



Poverty among ethnic groups how and why does it differ?

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Introduction and summary

Scope and purpose

This paper discusses how the rates of income poverty differ between different ethnic groups and provides an analysis for the reasons for some of these differences. The measure of poverty used is the one that has been standard in Great Britain since at least the late 1990s; that is, a relative income measure adjusted for household size. Above all else, this is the measure that has been used to assess the progress on child poverty on the way to its hoped-for abolition by 2020.

The paper has three sections:

- A presentation of the latest income poverty rates for different ethnic groups in Great Britain, how these rates have changed over the last decade, and how they differ by age structure, family type, family work status and geography.
- An overview of key facts about the size, location, concentration and work rates of the major ethnic groups in Great Britain as per the 2001 Census (the most detailed source but increasingly out of date).
- An analysis of how far the differences in income poverty rates can be accounted for by differences in the population mix between ethnic groups by age structure, family type and work status.

Those familiar with the standard *Monitoring Poverty and Social Exclusion* reports will recognise that this goes beyond their normal scope, in particular in the third section devoted to seeing how far differences can be accounted for by the factors we have information on – and how far they cannot. It should also be noted that negative findings here (that is, that such and such a factor does *not* contribute anything to the explanation) are themselves of as much interest as the positive findings.

The definition of ethnic groups

The extent of the analysis is limited by the data available. These limitations take two main forms:

1. *The definition of ethnic groups:* all national surveys use the same 16-fold categorisation of ethnicity, namely:

| Major group | Sub-group | Proportion of the Great Britain population |
|------------------------|---------------------------|--|
| White | White British | 88% |
| | White Irish (sometimes) | 1% |
| | White Other | 2½% |
| Asian or Asian British | Indian | 2% |
| | Pakistani | 1½% |
| | Bangladeshi | ½% |
| | Other Asian | ½% |
| Black or Black British | Black Caribbean | 1% |
| | Black African | 1% |
| | Black Other | 0% |
| Chinese and Other | Chinese | ½% |
| | Other | 1% |
| Mixed | White and black Caribbean | 1% |
| | White and black African | |
| | White and Asian | |
| | Another mixed background | |

2. *Small sample sizes:* because most of the population is from the white British ethnic group, the sample sizes from the relevant national surveys for the other ethnic groups are very small. For all the analyses, this requires that several years' of data have to be added together to come up with reasonably reliable estimates and this makes analysis of time trends very problematic. It also means that analysis of sub-groups can sometimes only be presented either for all the minority ethnic groups combined rather than for each separately or using the now somewhat out of date Census data. Finally, because of the uncertainty about the precise scale of some of the income poverty rates by ethnic group, the discussion in the text often rounds the percentages to the nearest 5 per cent.

Summary of key findings

Income poverty rates

Indicator 1: In low income over time

Around 40 per cent of people from ethnic minorities are in income poverty, twice the rate for white people. The income poverty rate varies substantially between ethnic groups: Bangladeshis (65 per cent), Pakistanis (55 per cent) and black Africans (45 per cent) have the highest rates while Indians, black Caribbeans (30 per cent), Indians (25 per cent), white Other (25 per cent) and white British (20 per cent) have the lowest rates. For all ethnic groups, the income poverty rate appears to have fallen over the last decade at a roughly similar rate.

Indicator 2: In low income by age structure and family type

For all ages, people from ethnic minorities are, on average, much more likely to be in income poverty than white British people, the difference being greatest for children and least for pensioners. Almost half of all children from ethnic minorities are in poverty.

For all family types, people from ethnic minorities are, on average, more likely to be in income poverty than white British people, the difference being greatest for couples with children and least for lone parents.

Indicator 3: In low income by family work status

For all family work statuses, people from ethnic minorities are, on average, more likely to be in income poverty than white British people, the differences being greatest for 'working families' (families where at least one adult is in paid work) and least for 'workless families' (families where no adult is in paid work).

Among those in working families, around 60 per cent of Bangladeshis, 40 per cent of Pakistanis and 30 per cent of black Africans are in income poverty. This is much higher than the 10-15 per cent for white British, white Other, Indians and black Caribbeans.

Indicator 4: In low income by geography

Although income poverty rates for white British are slightly higher in inner London than elsewhere, there is little variation for this group between different parts of the country. By contrast, although people from ethnic minorities are more likely to be in income poverty than white British people wherever they live, the extent of the difference is much greater in inner London and the English North and Midlands than elsewhere.

There are huge differences across the country in the proportion of people in income poverty who are from an ethnic minority, from 70 per cent in inner London and 50 per cent in outer London, to 15 per cent in the English North and Midlands and 10 per cent elsewhere.

Where different ethnic groups live and work

Indicator 5: Population by geography

There are enormous differences across the country in the proportion of the population belonging to an ethnic minority, ranging from 50 per cent and 35 per cent in inner and outer London respectively to less than 5 per cent across Wales, Scotland, the rural areas of England and urban areas in the North East.

More than half of black African, black Caribbean and Bangladeshi households live in London. More than half of Pakistani households live in the urban areas in the English regions of the West Midlands, Yorkshire and the Humber and North West.

Indicator 6: Small area polarisation

The degree to which whites and non-whites are mixed at the local level varies markedly between different parts of the country. Among non-whites, those in London, the Midlands, Yorkshire and the North West all typically have between 35 per cent and 45 per cent of non-white neighbours; for non-whites elsewhere, that proportion lies between 10 per cent and 20 per cent. White residents, by contrast, usually have less than 5 per cent of non-white neighbours, apart from London where the proportion lies between 25 per cent and 35 per cent.

Indicator 7: Work status

According to the 2001 Census, around 15 per cent of non-retired white British **men** aged 25 and over are not in paid work, with similar proportions for white Other and for Indians. By contrast, the equivalent proportions for Bangladeshis, Pakistanis, black Africans and black Caribbeans are 30-40 per cent.

Around 30 per cent of non-retired white British **women** aged 25 and over are not in paid work, with only slightly higher proportions for black Caribbeans, white Other and Indians. For black Africans, the proportion rises to almost 50 per cent. But what really stands out is that the vast majority – 80 per cent – of Bangladeshi and Pakistani women are not in paid work.

The proportion of adults aged 25 to retirement who are not working and say that they **do not want paid work** is, at 40-45 per cent, much higher for Bangladeshis and Pakistanis than for other ethnic groups (around 15 per cent). By contrast, the proportion of adults aged 25 to retirement who are not working and say that they **do want paid work** is, at 10-20 per cent, similar for Bangladeshis and Pakistanis as for other ethnic groups.

Accounting for differences in poverty rates between ethnic groups

(Indicators 8, 9 and 10)

From the discussion above, children are more likely to be in income poverty than adults, lone parents are much more likely to be in income poverty than other family types, and workless families are much more likely to be in income poverty than working families. It follows that, if a particular ethnic group has a high number of children, lone parents or workless families, this could go some way to account for its higher income poverty rate.

Indicators 8 to 10 provide an analysis of this issue using a technique known as 'standardisation'. In total, this analysis suggests that ***differences in age structure, family type and family work status together account for around half – but only half – of the 'excess' income poverty rates suffered by minority ethnic groups compared with white British people.***

Of the three factors, work status has the biggest effect for the Bangladeshi and Pakistani population. This is due to a combination of (a) the income poverty risks for workless families being generally so much greater than for working families and (b) the proportion of working age adults who are not in paid work being so much higher among Bangladeshis and Pakistanis than among white British people.

Family type has the biggest effect for the black Caribbean population, with both family type and work status having an effect for the black African population. In both cases, the prevalence of lone parents within these ethnic groups is an important factor.

But differences in age structure, family type and family work status do not account for the other half of the 'excess' income poverty rates among minority ethnic groups, which must therefore be due to other factors.

Other possible factors – and what remains to be explained

Neither the higher prevalence of multi-family households, larger average family size nor the geographical spread of minority ethnic groups across the country, add appreciably to the account of why overall income poverty rates are higher among minority ethnic groups.

At the same time, however, this analysis points to where further explanation will have to be found. Of particular note are the much higher rates of *in-work* poverty among Bangladeshi, Pakistani and black African groups (indicator 3). The greater prevalence of low pay will be a factor here: up to half of Bangladeshi workers, a third of Pakistanis and a quarter of black Africans were paid less than £6.50 per hour in 2006 compared with a fifth of the other ethnic groups.

This in turn will need to be part of a more general explanation of the contrasting situations of different ethnic groups in both the labour market as a whole, and the income distribution as a whole. For example, it is striking that not only are Pakistani and Bangladeshi households over-represented in the lowest fifth of the income distribution (essentially those in income poverty) but they are also over-represented in the second lowest fifth too. As a result, there are very few of them even on average income, never mind above average income. In that sense, it is the whole income distribution, and not just the degree to which different groups are concentrated in the lowest fifth, that needs to be explained but that is beyond the scope of this report.

1 Poverty rates by ethnic group

This provides an analysis of the latest income poverty rates for different ethnic groups in Great Britain, how these rates have changed over the last decade, and how they differ by age structure, family type, family work status and geography.

