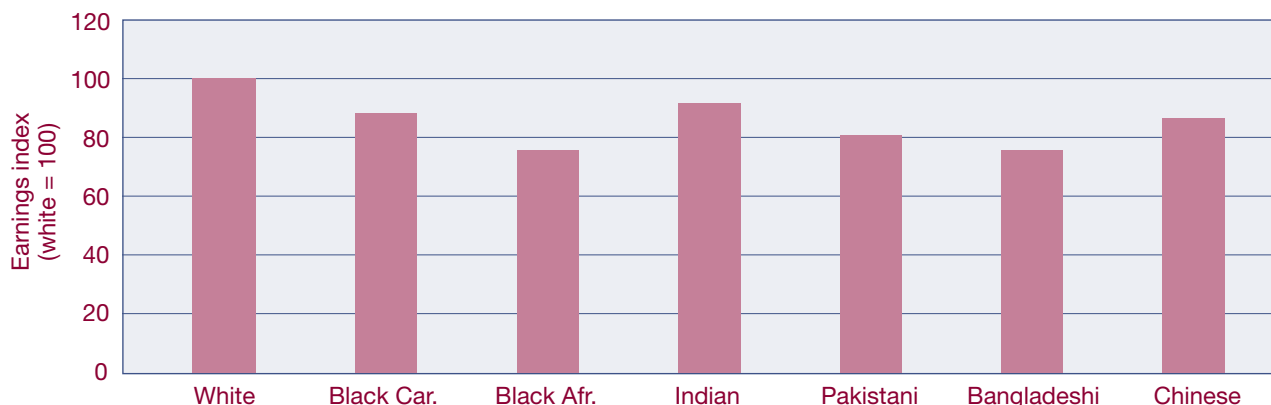
There was some improvement in the distribution of occupational attainment (or social class) by ethnicity over the period 1991-2001. The proportion of employees with managerial jobs increased for all ethnic groups, with the

biggest increases for Black Caribbean, Black African and Indian men as well as Indian women. Statistical analysis suggests that these increases were due to increased levels of education among these groups. However, once age, education and other characteristics had been controlled for, persistent differences remained in social class as measured by occupational status between the white group and other ethnic groups in 2001. There was also evidence that ethnic minority graduates were finding it increasingly difficult to obtain high-status jobs.

Such differences in occupational attainment were reflected in earnings where, according to recent Labour Force Survey data, all ethnic minority groups experienced lower earnings than white people (after controlling for other factors). Amongst men these differences ranged from 10 per cent for Chinese men to 27 per cent for Bangladeshi men. For women the earnings gaps were smaller, ranging from 1 per cent for Chinese women to 18 per cent for Black African women. However, it should be remembered that women earn significantly less than men on average.

Whilst the sorting of particular groups into particular occupations explains some of these earnings penalties, this is not the whole story. Even within occupations, earnings gaps are substantial, particularly so for men in professional and managerial occupations. Figure 3 illustrates this by comparing the earnings of men from different ethnic minorities with those of comparable white people in the same professional and managerial jobs. It shows that Black Africans and Bangladeshis earn up to 25 per cent less than white men in similar positions. Earnings disadvantage for men from ethnic minorities is therefore a pervasive feature of the British labour market.

Figure 3: **Earnings relative to white people by ethnic group – men in professional occupations**



Source: Labour Force Survey 2002-2005

Conclusion

The overall message of the study is that, while there has been some improvement in the labour market situation of ethnic minorities in Britain, substantial differences remain between the employment and earnings of white people and some other ethnic groups. The authors argue that the full diversity and dynamics of ethnic minority labour market activity need to be understood in order to formulate appropriate policies.

They specifically suggest that:

- diversity among different ethnic groups needs to be considered when setting targets for employment policy and when formulating policies aimed at individual groups;
- groups facing the greatest disadvantage should be encouraged to increase their investment in education;
- although the links between religion and employment are complex, there may be scope for policy initiatives in this area, such as employment agencies working with religious organisations;

- targeted policies may boost employment in deprived local areas;
- the quality as well as the quantity of self-employment among people from ethnic minorities should be monitored;
- more intervention may be needed to combat persistent, widespread discrimination in the labour market.

About the project

The study used Census microdata, i.e. individual anonymised records from the 1991 and 2001 Censuses, supplemented by Labour Force Survey data. The Census has the advantage of providing large samples from individual ethnic groups, allowing the full pattern of ethnic diversity to be examined. The ethnic categories used are those available in the Census. Unfortunately the Census does not contain details of individual earnings so the Labour Force Survey was used to fill this gap.

For further information

The full report, **Ethnic minorities in the labour market: Dynamics and diversity** by Ken Clark and Stephen Drinkwater, is published for the Joseph Rowntree Foundation by The Policy Press (ISBN 978 1 86134 959 0, price £12.95). You can also download this report free from www.jrf.org.uk.

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