

## Poverty and ethnicity in the UK

**This wide-ranging review of the literature, by Lucinda Platt at the University of Essex, summarises the findings of poverty and ethnicity research since 1991. It describes differences in poverty rates and experiences by ethnic group. The study found that:**

- There are stark differences in poverty rates according to ethnic group. Risks of poverty are highest for Bangladeshis, Pakistanis and Black Africans, but are also above average for Caribbean, Indian and Chinese people. Muslims face much higher poverty risks than other religious groups.
- The differences in poverty rates are found across poverty measures (income poverty, material deprivation) and across sub-populations (older people, children). The high rates of child poverty in some groups are of particular concern, both for their present welfare and their future opportunities. Over half of Pakistani, Bangladeshi and Black African children are growing up in poverty.
- Evidence suggests that there is variation between ethnic groups in both the reasons for lower sources of income (for example, lower and less regular earnings, lower use of particular benefits) and in the numbers of people likely to need supporting from low income.
- Educational qualifications, employment sector, labour market experience, discrimination, location, disability, ill health and family form and structure all play a role in different poverty rates.
- When the contribution of individual characteristics (such as fewer qualifications) to employment disadvantage is analysed, there are some unexplained outcomes. For example, Black Africans have very high rates of higher education qualifications, but also suffer from high rates of unemployment and poor occupational outcomes. This 'ethnic penalty' includes the effects of discrimination.
- There also appear to be 'ethnic penalties' in access to social security benefits and other financial support.
- The study concludes that:
  - Employment policies need to tackle discrimination and support job retention and progression.
  - Income maintenance policies need a greater focus on take-up of benefits among those eligible.
  - Analysis of income at the household level could effectively inform and monitor policy on minority ethnic groups' poverty risks.
  - Analysis of the different and complex routes into poverty for different ethnic groups is needed, and research into whether the experience of poverty means different things to different groups.



## Ethnic differences in rates of poverty

The review found that all identified minority groups had higher than average rates of poverty. Rates of poverty were highest for Bangladeshis, Pakistanis and Black Africans, reaching nearly two-thirds for Bangladeshis. Rates of poverty were also higher than average for Indian, Chinese and other minority group households.

These differences were found, in roughly the same order, when sub-populations such as pensioners or children were considered. For example, Indian and Caribbean pensioners were poorer than white pensioners and Pakistani pensioners were poorer than Indian pensioners. Child poverty rates were greater than adult poverty rates across groups, so that children from minority groups were poorer than both white children and adults from their own ethnic groups. Around 70 per cent of Bangladeshi children were poor.

Differences in poverty by ethnic group were also found when using such measures of poverty and deprivation as lack of material goods and duration of poverty, as well as income insecurity. Deprivation is a wide-ranging term, and can mean slightly different things depending on the context. It can cover a lack of material possessions, such as warm clothing; housing stress, such as leaky roofs; opportunities for social activity, such as having friends round; or anxiety about making ends meet.

Bangladeshis had the highest poverty levels for most measures. Poverty for this group also appeared to be more severe and long-lasting than that in other groups. Pakistanis were nearly as poor as Bangladeshis on many counts, but there were differences in degree. Pakistanis seemed to have different patterns of material deprivation. For example, one study found that Bangladeshi children were highly likely to be deprived, but Pakistani children were not. Instead, Black African children were the second most deprived group.

There were quite different patterns for levels of social contact and money worries across the ethnic groups. Bangladeshis and Pakistanis did not appear to be lacking informal social contact, but Black Caribbeans and Black Africans, particularly women, did. Caribbeans experienced the greatest levels of anxiety about finances. White British people were the least likely group to be in poverty, but those claiming means-tested benefits experienced the greatest persistence of low income. So, although there is broad consistency in the 'poverty ranking' of ethnic groups, poverty is expressed in different ways across the groups.

In addition to extensive differences in experience between groups, there is also substantial variation within groups that is not adequately captured by existing categories. Recognition of within-group diversity challenges the forms of explanation based around ethnicity or religious affiliation. The intersection between these two can also complicate understanding of disadvantage. Nevertheless, recognition of this diversity should not detract from the high risks of poverty associated with particular ethnic identities or categories.

## Differences in income

The research found evidence of ethnic differences in employment income, savings, assets and benefits. Many minority groups had no savings, though the Indian group was an exception. The contribution of benefits to household income has not been analysed by ethnic group, but minority groups received fewer contributory benefits. Some groups were, instead, high users of means-tested benefits, which suggested low incomes in the first place. There are also issues about take-up – the extent to which some minority groups actually claim or receive their benefit entitlement.

It was clear that low income from employment was a central issue in causing poverty, impacting on those of all ages, including those of pension age. Lifetime employment records and earnings affected the amount of pension income pensioners received and there were clear differences in the extent to which different ethnic groups had private pension provision. In addition, pensioners do not necessarily live alone – and indeed, multi-generation households are much more common among Pakistani, Bangladeshi and Indian households. Thus, older people could benefit, or suffer, if those of working age in the same household were or were not in (well-paid) employment.