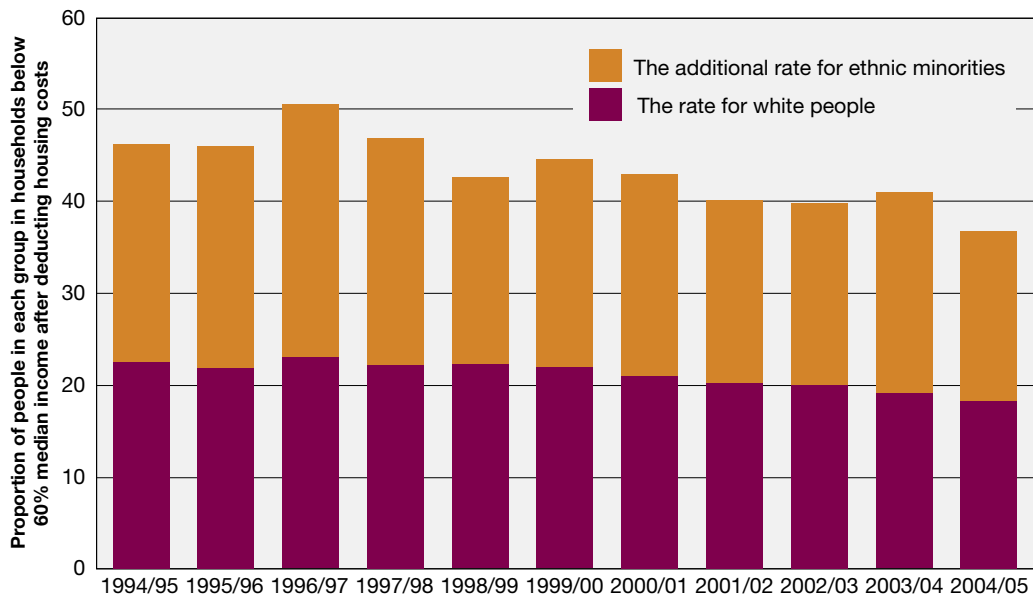
A household is defined as being in income poverty if its income is less than 60 per cent of the contemporary Great Britain median household income. In 2004/05, this was worth £100 per week for a single adult with no dependent children, £183 per week for a couple with no dependent children or for lone parents with two dependent children and £268 per week for a couple with two dependent children. These sums of money are measured after income tax, council tax and housing costs have been deducted, where housing costs include rents, mortgage interest, buildings insurance and water charges. The sum of money left over is therefore what the household has available to spend on everything else it needs, from food and heating to travel and entertainment.

The analysis uses data from the government's Households Below Average Income dataset, which is in turn drawn from the government's annual Family Resources Survey. In this context, note that:

- The data is for Great Britain only and not the United Kingdom because the Family Resources Survey does not record ethnicity for people living in Northern Ireland and, in any event, did not cover Northern Ireland until 2002/03.
- Up until 2000/01, this dataset did not distinguish between 'white British' and 'white Other' so the analyses over time have to group these two together.
- Because of small sample sizes, it is not possible to come up with reliable estimates for the prevalence of income poverty among Chinese people. For the same reason, estimates of income poverty by individual region, household work status and age group are only presented for all minority ethnic groups combined rather than for each minority ethnic group separately. Given the high degree of variation in poverty rates between the different minority ethnic groups, this is a second best approach but the limited sample sizes for individual ethnic groups when split by region etc. are simply too small to be reliable.

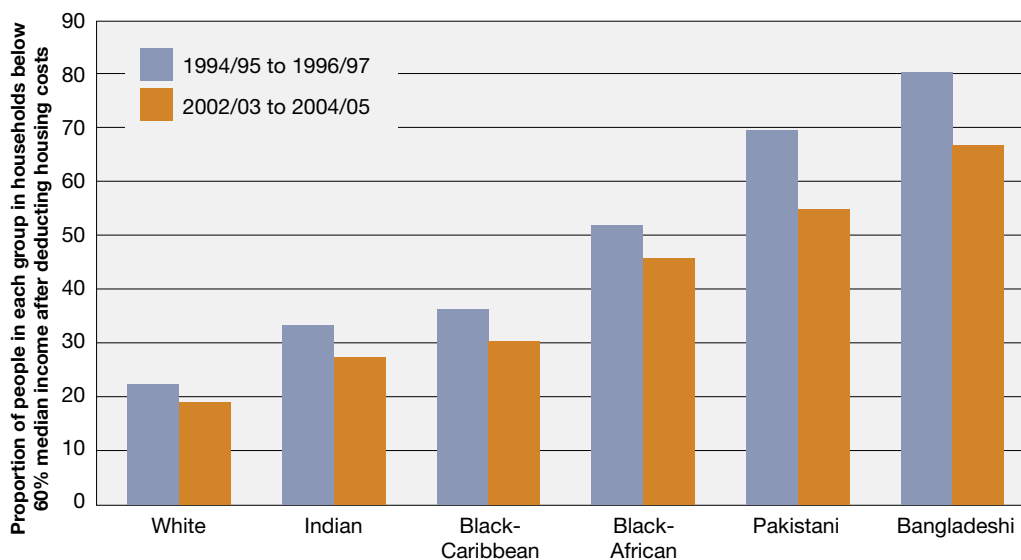
Indicator 1 In low income over time

Around two-fifths of people from ethnic minorities live in income poverty, twice the rate for white people



Source: Households Below Average Income, DWP

Income poverty rates have been falling for all ethnic groups but more than half of people from Bangladeshi and Pakistani ethnic backgrounds still live in income poverty



Source: Households Below Average Income, DWP

The first graph shows the proportion of people from ethnic minorities living in low income households and how this compares to the equivalent proportion for white people.

The second graph shows how the proportion of people living in low income households varies by ethnic group, with the ethnic groups shown being those for which sufficient data exists to derive a reasonably reliable estimate.

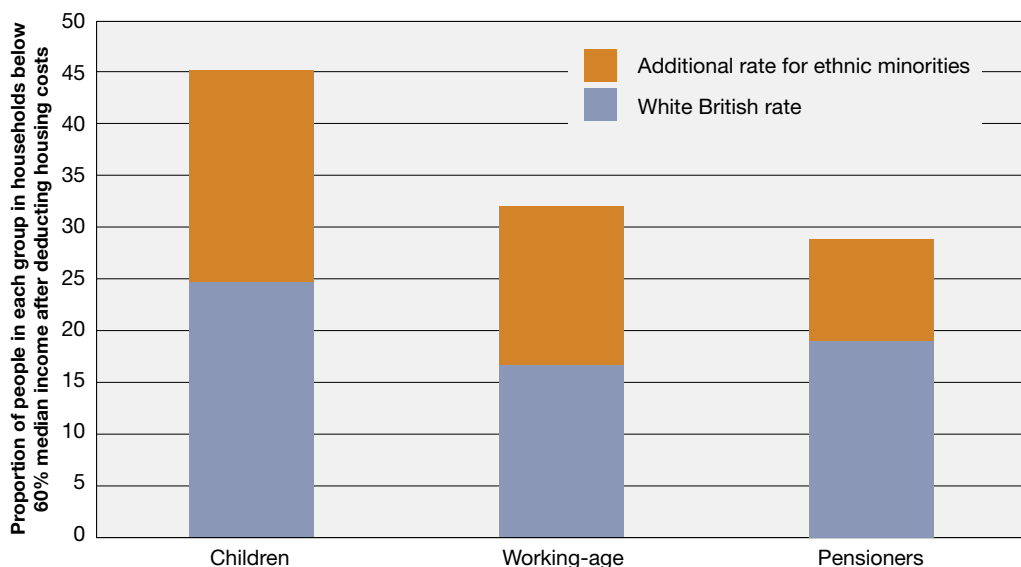
The data source for both graphs is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equivalised (adjusted) to account for variation in household size and composition. The 'white' group includes both 'white British' and 'white Other' as the data prior to 2001/02 does not distinguish between the two. The averaging over three years in the second graph has been done to improve the statistical reliability of the results.

Key points

- Around two-fifths of people from ethnic minorities live in income poverty, twice the rate for white people.
- The income poverty rate varies substantially from one ethnic group to another. The highest rates are to be found among Bangladeshis (65 per cent), Pakistanis (55 per cent) and black Africans (45 per cent). At 25-30 per cent, the income poverty rate among Indians and black Caribbeans is much lower but still much higher than the 20 per cent among white people.
- The income poverty rate for white Other in the period 2002/03 to 2004/05 was around 25 per cent compared with 20 per cent for white British. The reason that these are combined in the second graph, rather than shown separately, is because they cannot be distinguished from each other in the earlier period, namely 1994/95 to 1996/97.
- For all ethnic groups, the income poverty rate appears to have fallen over the last decade at a roughly similar rate.

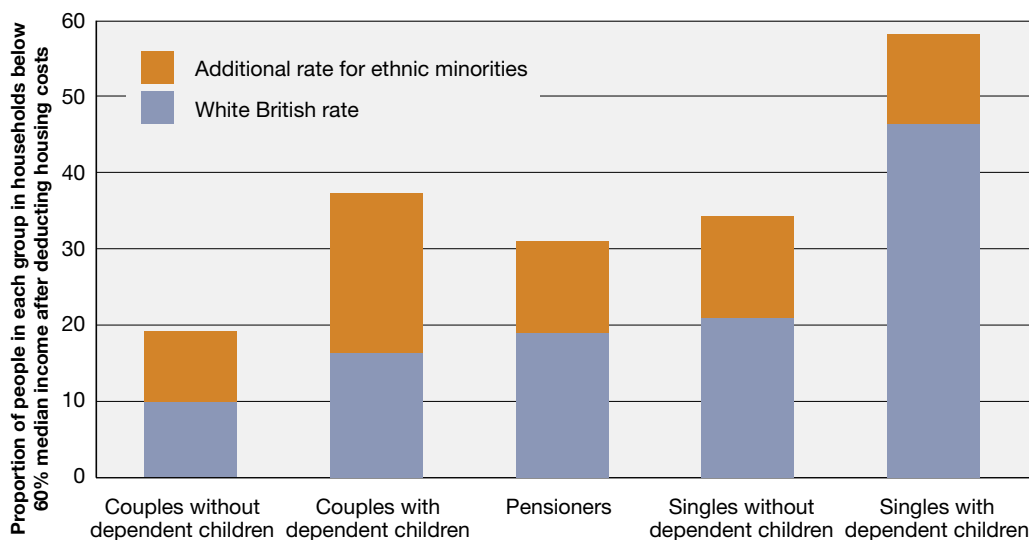
Indicator 2 In low income by age structure and family type

For all ages, people from ethnic minorities are, on average, much more likely to live in income poverty than white British people



Source: Households Below Average Income, DWP; the data is the average for the years 2002/03 to 2004/05

For all family types, people from ethnic minorities are, on average, more likely to live in income poverty households than white British people



Source: Households Below Average Income, DWP; the data is the average for the years 2002/03 to 2004/05

The first graph shows how the proportion of people living in low income households varies by age group, with the data shown separately for those from ethnic minorities and white British people.

