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**The Incomes of Ethnic
Minorities**

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Ethnic minority families (Tariq Modood, Sharon Beishon and Satnam Virdee)

Ethnic minorities in the inner city (Richard Dorsett and Richard Berthoud)

Young black men in the labour market (Richard Berthoud)

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INTRODUCTION

Purpose

The disadvantaged economic position of minority ethnic groups has been a matter of concern since the main post-war migration started in the 1950s. W. W. Daniel's pioneering survey of ethnic minorities (Daniel 1968) showed, for example, the extent of unemployment among West Indian and Asian men — in spite of the fact that it was labour shortages which had attracted migrants to this country in the first place. Those who had jobs generally occupied low skill and low status positions — and such data as were available about earnings suggested that they were low paid as well.

Subsequent research, especially the second and third national surveys of ethnic minorities (Smith 1976, Brown 1984) showed that unemployment and low pay persisted, although the pattern of disadvantage was not uniform. But until recently, one vital piece of information has been missing: data on employment and earnings may have suggested that certain minorities probably experienced low incomes and poverty, but there has been no direct measure of household incomes to show exactly how minorities compared with the rest of the population.

That gap has been filled recently by two major new enquiries.

- The Fourth National Survey of Ethnic Minorities, conducted in 1994, covered a representative sample of 3,315 households of Caribbean, South Asian and Chinese origin, and 2,867 white households. It included a question in which one person reported the household's total net income.
- Meanwhile the Department of Social Security has launched a Family Resources

Survey covering 25,000 households each year. Over the two years 1994/5 and 1995/6 there were 2,520 households from minority groups. Every member of these households was asked detailed questions about all elements of their incomes.

These surveys are described more fully later in this introduction, and a direct comparison of the results of key questions is in Appendix A.

We therefore have a specialist survey of ethnic minorities with a simple income question; and a specialist survey of incomes, which includes ethnic minorities. Confidence in the findings of each survey will be enhanced if they both lead to the same conclusions. The results of the Fourth Survey income question have already been analysed in the main report on that study (Modood, Berthoud and others 1997, Chapter 5)¹. This new report analyses the more detailed income data from the Family Resources Survey.

The objective is to complement the findings of the Fourth Survey, and complete the picture of the incomes of ethnic minorities. The report is in two main sections: a detailed analysis of the composition of the incomes of ethnic minorities in different types of family; and an analysis of total incomes, focusing especially on low income households.

Ethnic minorities and economic disadvantage

The 1991 Census, the first to include a direct question on ethnicity, recorded that non-white minorities made up 5½ per cent of the

¹ To avoid repetition of the full reference, the report of the Fourth Survey will be referred to as EMIb (Ethnic Minorities in Britain) from now on.

Table 1: Demographic characteristics of ethnic groups

	White	Caribbean	Indian	<i>Column percentages</i>	
				Pakistani/ Bangladesh i	Chinese
Proportion of adults who were over 60	24	15	12	7	7
Proportion of those aged 16 to 59 who were born in Britain	na	53	26	24	14
Proportion of those aged 16 to 59 who were married	60	39	72	74	62
Proportion of families with children which were lone parents	21	45	8	8	na
Proportion of families with children which had four or more	4	7	8	35	3
Average number of adults per household	1.9	1.9	2.8	3.0	2.4
Proportion of adults who were Muslims	0	1	9	96	0

Source: Fourth National Survey of Ethnic Minorities

population of Great Britain. The numbers in the principal groups analysed in this study were:

Caribbean ²	500,000
African	212,000
Black other ²	178,000
Indian	840,000
Pakistani ³	477,000
Bangladeshi ³	163,000
Other ⁴	488,000

² A very large proportion of members of the Census category 'black other' are British born people with parents of Caribbean origin. In this report, as in the Fourth Survey, a single group will be analysed.

³ In this report, Pakistanis and Bangladeshis are always combined, because there are too few of them for separate analysis. The Fourth Survey showed that their economic positions were very similar.

⁴ Includes Census categories 'Asian other' and 'Other'. This category covers a very wide range of origins, and cannot be considered an ethnic group in its own right. They are shown in tables in this report for the sake of completeness, but are not commented upon in the text.