There are large differences in employment rates across ethnic groups. Unemployment rates and economic inactivity rates were higher than the national average for all identified minority groups. Rates of pay also differed substantially, with Bangladeshi men facing particularly low rates of pay. This meant that both in work and out of work, Bangladeshi households faced high poverty risks.

## Understanding differences in poverty

Analysis of employment disadvantage found that it could partly be explained by characteristics such as education, but that an 'ethnic penalty' tended to remain. This was the case both for chances of being in a job and for rates of pay, though the ethnic penalty when in employment was more important.

Ethnic penalties varied across groups. Despite high levels of qualifications, Black Africans did not achieve the employment outcomes that might be expected. Indians also faced a penalty relative to their employable characteristics. Taking account of characteristics reduced the employment gap for Pakistanis and Bangladeshis, but a substantial ethnic penalty was still found. This was particularly the case for Pakistanis – although they did not appear as poor as the Bangladeshis, the ethnic penalties they faced were often more intractable.

The other side of the poverty equation to income are needs – the demands on available income. Household sizes were substantially higher than average for Bangladeshi, Pakistani and Indian households, meaning there were greater demands on available income. Lone parent families were much more prevalent among Black Africans and Black Caribbeans. Lone parent households are known to have higher risks of poverty due to the pressures of combining work and child care for a single parent. While mothers in lone parent Black Caribbean households are more likely to be in employment than those in other households, this does not necessarily prevent poverty and could impact on other aspects of welfare such as social contact.

Rates of sickness and disability were much higher among Bangladeshi households. Sick and disabled people have low employment rates and they can also reduce their carers' employment options. Moreover, the extra costs associated with disability were not typically taken into account in estimates of poverty, which may suggest even more severe poverty for these households than already observed. Costs of living also showed some variation by ethnic group.

## Policy implications

The implications for policy are twofold.

- It is important to increase income from employment for poor families, which will also have knock-on effects in later life.
- There are issues of effective income maintenance for poor households. The Government agenda to eliminate child poverty makes this particularly important for households with children.

In order to address the high poverty risks experienced by certain ethnic groups, employment policies need to address the following areas: employer discrimination; making work pay; retention in employment; and using 'welfare to work' to focus on helping people to move into a stable job with progression prospects, rather than pressuring them to get 'any job'.

However, focusing solely on employment will not address all causes of poverty and differences by ethnicity. Other relevant policy agendas relate to benefits and increasing qualifications and skills. Take-up of benefit by eligible people needs to be prioritised and further consideration given to how much the contributory system systematically disadvantages certain groups. The adequacy of benefits, particularly for those engaged in caring, also needs attention.

More sensitivity is needed about the costs of having a job, in terms of potential isolation or family welfare, particularly where the opportunities and rewards are limited.

Finally, while there are many policy agendas that are relevant to tackling poverty among minority ethnic groups – for example around employment and job searching, childcare, area initiatives and discrimination – it is important that policy is followed through with procedures and practices on the ground that can meet the needs of the target populations.

## Future research

Knowledge remains partial in a number of areas and further research would allow policy to respond appropriately and effectively to the challenge of ethnic differences in poverty. The lack of sufficiently detailed evidence about these variations is striking; and therefore it is difficult to make firm conclusions about appropriate interventions. Many of the studies drawn upon are limited, or relatively old, while up-to-date figures from the Households Below Average Income (HBAI) series provide only broad outlines of the issue. As a result, much of the evidence considered in the study related to employment, pay, or other associated areas such as experience on benefit. The relative role of income maintenance policies and the importance of work and pay cannot be properly understood, nor initiatives addressed, unless there is understanding of how much they contribute to differences in poverty rates.

Other issues meriting further investigation to improve understanding and refine policy responses are:

- composition of income in households of different ethnic groups and across types of household (for example, those with children, those with sick and disabled members, pensioner households);
- the extent and processes of employer discrimination, and its relationship to other forms of discrimination, for example around disability;
- the non-take-up of benefits by type of benefit and ethnic group;

- the ways in which understandings of poverty (and of related issues such as class) may have different meanings for those with different ethnic identities, and the implications of this;
- more detailed investigation of inter-household income transfers or obligations and their impacts; and
- greater understanding of the role of social networks and ethnic capital (understood as the overall levels of ethnic group-specific resources within a group) in promoting (or inhibiting) upward mobility and life chances for minority groups.

## About the project

This review explored evidence on poverty and ethnicity, employing a flexible approach to defining ethnicity and touching on related issues such as migrant background and religious affiliation. Thousands of studies were screened for potential inclusion and approximately 350 were selected for review in the final report. Most of the studies identified used the census categories for distinguishing ethnic groups (sometimes with modifications to take account of religion or birthplace), and there was little distinct analysis of white groups.

The research prioritised an income measure of poverty, as it is the most transparent and allows consideration of different components of income. Deprivation was seen as stemming from lack of income, at least in the long term. However, evidence on material deprivation measures was also included and reviewed to the extent that it was available.

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## For further information

The full report, **Poverty and ethnicity in the UK** by Lucinda Platt, is published for the Foundation by The Policy Press (ISBN 978 1 86134 989 7, price £15.95).

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