The second graph shows how the proportion of people living in low income households varies by family type, with the data shown separately for those from ethnic minorities and white British people. Note that a couple (and therefore both of its adults) is classified as a pensioner couple if either of the adults is of pensionable age. Also note that the phrase 'without children' means 'without dependent children'.

The data source for both graphs is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equivalised (adjusted) to account for variation in household size and composition.

Key points

Age structure

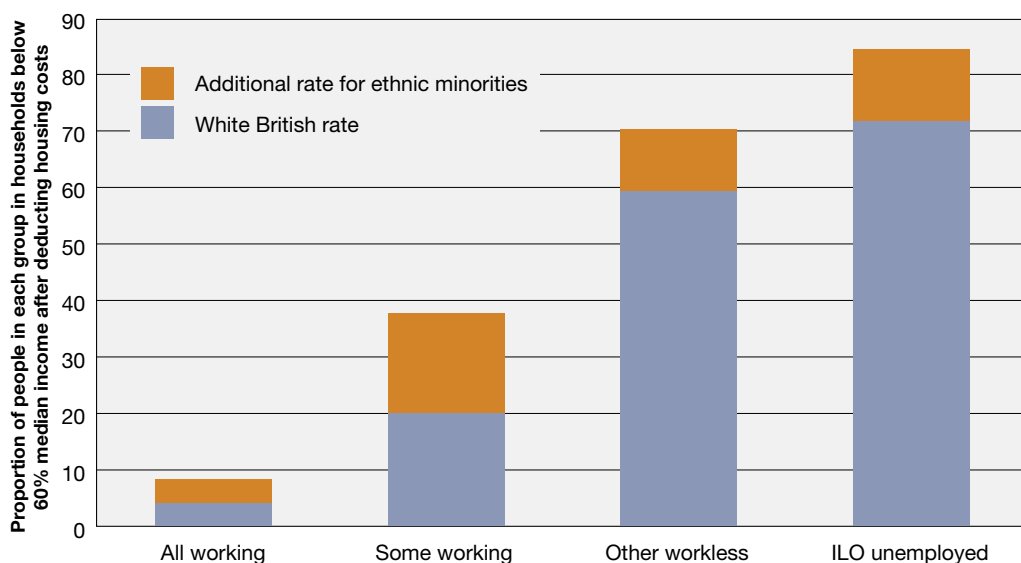
- For all ages, people from ethnic minorities are, on average, much more likely to live in income poverty than white British people. The differences are, however, less for pensioners than for either children or working age adults.
- Almost half of all children from ethnic minorities are in income poverty.

Family type

- For all family types, people from ethnic minorities are, on average, more likely to live in income poverty than white British people.
- Proportionally, the differences are least for lone parents (58 per cent compared with 46 per cent). In other words, both white British lone parents and lone parents from ethnic minorities are at a high risk of low income.
- By contrast, the differences are greatest for couples with children (37 per cent compared with 16 per cent).

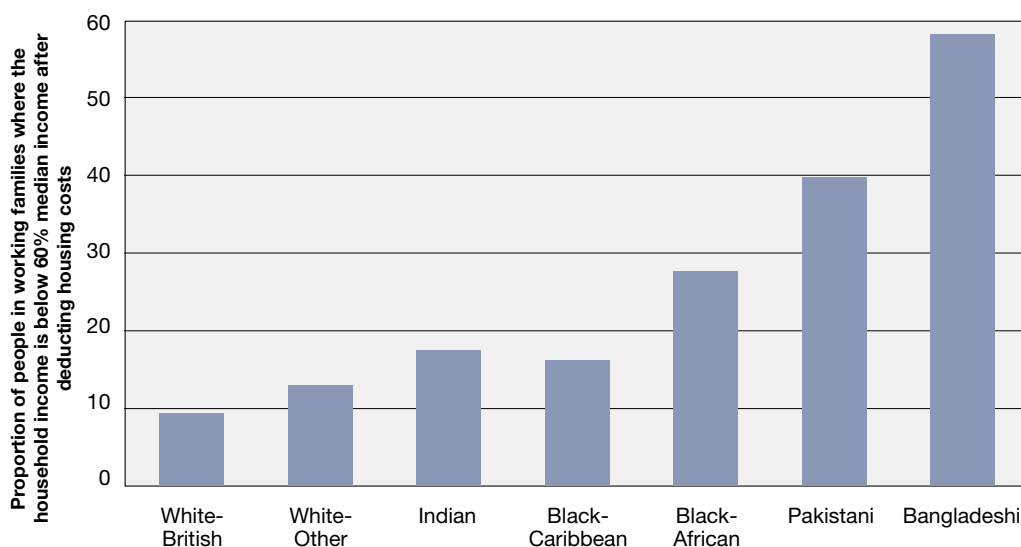
Indicator 3 In low income by family work status

For all work statuses, people from ethnic minorities are, on average, more likely to live in income poverty than white British people



Source: Households Below Average Income, DWP; the data is the average for the years 2002/03 to 2004/05

Among those in working families, around 60% of Bangladeshis, 40% of Pakistanis and 30% of black Africans are in income poverty



Source: Households Below Average Income, DWP; the data is the average for the years 2002/03 to 2004/05

The first graph shows how the proportion of people living in low income households varies by family work status,¹ with the data shown separately for those from ethnic minorities and white British people. The work statuses are: all working (single or couple, with one in full-time work and the other – if applicable – in full-time or part-time work); some working (includes families where no one is working full-time but one or more are working part-time); unemployed (head or spouse unemployed) and other workless (includes long-term sick/disabled and lone parents). The self-employed and workless families aged 60 and over are excluded from the analysis.

The second graph shows, for working families only (both 'all working' and 'some working'), how the proportion of people living in low income households varies by ethnic group. Again, the self-employed are excluded from the analysis.

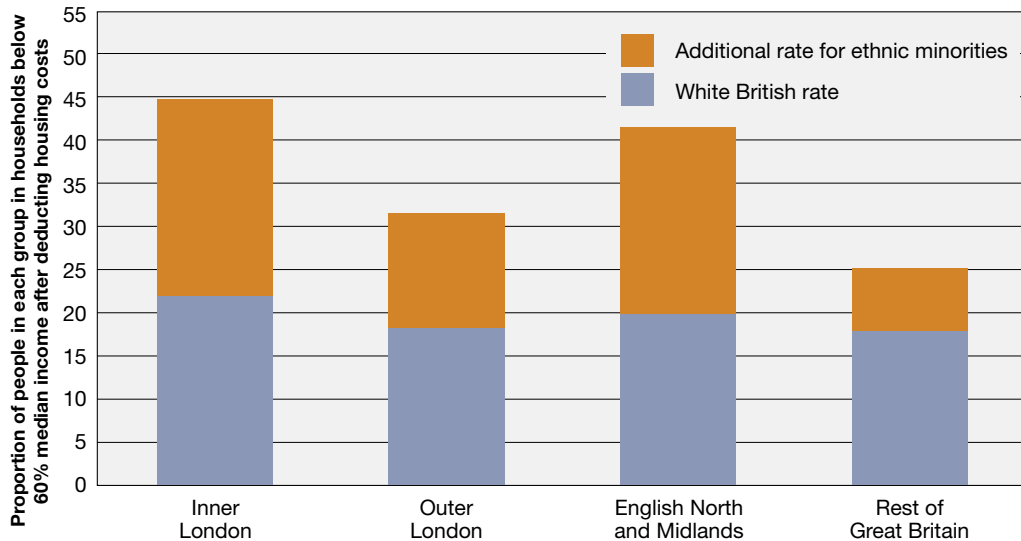
The data source for both graphs is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equivalised (adjusted) to account for variation in household size and composition.

Key points

- For all working age family work statuses, people from ethnic minorities are, on average, more likely to live in income poverty than white British people.
- While these differences are relatively small for ‘workless families’ (families where no adult is in paid work), they are proportionally much bigger for ‘working families’ (families where at least one adult is in paid work). More specifically, among those in working families, people from ethnic minorities are, on average, twice as likely to be in income poverty as white British people (almost 10 per cent compared to 5 per cent for ‘all-working’ families and almost 40 per cent compared to 20 per cent for the ‘some working’ ones).
- Among those in working families, around 60 per cent of Bangladeshis, 40 per cent of Pakistanis and 30 per cent of black Africans are in income poverty. This is much higher than the 10-15 per cent for white British, white Other, Indians and black Caribbeans.

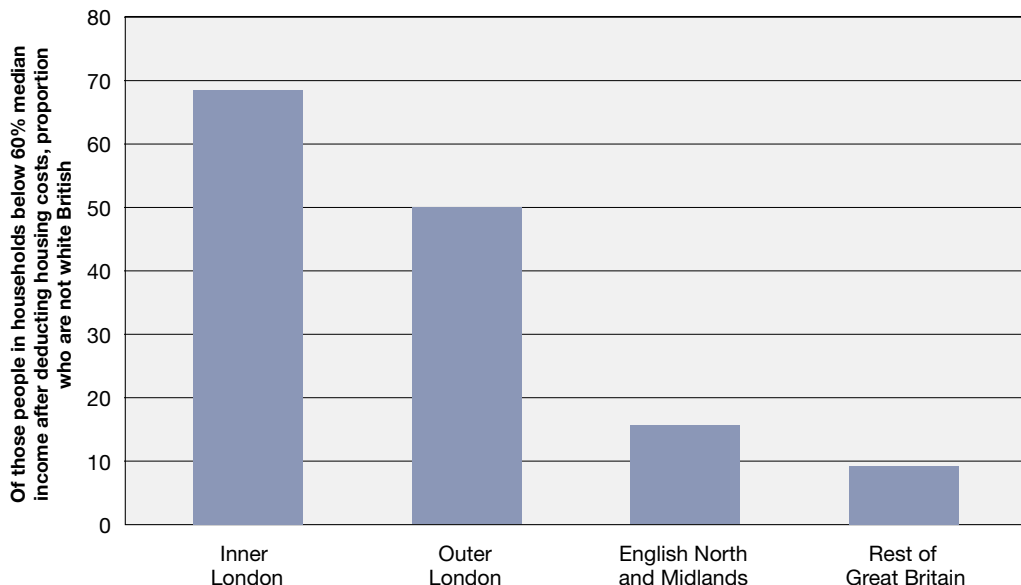
Indicator 4 In low income by geography

Unlike ethnic minorities, the proportion of white British people who live in low income households is similar across Great Britain



Source: Households Below Average Income, DWP; the data is the average for the years 2002/03 to 2004/05

More than half of people living in income poverty in London are from ethnic minorities



Source: Households Below Average Income, DWP; the data is the average for the years 2002/03 to 2004/05

The first graph shows how the proportion of people living in low income households varies by geographic area, with the data shown separately for those from ethnic minorities and white British people. The second graph shows, for each geographic area, the proportion of people living in low income households who are not white British.