Some basic facts about the ethnic minority populations are summarised here to provide essential background to the analysis of their incomes. Table 1 repeats some key demographic findings from the Fourth Survey (see EMiB, Chapter 2). The first two lines of the table illustrate the medium-term consequences of a period of migration. While almost a quarter of white adults were over the age of 60, the proportion of elderly people was much lower in minority communities, mainly because few of those who migrated as young men and women had lived in Britain long enough to attain that age. Nevertheless half of Caribbean adults, and a quarter of South Asian adults, were born in this country. Both groups are in a stage of transition between a migrant and a long-term resident population. Caribbeans, having been here longer, are in a later stage of that transition — almost of all their children were born in Britain, many of them now of the second generation.

There have been substantial changes in family structures in Britain over the past 25 years. The

two main blocks of minority groups each

deviate from the white pattern, but in different directions: Caribbeans might be said to be ahead of the white trend, while South Asians are behind it. These points are illustrated in lines three to six of Table 1. Caribbeans were much less likely to be married than their white counterparts. A very high proportion of Caribbeans with children were in one parent families. In contrast, South Asians were more likely to be married than a white person of about the same age. There were few Asian one parent families. Among Pakistanis and Bangladeshis, family sizes were much larger than is now normal in Britain. Another feature of South Asian communities is that many adults lived with their parents, even after they themselves have married, and this leads to relatively large households, even without counting the children.

These variations in family structure will lead to differences in households' income and expenditure. In particular, the majority of one parent families in Britain claim basic social security benefits, and have low incomes (McKay and Marsh 1994); this is likely to affect the welfare of Caribbean families. The large household sizes in Asian communities could increase the potential number of workers bringing in an income; on the other hand, it also means an increase in the number of people depending on that income.

Another demographic point worth mentioning is people's religion. Most Indians were Hindus or Sikhs, but about one in ten was Muslim. Almost all Pakistanis and Bangladeshis were Muslim. This is relevant to an analysis of family incomes for two reasons — Islam is associated with large family sizes, and with low levels of employment among women.

Table 2 (also derived from the Fourth Survey) summarises some of the key facts about the employment and earnings of ethnic minority groups — facts which have an obvious and direct link with the interest of this study in household incomes. Looking first at men, in the top half of the table, 15 per cent of

economically active white men were unemployed. The proportion was similar for Indian men, and actually lower for Chinese men. But the rate of unemployment was twice as high for Caribbeans as it was for whites; and higher still for Pakistanis and Bangladeshis. In these more disadvantaged groups, there are some sub-groups — young Caribbean men without qualifications; middle-aged Pakistanis or Bangladeshis — for whom the number unemployed exceeded the number with a job.

There were also some variations in men's earnings, which broadly reflect the pattern of economic success indicated by the employment rates. Chinese men averaged more than their

Table 2: Employment characteristics of ethnic minorities

	White	Caribbean	Indian	<i>Column percentages, pounds</i>	
				Pakistani/ Bangladeshi	Chinese
Men					
Unemployment rate	15%	31%	17%	39%	9%
Average earnings of full-timers	£331	£311	£317	£220	£368
Women					
Proportion in work (FT or PT)	51%	58%	49%	15%	59%
Average earnings of full-timers	£244	£270	£260	£189	£274

Source: Fourth National Survey of Ethnic Minorities. The proportion of women in work counts part-timers as half

white counterparts; Indians, slightly less, with Caribbeans a little further behind. It was Pakistanis and Bangladeshis who stood out on this measure, however: the average earnings of those with a job were only two-thirds of those received by white men.

Table 2 showed that there were also ethnic variations in women's employment, though the pattern is rather different than that for men, because of differences in the proportion of women who remain outside the paid labour force, looking after the home or family. Both Chinese women and Caribbean women were rather more likely to have a job than white women; and those who did have a job, commanded higher earnings. Indian women were about level with white women on both measures. All women had lower rates of employment and of earnings than men, but for these groups, the minority women were no worse off, sometimes better off, than their white equivalents. The exceptions were Pakistani and Bangladeshi women: very few (15 per cent) were in work, and their earnings were exceptionally low.