Inner and outer London are shown separately because they each have a relatively high ethnic minority population. The English North and Midlands (i.e. the regions North East, North West, Yorkshire and the Humber, East Midlands and West Midlands) are shown separately because the proportion of their minority ethnic population who live in low income households is much higher than in the rest of Great Britain.

The data source for both graphs is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equalised (adjusted) to account for variation in household size and composition.

Key points

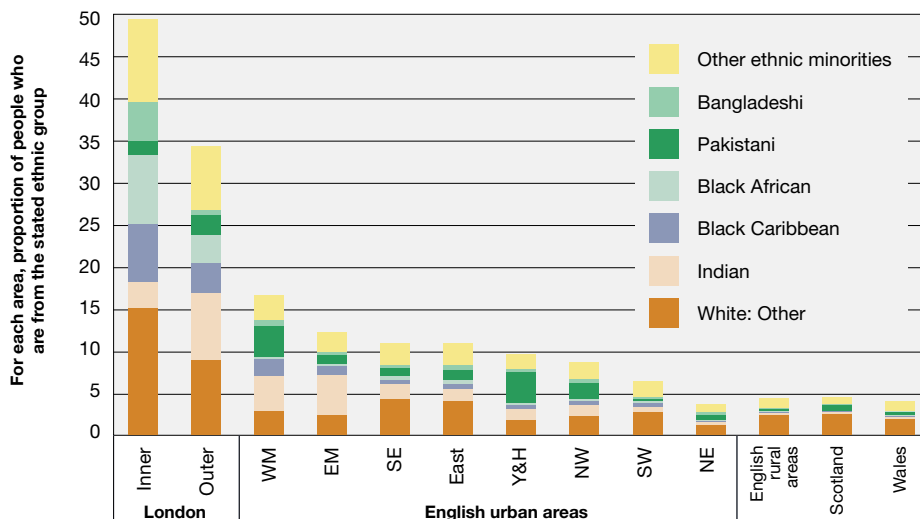
- Although income poverty rates for white British are slightly higher in inner London than elsewhere, there is little variation for this group between different parts of the country.
- By contrast, although people from ethnic minorities are, on average, more likely to be in income poverty than white British people wherever they live, the extent of the difference is much greater in inner London and the English North and Midlands than elsewhere.
- When these poverty rates are combined with the very different population shares across the country (see indicator 5), they produce very different results for the proportion of people in poverty who are from an ethnic minority. At the one extreme, 70 per cent of the people living in income poverty in inner London, and 50 per cent of those in income poverty in outer London, are from ethnic minorities. At the other, 85 per cent of those in poverty in the English North and Midlands and 90 per cent of those in the rest of Great Britain are white British.

2 Where different ethnic groups live and work

This section provides an overview of key facts about the size, location, concentration and work rates of the major ethnic groups in Great Britain as per the 2001 Census (the most detailed source but increasingly out of date).

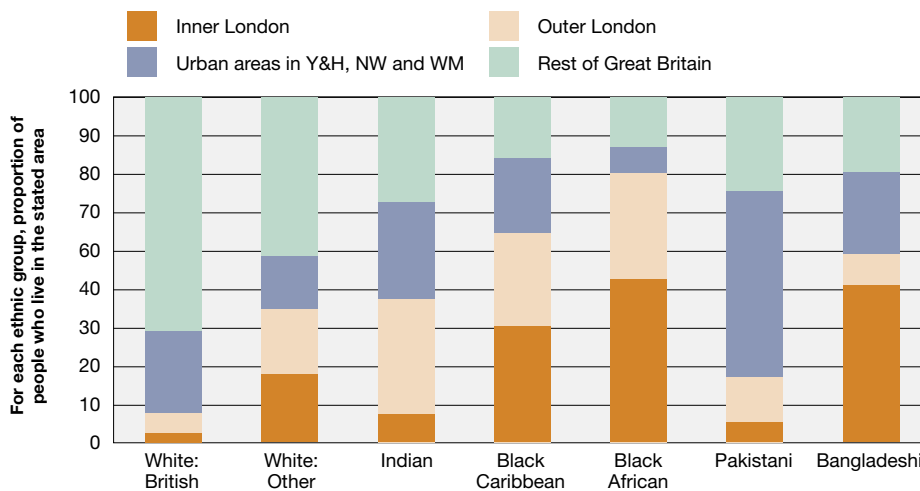
Indicator 5 Population by geography

The proportion of the population who are from ethnic minorities is greatest in London and least in Wales, Scotland, the North East and the rural areas of England



Source: 2001 Census for England, Scotland and Wales

More than half of black Africans, black Caribbeans and Bangladeshis live in London. More than half of Pakistanis live in the urban areas in the West Midlands, Yorkshire and Humber and North West



Source: 2001 Census for England, Scotland and Wales

The first graph shows, for each geographic area in Great Britain, the proportion of the population who are not white British, with each of the major ethnic groups shown separately.

The second graph shows, for each ethnic group, the proportion of the population in each geographic area.

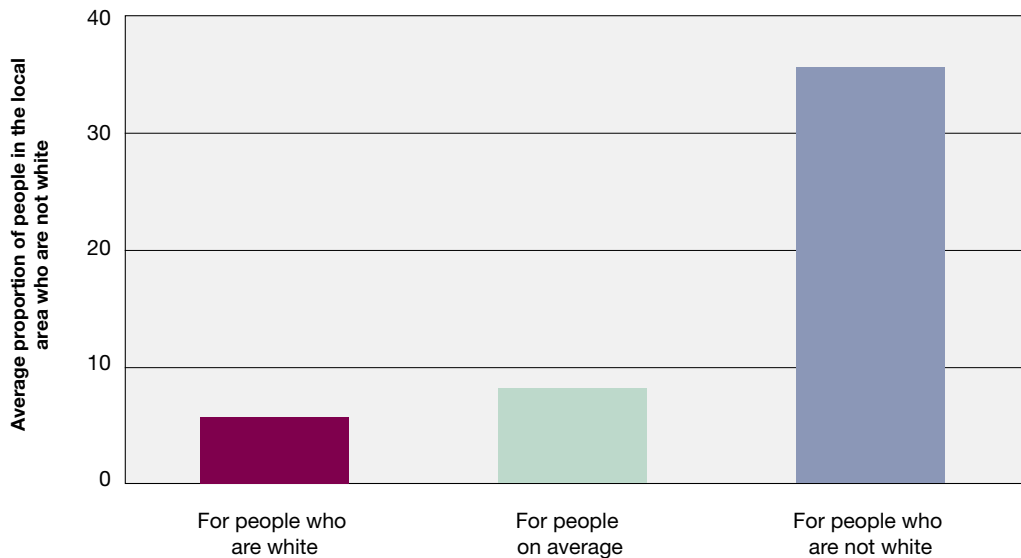
The data source for both graphs is the 2001 Census for England, Scotland and Wales. The geographic areas shown in the first graph are the nine Government Office regions in England plus Scotland and Wales. The data for London is shown separately for inner and outer London because the results are so different. The data for the other eight English regions is split between 'urban' and 'rural' local authorities, using the Countryside Agency's (now Natural England's) urban/rural classification of local authorities, for similar reasons. In the second graph, some of the geographic areas from the first graph are grouped together to best illustrate the differing geographic patterns.

Key points

- There are enormous differences across the country in the proportion of the population belonging to an ethnic minority, ranging from 50 per cent and 35 per cent in inner and outer London respectively to less than 5 per cent across Wales, Scotland, the rural areas of England and the urban areas in the North East.
- There are substantial numbers of all the minority ethnic groups in inner London and, except for Bangladeshis, in outer London. In other urban areas, most of the minority ethnic population is from two or three groups only.
- A very high proportion of both black African and black Caribbean households live in London, 80 per cent and 60 per cent respectively compared to 10 per cent for white British. A high proportion of Bangladeshi households also live in London (55 per cent), and most of these live in inner London.
- By contrast, what stands out for Pakistani households is the high proportion who live in the urban areas in the English regions of the West Midlands, Yorkshire and Humber and North West: 55 per cent compared to 25 per cent for white British.

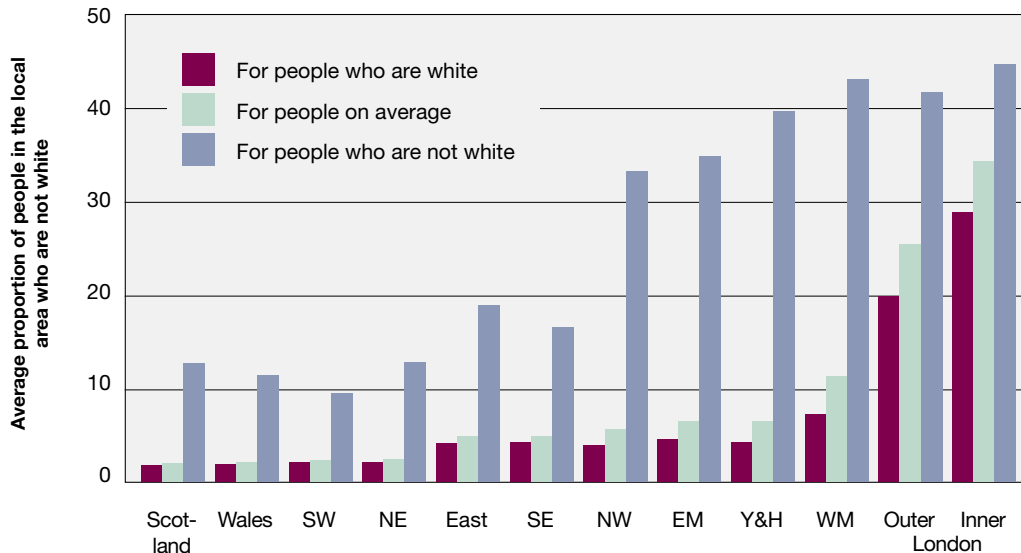
Indicator 6 Small area polarisation

People who are not white have, on average, 36% of their neighbours who are also not white. For white people, an average of just 6% of their neighbours are not white



Source: 2001 Census for England, Scotland and Wales

Apart from London, white people usually only have between 1% and 7% of their neighbours being non-white



Source: 2001 Census for England, Scotland and Wales

The two graphs provide an analysis of the polarisation of the population at a small area level, dividing the population into two groups, namely white people (white British plus white Other) and non-white people (all the other ethnic groups). The data source is the 2001 Census and the data is for Great Britain.

As discussed more fully in the main text, both of the graphs cover three types of measure, with the first graph showing these measures for Great Britain as a whole and the second graph showing them separately for each region.

The first measure – represented by the middle bars – is the overall proportion who are not white.

The second measure – represented by the right hand bars – is, for those who are not white, the average proportion of people in their local area who are also not white.

The third measure – represented by the left hand bars – is, for those who are white, the average proportion of people in their local area who are not white.

Why this indicator?

This indicator uses data from the 2001 Census to look at the extent to which the geographical distribution of people from different ethnic groups varies at the level of the small local area or, to use the Census terminology, 'output area'. Census output areas typically contain around 300 people.

More specifically, it divides the population into two groups – 'white' and 'non-white' – and, for each group, analyses the proportion of people in the local area from each group. Both graphs look at three types of measure:

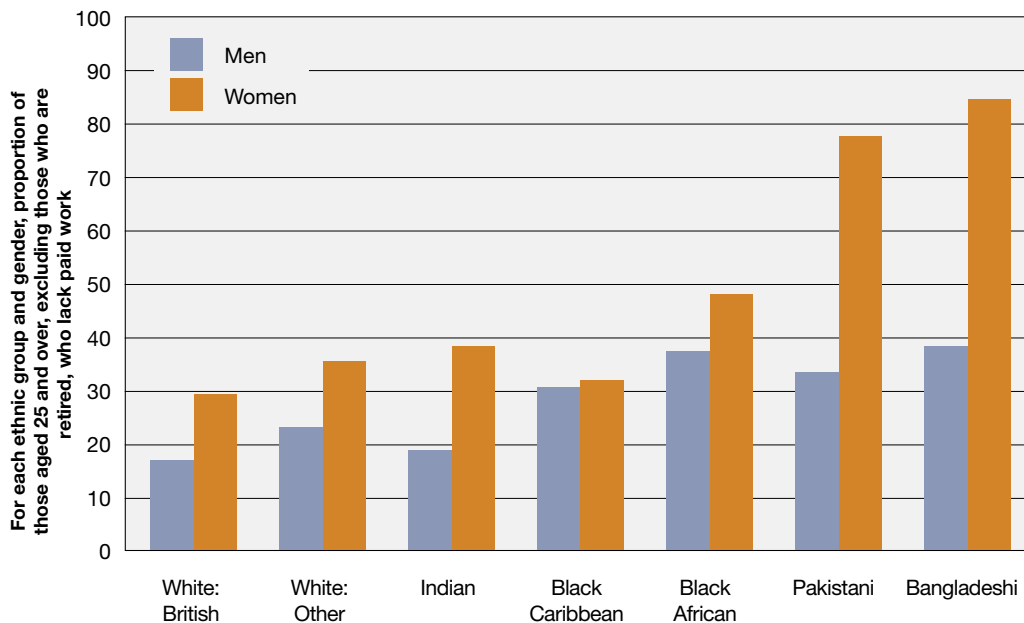
- The middle bar is the proportion of the population who are non-white. So, for example, 11 per cent of the West Midlands population are non-white.
- The right hand bar is, for non-white people on average, the percentage of their neighbours (in the small local area) who are also non-white. So, for example, non-white people in the West Midlands, on average, have around 43 per cent of the people in their small local area also being non-white.
- The left hand bar is, for white people on average, the percentage of their neighbours (in the small local area) who are non-white. So for example, white people in the West Midlands, on average, have around 7 per cent of the people in their small local area being non-white.

Key points

- Nationally in 2001, 8 per cent of the population was non-white. Non-white people, however, have on average 36 per cent of their neighbours also being non-white. By contrast, white people have, on average, only 6 per cent of their neighbours being non-white. At a regional level, the situation differs markedly from region to region, with the regions dividing into three broad groups:
 - Scotland, Wales, South West, North East, East and South East: on average, non-white people have 10-20 per cent of their neighbours also being non-white; white people have less than 5 per cent of their neighbours being non-white.
 - North West, East Midlands, Yorkshire and the Humber and West Midlands: on average, non-white people have 35-40 per cent of their neighbours also being non-white; white people have less than 4-7 per cent of their neighbours being non-white.
 - London: on average, non-white people have 40-45 per cent of their neighbours also being non-white; white people have 20-30 per cent of their neighbours being non-white.

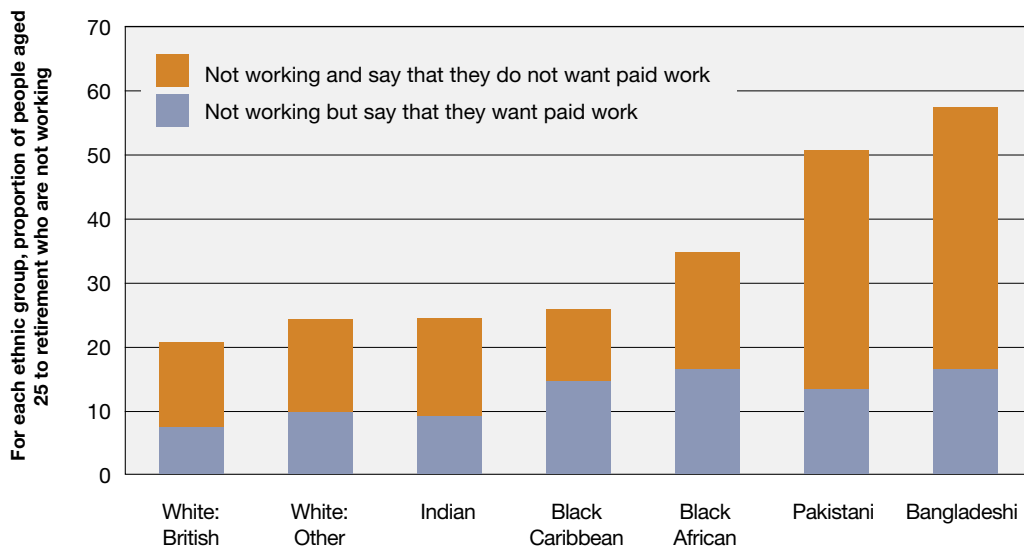
Indicator 7 Work status

Most Bangladeshi and Pakistani women are not in paid work



Source: 2001 Census for England, Scotland and Wales

Around two-fifths of Bangladeshis and Pakistanis are not in paid work and say that they do not want paid work, a much higher proportion than that for any other ethnic group



Source: Labour Force Survey, ONS; the data is the average for 2003/04 to 2005/06

The first graph shows, for men and women separately, the proportion of each ethnic group aged 25 and over, excluding those who classify themselves as retired, who were not in paid work in 2001. The data source is the 2001 Census for England and Wales.

The second graph shows the proportion of each ethnic group aged 25 to retirement who are not in paid work, with the data broken down by whether or not they want paid work. Those wanting paid work comprises those who are officially (ILO) unemployed plus those who are 'economically inactive' but say that they want paid work. The data source is the Labour Force Survey and the data relates to the United Kingdom. The averaging over three years has been done to improve statistical reliability.

Key points

- According to the 2001 Census, around 15 per cent of non-retired white British **men** aged 25 and over are not in paid work, with similar proportions for white Other and for Indians. By contrast, the equivalent proportions for Bangladeshis, Pakistanis, black Africans and black Caribbeans are 30-40 per cent.
- Around 30 per cent of non-retired white British **women** aged 25 and over are not in paid work, with only slightly higher proportions for black Caribbeans, white Other and Indians. For black Africans, the proportion rises to almost 50 per cent. But what really stands out is that the vast majority – 80 per cent – of Bangladeshi and Pakistani women are not in paid work.
- Note that there is a similar pattern in the 16 to 24 age group. For example, excluding students, 65 per cent of Bangladeshi and Pakistani women aged 16 to 24 are not in paid work compared with 25 per cent white British.²
- Closer examination of the reasons for not working suggests that much of the lower than average work rates for black Africans is explained by the high proportion who are students.
- According to the Labour Force Survey, the proportion of adults aged 25 to retirement who are not working and say that they **do not want paid work** is, at 40-45 per cent, much higher for Bangladeshis and Pakistanis than for other ethnic groups (around 15 per cent). By contrast, the proportion of adults aged 25 to retirement who are not working and say that they **do want paid work** is, at 10-20 per cent, similar for Bangladeshis and Pakistanis as for other ethnic groups.
- This is consistent with the 2001 Census data where, for example, most of the Bangladeshi and Pakistani women said that they were not working because they were either 'looking after home/family' or 'other reasons' rather than because they could not find a job or because they were long-term sick or disabled.³

- Note that work rates for people from ethnic minorities have increased over the last decade. For example, in 2005/06, 66 per cent of people aged 25 to retirement from non-white ethnic minorities were in paid work compared to 59 per cent a decade earlier. This rate of increase is somewhat greater than for the population as a whole (78 per cent working in 2005/06 compared to 74 per cent a decade earlier).⁴
- The Equal Opportunities Commission has recently completed an investigation into minority ethnic women and work. See their final report, *Moving on up? The way forward*.⁵

3 Accounting for differences in poverty rates between ethnic groups

This section explores how far the differences in income poverty rates observed in section 1 can be accounted for by differences in the population mix between ethnic groups by age structure, family type and work status.