The reader may have noticed that the ethnic groups discussed in Tables 1 and 2 do not include 'Africans'. The Fourth National Survey of Ethnic Minorities (from which the tables are derived) did not include Africans, on the ground that the term covered too wide a range of ethnic origins to be meaningful. There were too few in each specific African sub-group to provide an adequate sample. Africans will be included in the FRS analysis in this report, but the results should be treated with great caution. Two of the most important sources of migration from Africa are West African students who decided to take jobs in Britain after they graduated, and refugees from war-torn Ethiopia and Somalia. Measures of the incomes of such a disparate group are of doubtful value.

Thus there are substantial variations between ethnic groups in their experience in the labour market. It can be seen that these variations must have important consequences for their household incomes. It will be helpful to conclude this introductory discussion with a review some of the key issues that have to be taken into account in the search for an explanation for these differences.

The first is to distinguish between the concepts of 'discrimination' and 'disadvantage'. Discrimination was the primary issue of concern during the 1950s and 1960s (Daniel 1968). In those days discrimination was common, conscious and overt — it was not unusual then to see signs and advertisements which specified 'no coloureds'. Since it has been outlawed by successive Race Relations Acts, it is now not overt, and may be less conscious, though there is evidence that it did not necessarily become less common (Brown and Gay 1985).

Direct discrimination occurs when members of an ethnic minority applying for a job (or promotion, or a place at a university and so on), receive less favourable treatment than white people whose claim on the position is no better. It is very difficult to measure. Individuals may think they have been discriminated against when in fact they have not; equally, they may not suspect discrimination when it has actually occurred (Smith 1976). It can only be identified for certain if the researcher knows as much about the candidates as the person or organisation making the decision. An econometric approach has been to analyse variations in earnings, controlling for such 'legitimate' influences as educational qualifications and years of experience (eg Denny and others 1997). Any differences between groups remaining after taking account of these influences is attributed to discrimination. While this is certainly a valuable form of analysis, employers know far

more about their workers and job-candidates than the crude measures of education and experience available in surveys. The extent of unfair discrimination cannot therefore be measured with any precision by that route. In the absence of natural situations in which the analyst knows as much as the decision-maker, it has been necessary to create artificial ones. Experimental studies in which identically qualified candidates have applied for real job-vacancies have conclusively shown that the proportion offered an interview or a post is lower for members of minorities than for white people (Daniel 1968, Smith 1976, Brown and Gay 1985).

While discrimination probably remains an important influence on minority communities' economic positions, it has proved too narrow a concept. Minority groups may be worse off than their white neighbours for a wide range of reasons. Indirect discrimination (where a set of criteria or procedures places minorities at a disadvantage, without explicitly singling them out), factors associated with recent arrival in the country, changes in the occupational or industrial structure of the economy — all of these could also have adverse consequences for minorities, as well as, or instead of, racist discrimination. Racial disadvantage is a broader term designed to cover the outcomes of all these potential influences.

The important point in the current context is that this study identifies serious disadvantage in some minority groups; but it makes no pretence at an explanation for that disadvantage in terms of discrimination.

The other key conceptual issue concerns the nature of people's position as a 'minority' in a white-dominated Britain. The early evidence suggested that all the main minority groups experienced a similar level of disadvantage. This encouraged analysts to perceive each of the specific minority groups as members of an

overarching category whose primary characteristic was that they were not white. This way of looking at things, characterised by the use of the word 'black' to embrace all minorities, emphasised the sub-groups' shared experience of racist exclusion (Modood 1994). That remains an important common factor, but more recent theoretical and empirical research has pointed to a diversity between groups which cannot be subsumed in a single classification. At a theoretical level, it has been argued that a merger of all non-white groups deprives them of any character of their own — they are defined by their relation to the white majority. 'Multi-culturalism' is about acknowledging and valuing the diverse contributions of each group to the new Britain. In empirical terms, Table 1 has already shown that the family structures of Caribbean and South Asian communities are more different from each other than from the white pattern. Table 2 and the remainder of this report show that there are substantial variations between groups in employment, earnings and income. Chinese and Indian households are close to their white counterparts; on some measures, they are ahead. But Pakistanis and Bangladeshis are the poorest groups in the country. These patterns cannot possibly be explained on the basis that all are members of the same group, differentiated only from the white population by the colour of their skin. A more sophisticated explanation is required for these diverse outcomes.