For example, children have a much higher income poverty rate than adults and a relatively high proportion of Bangladeshis are children. All else being equal, one would therefore expect Bangladeshis to have a higher than average overall income poverty rate. The question that this section explores is a quantitative one, namely roughly what proportion of the higher than average overall income poverty rate among Bangladeshis is accounted for by the fact that a relatively high proportion of Bangladeshis are children?

To be more precise, the technique being used is a form of ‘standardisation’. In this technique, sub-group specific risks for one population group (a reference group, in this case white British) are applied to the structure of a second population group.⁶ The imputed risk that results is then compared with the actual overall risk for the first and second groups, as follows:

- the gap between the imputed risk and the actual risk for the first (white British) group is a measure of how much the second group’s population mix raises its overall income poverty rate;⁷
- the gap between the second group’s actual risk and the imputed risk is a measure of how much remains still unaccounted for even after the effect of the mix is taken into account.

As with all statistical techniques, care is needed to avoid over-interpreting the results. One reason for this is that the technique only contributes towards the explanation of why an ethnic minority’s income poverty rate is higher if two conditions are met. One is that the relative size of the sub-groups must differ appreciably between the minority ethnic group and the white British group. The second is that the income poverty rates between the sub-groups of the white British population must also differ appreciably.

One instance where this second condition does not hold concerns geography (as indicator 4 shows, the white British rate varies only rather slightly across the country). As a result, standardisation on the basis of region accounts for very little of the excess minority ethnic poverty rate (which is why the graph is not shown).

In this context, there are three indicators in this section, namely:

- age structure.
- family type (which covers the combined impact of family type and age structure).
- family work status (which covers the combined impact of family work status, family type and age structure).

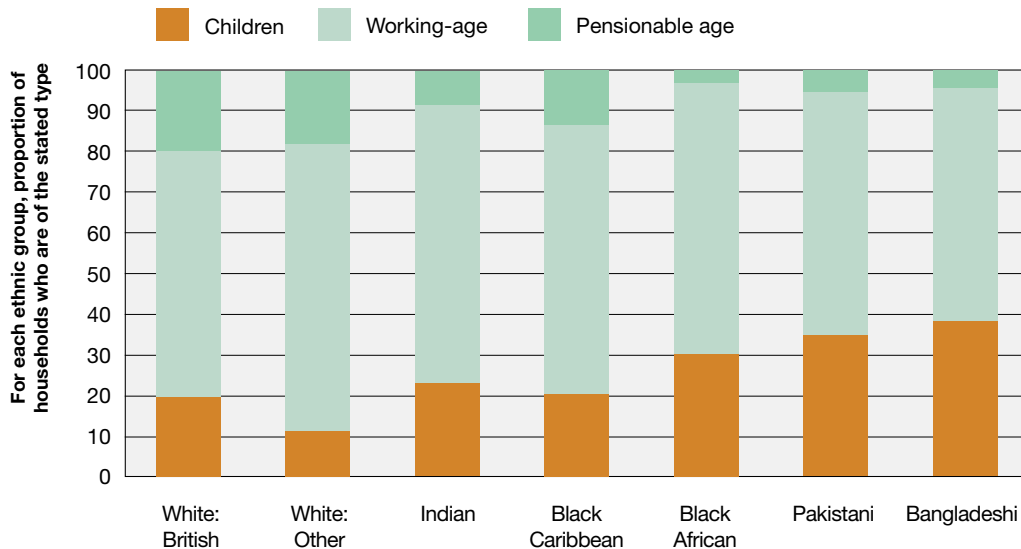
Each of the three indicators comprises two graphs, the first showing how the factor in question differs between ethnic groups and the second showing the results of the standardisation for that factor. In turn, each of the standardisation graphs show three statistics for each ethnic group, namely:

- a. The actual income poverty rate for the ethnic group in question.
- b. The actual income poverty rate for the white British population.
- c. The income poverty rate that would result from multiplying the income poverty risks for the white British population by the structure of the ethnic group in question.

The difference between c. and b. is then the amount that is accounted for by the factor in question and the difference between a. and c. is the amount that is not accounted for by the factor in question.

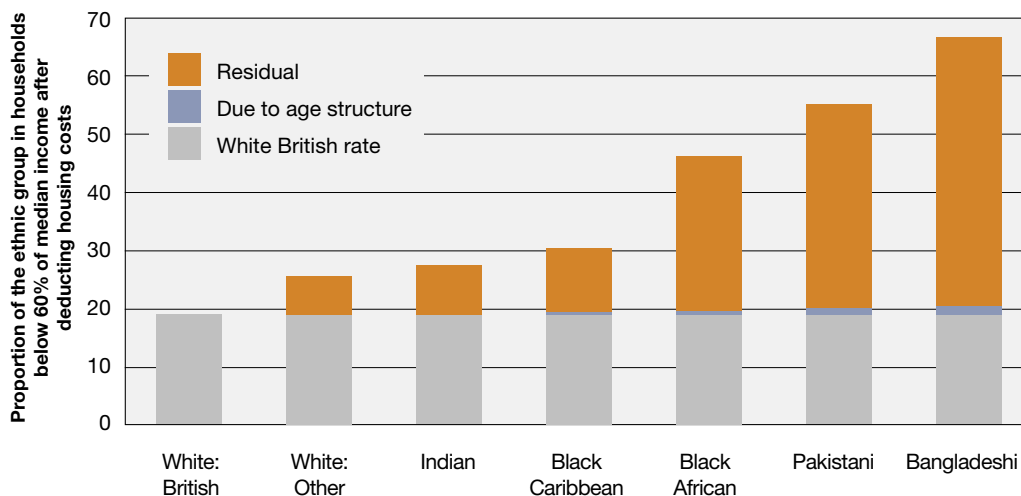
Indicator 8 Age structure

A very small proportion of Bangladeshis, Pakistanis and black Africans are of pensionable age, and proportionally more are children



Source: 2001 Census for England and Wales

Very little of the overall differences in poverty rates is accounted for by differences in age structure



Source: Households Below Average Income, DWP; the data is the average for 2002/03 to 2004/05

For each ethnic group, the first graph shows the proportion of people who are in each age group, namely children, working age and pensionable age. Working age is people between the ages of 16 and 59 (women) or 64 (men). The data source is the 2001 Census for England and Wales.

For each ethnic group, the total height of the bar in the second graph is the actual proportion of people in that ethnic group who live in low income households (i.e. the same as the second graph in indicator 1). The height of the grey and blue elements added together is the proportion of people in that ethnic group who would live in low income households if the white British risks of income poverty for each age group were applied to the age structure of the ethnic group. The blue element is therefore the proportion that is accounted for by age structure while the orange element is the proportion that is not accounted for by age structure.

The data source for the second graph is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equalised (adjusted) to account for variation in household size and composition.

Key points

Children have a much higher income poverty rate than adults (see the first graph of indicator 2). It follows that, if a particular ethnic group has a relatively high proportion of its population who are children, this could go some way to account for its higher income poverty rate.

Differences in age structure

- 40 per cent of Bangladeshis are children, as are 35 per cent of Pakistanis and 30 per cent of black Africans. This compares with 20 per cent for white British, Indians and Black Caribbeans and 10 per cent for white Other.
- By contrast, only 5 per cent or less of Bangladeshis, Pakistanis and black Africans are of pensionable age compared with 20 per cent of white British.

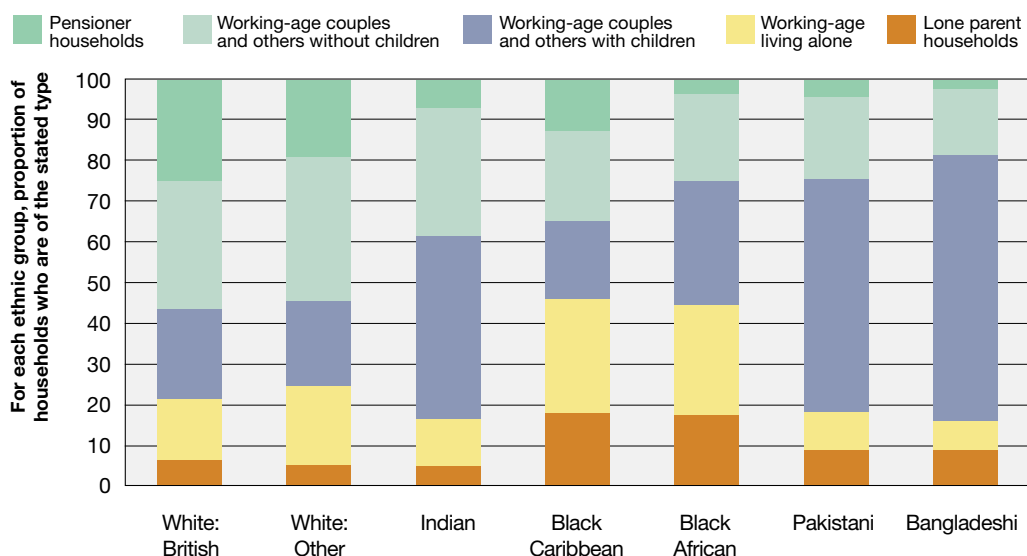
The interaction between age structure and income poverty rates

- Very little of the overall differences in income poverty rates is accounted for by differences in age structure. This is illustrated by the small heights of the middle (blue) bars in the second graph.
- Given the high proportion of some ethnic minorities who are children, and the high overall income poverty rates for children, this may seem surprising. What it reflects, however, is the fact that the differences in age-specific poverty rates within the white British population (25 per cent for children and 17 per cent for adults) are really quite small compared with the difference between the overall poverty rates for different ethnic groups and thus the effect is quantitatively rather small. The box below uses the example of Bangladeshis to illustrate this.

- 20 per cent of white British are children and 80 per cent are adults.
- Their income poverty rates are 25 per cent and 17 per cent respectively.
- The overall white British income poverty rate is therefore $(25 \text{ per cent} \times 20 \text{ per cent}) + (17 \text{ per cent} \times 80 \text{ per cent}) = 19 \text{ per cent}$.
- 40 per cent of Bangladeshis are children and 60 per cent are adults.
- If Bangladeshi children and adults had the same income poverty rates as white British, the overall Bangladeshi income poverty rate would be $(25 \text{ per cent} \times 40 \text{ per cent}) + (17 \text{ per cent} \times 60 \text{ per cent}) = 20\%$.
- 65 per cent of Bangladeshis are in income poverty, an 'excess' over white British of 46 per cent.
- Of the 46 per cent, 1 per cent (20 per cent - 19 per cent) of this is accounted for by differences in age structure while the other 45 per cent (65 per cent - 20 per cent) remains unaccounted for. The height of the middle (blue) element in the Bangladeshi bar in the second graph is therefore 1 percentage point while the height of the top (orange) bar is 45 percentage points.

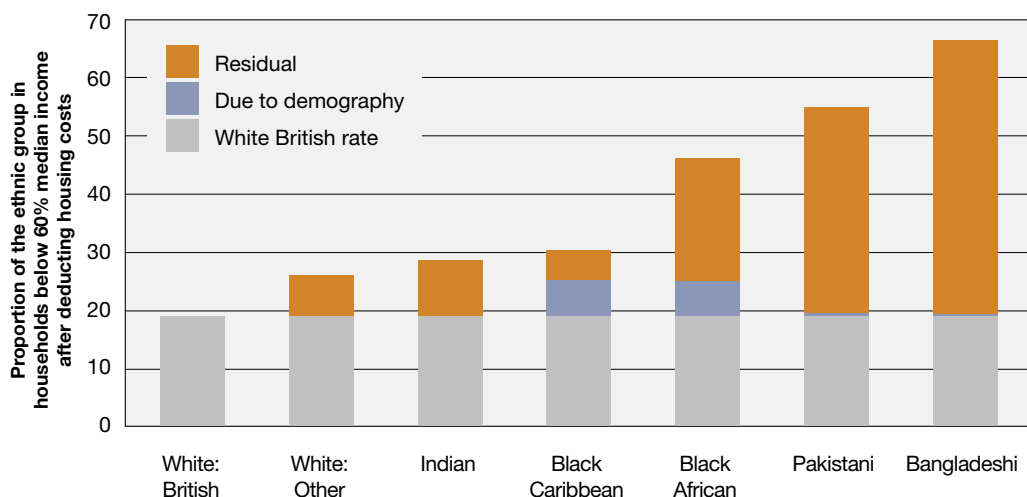
Indicator 9 Family type

The proportion of households who are either lone parents or working-age and living alone is much greater for black African and black Caribbean households than for other ethnic groups



Source: Households Below Average Income, DWP; the data is the average for 2002/03 to 2004/05

None of high poverty rate among Bangladesh and Pakistanis is accounted for by differences in family structure, but family structure does account for much of the black Caribbean poverty rate and part of the black African poverty rate



Source: Households Below Average Income, DWP; the data is the average for 2002/03 to 2004/05

For each ethnic group, the first graph shows the proportion of people who are in each family type. Note that complex households are combined with couple households depending on whether or not there are dependent children. 'Working age' is people between the ages of 16 and 59 (women) or 64 (men). The data source is the 2001 Census for England and Wales.

For each ethnic group, the total height of the bar in the second graph is the actual proportion of people in that ethnic group who live in low income households (i.e. the same as the second graph in indicator 1). The height of the grey and blue elements added together is the proportion of people in that ethnic group who would live in low income households if the white British risks of income poverty for each combination of family type and age structure were applied to the relevant sub-group of the ethnic group. The blue element is therefore the proportion that is accounted for by family type and age structure while the orange element is the proportion that is not accounted for by these factors.

The data source for the second graph is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equalised (adjusted) to account for variation in household size and composition.

Key points

Lone parent households are much more likely to be in income poverty than other household types (see the second graph of indicator 2).⁸ It follows that, if a particular ethnic group has a relatively high number of lone parent households, this could go some way to account for its higher income poverty rate.

Differences in family type

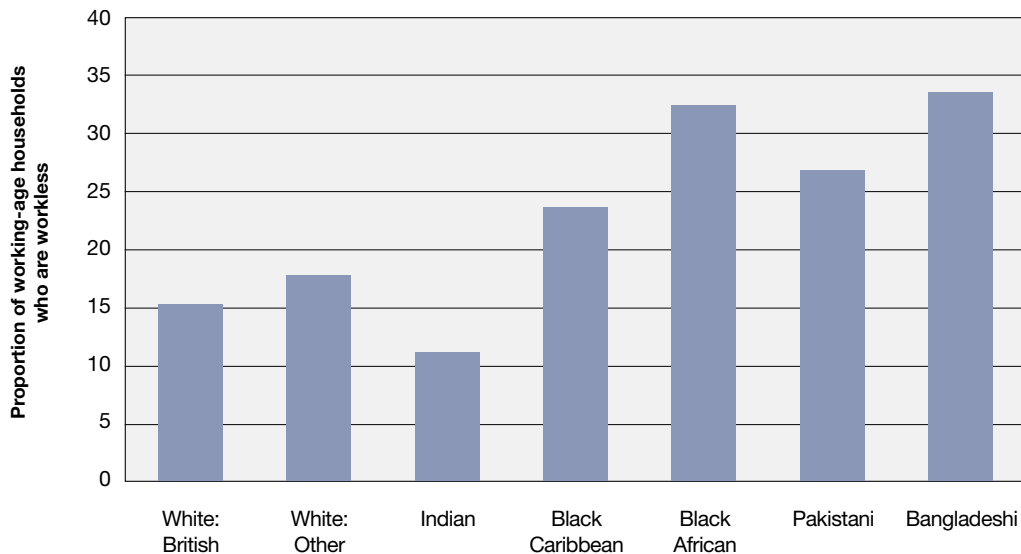
- What stands out for Bangladeshi and Pakistani households is the high proportion (60-70 per cent) who are working-age couples with children, much greater than the 25 per cent of white British. Very few (less than 5 per cent) are pensioner households. The proportion of households who are in the high risk groups – lone parents and working-age people living alone – is similar to that for white British.
- What stands out for black African and black Caribbean households is the high proportion who are either lone parents (15-20 per cent) or working-age living alone (25-30 per cent). Again, relatively few are pensioner households.

The interaction between family structure and poverty rates⁹

- Differences in family structure account for virtually none of the high income poverty rates among Bangladeshi and Pakistani households. This is illustrated by the non-existent middle (blue) bars in the second graph for these two ethnic groups. This is to be expected given that working-age couples with children (a high proportion of Pakistanis and Bangladeshis) and pensioners (a low proportion of Pakistanis and Bangladeshis) are both groups which have overall income poverty rates similar to the all-population average.
- By contrast, differences in family structure account for part of the high income poverty rates among black African households, and the majority of the highish poverty rates among black Caribbean households. This is illustrated by the sizeable heights of the middle (blue) bars in the second graph for these two ethnic groups but the still sizeable heights of the top (orange) bars. Again, this is perhaps to be expected given that lone parents and working-age living alone (both of which are more prevalent among black Africans and black Caribbeans) are both groups which have high overall income poverty rates relative to the all-population average.

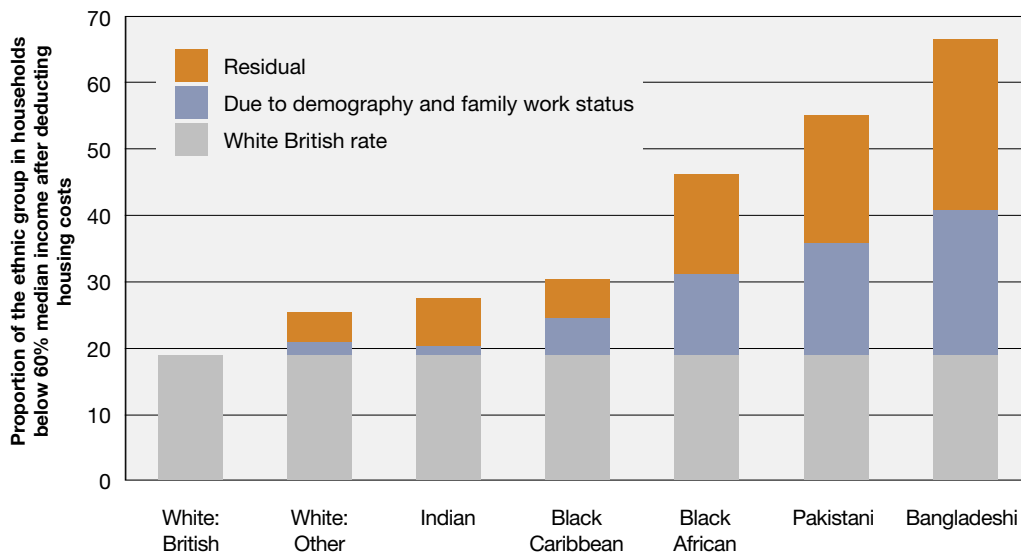
Indicator 10 Family work status

A third of working-age Bangladeshi and black African households are workless, as are a quarter of Pakistani and black Caribbean households



Source: Labour Force Survey, ONS; the data is the average for 2003 to 2005

Around half of the high poverty rates among Bangladeshi, Pakistani and black African households is accounted for by differences in family work status, but the other half is not



Source: Households Below Average Income, DWP; the data is the average for 2002/03 to 2004/05

For each ethnic group, the first graph shows the proportion of working-age households that are workless. Both the ethnic group of the household and whether or not it is of working age are defined according to the Household Reference Person. The data source is the Labour Force Survey, with the averaging over three years done to improve statistical reliability.

For each ethnic group, the total height of the bar in the second graph is the actual proportion of people in that ethnic group who live in low income households (i.e. the same as the second graph in indicator 1). The height of the grey and blue elements added together is the proportion of people in that ethnic group who would live in low income households if the white British risks of income poverty for each combination of family work status, family type and age structure were applied to the relevant sub-group of the ethnic group. The blue element is therefore the proportion that is accounted for by family work status, type and age structure while the orange element is the proportion that is not accounted for by these factors.

The data source for the second graph is Households Below Average Income and the data relates to Great Britain. Low income households are those where, after deducting housing costs, the disposable household income is below 60 per cent of median household income. All data is equivalised (adjusted) to account for variation in household size and composition.

Key points

Workless families are much more likely to be in income poverty than families where someone is in paid work (see indicator 3). It follows that, if a particular ethnic group has a relatively high number of workless families, this could go some way to account for its higher income poverty rate.

Differences in work status

- The proportion of Bangladeshi and black African households who are workless is, at 30-35 per cent, more than double the proportion for white British households. At 25 per cent, the proportion of Pakistani and black Caribbean households who are workless is a bit lower but still much higher than for white British households. Only 10 per cent of Indian households are workless.

The interaction between family work status and income poverty rates¹⁰

- When combined with age structure and family structure, differences in family work status account for around half of the 'excess' income poverty rates suffered by the Bangladeshi, Pakistani, black African and black Caribbean ethnic groups compared with white British people. This is illustrated by the sizeable heights of the middle (blue) bars in the second graph for these four ethnic groups but the equally sizeable heights of the top (orange) bars.
- For the Bangladeshi, Pakistani and black African ethnic groups, this is due to the high proportion of households in these groups who are workless (see first graph) combined with the income poverty risks for workless families being so much greater than for working families (see indicator 3). For the black Caribbean ethnic group, it is largely due to the differences in family structure (see indicator 9).
- If the white British population had the same work mix as the Bangladeshi and Pakistani population then, all else being equal, it would have a 40 per cent income poverty rate rather than its actual 20 per cent rate. Another way of putting this is that if the Bangladeshi and Pakistani population had, for each work status, the same risk of poverty as the white British population then, all else being equal, they would have a 40 per cent income poverty rate rather than their actual 65 per cent and 55 per cent rates.
- It is perhaps surprising that family work status, when combined with age and family structure, only account for half of the differences in income poverty rates. The other half must therefore be due to other factors. Some of these are discussed overleaf.

Other possible factors

The overall conclusion of the analysis above is that, while around half of the ‘excess’ income poverty rates suffered by minority ethnic groups compared with white British people is accounted for by differences in age structure, family type and family work status, the other half is not. The material below discusses some of the other factors that might be relevant to the half that is not accounted for, namely:

- extended families
- family size
- pay rates
- the overall income distribution.

Note that this is by no means a comprehensive list of the possible factors. Other possibilities include levels of unearned income, housing costs, the take-up of benefits and discrimination.

Extended families

Whether or not someone is in income poverty is determined by reference to the total disposable income of the *household*. By contrast, the analysis in indicators 9 and 10 related to the structure and work status of the *family*. The difference between these two terms is that, whereas the term ‘household’ is used to cover everyone living in a dwelling, the term ‘family’ is used to cover an adult and (if applicable) their spouse and any dependent children. So, for example, a young adult living with their parents would count as one ‘household’ but two ‘families’.

Bangladeshis, Pakistanis and Indians are much more likely to live in extended families than other ethnic groups. For example, of the people surveyed in the 2004/05 Family Resources Survey, around half of Bangladeshis, Pakistanis and Indians were living in extended families compared to around a quarter of the other ethnic groups.

It is not clear, however, what the direction of this effect might be. On the one hand, in the example above, if that young adult is not working then they are less likely to be in poverty if they are living at home with their parents than if they are living on their own. On the other hand, their parents are more likely to be in poverty if they have a non-working adult dependent living with them than if they do not. Because of this, the standardisation approach used in the previous indicators cannot reliably be used to analyse this issue. One way round this is to analyse income poverty rates either just for people living in

extended families or just for people not living in extended families. When we do this, we find that:¹¹

- First, for all ethnic groups except Indians, the income poverty rate among extended families is somewhat lower than among those not living in extended families.¹²
- Second, the differences in income poverty rates between ethnic groups are broadly similar for both extended families and for those not living in extended families.¹³
- Third, the extent to which the differences in income poverty rates between ethnic groups is accounted for by differences in age structure, family structure and family work status is broadly similar for both extended families and for those not living in extended families.

In summary, it could be that the greater prevalence of extended families among Bangladeshis, Pakistanis and Indians is one reason for their higher income poverty rates but our analysis does not provide any evidence that this is the case.

Family size

Indicators 8 and 9 looked at age structure and family structure but not family size. Households with three or more children are more likely to be in income poverty than households with one or two children: 35 per cent compared with 21 per cent.¹⁴ And around half of Bangladeshi and Pakistani children – and around a third of black African children – are in families of three or more children compared to around a sixth of white British children. Standardising for this factor has some effect but does not materially change the overall finding that demography and family work status together account for around half of the differences in income poverty rates.

Pay rates

The connection between low pay and in-work poverty is by no means direct. In previous work,¹⁵ we found that while only about one in seven of those who are low paid are in poverty, some two-thirds of those who are in working families in poverty are low paid. This means that one cannot simply read across from low pay to poverty – but there is an obvious connection.

Low pay certainly is much more prevalent among most minority ethnic groups. For example, up to half of Bangladeshi workers, a third of Pakistanis and a quarter of black

Africans were paid less than £6.50 per hour in 2006 compared with a fifth of the other ethnic groups.¹⁶

In turn, some of this is accounted for by the fact that some ethnic groups are disproportionately represented in sectors where a high proportion of employees are low paid. In particular, from the 2001 Census, 35 per cent of Bangladeshis work in the hotels and catering sector compared with around 5 per cent of those from other ethnic groups.¹⁷

In summary, it seems likely that differences in pay rates is one of the major factors accounting for that part of the differences in income poverty rates which are not accounted for by demography and family work status.¹⁸

The overall income distribution

The table below shows, for each ethnic group, the proportion of people who are in each of the five household income quintiles. What stands out is that not only are Pakistani and Bangladeshi households over-represented in the lowest fifth of the income distribution (essentially those in income poverty) but they are also over-represented in the second lowest fifth too. As a result, there are very few of them even on average income, never mind above average income.¹⁹ In that sense, it is the whole income distribution, and not just the degree to which different groups are concentrated in the lowest fifth, that needs to be explained but that is beyond the scope of this report.

| Ethnic Group | % in the poorest quintile | % in the 2nd quintile | % in the middle quintile | % in the 4th quintile | % in the richest quintile | Total |
|---------------------|---------------------------|-----------------------|--------------------------|-----------------------|---------------------------|-------|
| White British | 18% | 20% | 21% | 21% | 20% | 100% |
| White Other | 25% | 16% | 16% | 15% | 28% | 100% |
| Indian | 27% | 18% | 19% | 17% | 19% | 100% |
| Black Caribbean | 30% | 22% | 19% | 17% | 12% | 100% |
| Black African | 45% | 20% | 14% | 13% | 9% | 100% |
| Pakistani | 52% | 30% | 9% | 4% | 5% | 100% |
| Bangladeshi | 66% | 21% | 7% | 3% | 2% | 100% |
| All groups combined | 20% | 20% | 20% | 20% | 20% | 100% |

Source: *Households Below Average Income*; the data is the average for 2002/03 to 2004/05 and is after deducting housing costs

Notes

- 1 The term 'household' is used to cover everyone living in a dwelling whereas the term 'family' is used to cover an adult and (if applicable) their spouse and any dependent children. So, for example, a young adult living with their parents would count as one 'household' but two 'families'. Note that an alternative – and more technically correct – term for 'family' is 'benefit unit'.
- 2 Analysis of the 2001 Census for England and Wales.
- 3 Note that this is in contrast with the situation for Bangladeshi and Pakistani **men**, where most of those not working said that they were either looking for work or permanently sick/disabled.
- 4 Analysis of the Labour Force Survey.
- 5 Available at http://www.eoc.org.uk/PDF/bme_final_report2007.pdf with the investigation more generally being discussed at <http://www.eoc.org.uk/default.aspx?page=17693>.
- 6 Rather than use white British as the reference group, we could equally well have used the total population. The only reason for not doing so is that it would have led to some of the bars in the graphs being negative.

Note that standardisation can in theory be done by either applying the risks of the reference group to the structure of the other population groups or by applying the structure of the reference group to the risks of the other population groups, with theoretical arguments for either approach. In practice, however, for sample size reasons only the first of these two approaches is possible in this case as the latter would involve using very uncertain sub-group risk rates for particular minority ethnic groups.
- 7 Another way of interpreting the imputed risk is that it is the overall risk that the first (white British) group would have if its population mix were the same as that of the second group.
- 8 Note that, as discussed in a Joseph Rowntree 2006 working paper entitled *Single person households: issues that JRF should be thinking about*, working age people living alone are also at a high risk of income poverty. This working paper is available from www.npi.org.uk/reports/single_people.pdf.
- 9 Includes both age structure and family structure under 'demography'.
- 10 Includes both age structure and family structure as well as family work status.
- 11 All results are based on analysis of the Households Below Average Income dataset and are the average for the years 2002/03 to 2004/05.

- 12 For example, around 60 per cent of Bangladeshis, 45 per cent of Pakistanis and 25 per cent of Indians in extended families are in income poverty, while the equivalent rates for those not living in extended families are 75 per cent, 60 per cent and 30 per cent respectively.
- 13 For example, in both cases, the income poverty rate for Bangladeshis is around four times that for white British (60 per cent compared with 15 per cent for extended families and 75 per cent compared with 20 per cent for others).
- 14 Analysis of the 2004/05 Households Below Average Income dataset.
- 15 *Dreaming of £250 a week: a scoping study on in-work poverty in Wales*. The Bevan Foundation; 2006. Available for download from www.npi.org.uk/reports/in-work-poverty-in-wales.pdf.
- 16 Analysis of the Labour Force Survey.
- 17 As shown in indicator 31 of the Joseph Rowntree Foundation report entitled *Monitoring poverty and social exclusion 2006*, which is available for download from www.poverty.org.uk/reports/mpse-2006.pdf, hotels and catering is the sector with by far the greatest prevalence of low pay.
Note that the industry sector does not explain why low pay is so prevalent among Pakistanis.
- 18 Note that while there is some pay data in the Households Below Average Income dataset, as a continuous rather than discrete variable it is not in a form which is conducive to analysis by the standardisation approach used in this report.
- 19 Note that there are also relatively few black African household on average and above-average incomes.

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