Two new sources of information

Research on ethnic minorities is hindered by the difficulty of locating a large and representative sample, and by the fact that many members of some minority groups do not speak English fluently. Research on earnings and incomes⁵ is hindered by the difficulty of

⁵ Throughout this study, we refer to 'earnings' as the gross pay received by an individual from his or her job, while 'income' is the total amount of money received by

obtaining accurate information from survey respondents about topics which are often regarded as confidential. In the absence of a source of information which addresses both of these problems at the same time, it is necessary to look for *either* a specialist survey of minorities which has adequate data on earnings and incomes, *or* a specialist income survey which has an adequate sample of minorities. Neither of these options has provided a very satisfactory solution in the past, but two new sources have become available recently.

The Fourth National Survey of Ethnic Minorities

Substantial specialist surveys of ethnic minorities were undertaken by the Policy Studies Institute in each of the past three decades (Daniel 1968, Smith 1976 and Brown 1984). All three surveys collected data about the wages and salaries of those in work, and evidence about ethnic bias in the distribution of earnings has been an important outcome of the series of studies. None of them, though, provided information about the total income of households, combining earnings, social security receipts and other sources for all household members.

The Fourth National Survey of Ethnic Minorities was carried out by PSI and SCPR in 1994 (EMiB; Smith and Prior 1997). The sample was fully representative of people of Caribbean, South Asian and Chinese origin living in England and Wales. (People of African, Other Asian and Other origins were not covered by the survey.) 5,196 minority adults were interviewed, in 3,315 households. 2,867 white adults (in 2,867 households) provided a comparison group. The questionnaires for minorities was translated into

six Asian languages, and interviewers were matched to respondents by ethnic origin and language.

The Fourth Survey is unquestionably the most thorough specialist survey of ethnic minorities available. Like its predecessors, it included questions about employees' earnings and the profits of self-employed workers. Unlike the previous three surveys, there was an additional question about overall household income. All three questions were asked in the same format: a card listing income ranges was shown to the respondent, who was asked to indicate which of 16 bands included their own earnings or income. This form of question is commonly used in surveys where earnings and income are not the principal subjects of enquiry. Direct comparison between the crude question and more detailed questioning has suggested that the banded income question provides reasonably accurate and robust results (Foster and Lound 1993).

The basic results of the Fourth Survey questions have been analysed in outline in the main report on the survey (EMiB, see especially Chapters 4 and 5).

The Family Resources Survey

For many years, the primary household-based source of information about earnings and incomes was the Family Expenditure Survey. It did not identify minorities, but in any case, the sample size — 5,000 households each year — was too small. The General Household Survey included some basic earnings and income data, and its larger sample allowed some analysis by ethnic group (eg Denny and others 1997, FitzGerald and Uglow 1993). It has, though, never provided a serious base for the analysis of ethnic minority incomes; its sample and its income questions just about met the grade in each dimension, without

all members of a household from all sources. Earnings is therefore one component of income.

offering the quality in either dimension that would be expected of a specialist survey.

The situation has been transformed by the introduction of the Family Resources Survey (FRS), commissioned by the Department of Social Security. The two years of data analysed here (1994/5 and 1995/6) cover 50,000 households, including a large enough sample of ethnic minorities for reliable analysis.

The FRS is the most comprehensive survey of incomes ever undertaken in this country. All members of the household are asked detailed questions about each of their sources of income. It is as far in advance of the competition in its field as the Fourth Survey is in its own. Of course some individuals do not answer every question about their income. Someone who refused to answer any questions would not appear in the survey at all, but a proportion of households are missing the answer to one detailed question or another. The data being used here include answers that have been filled in by the Department of Social Security's analysts, using a sophisticated procedure for working out ('imputing') what the amounts would have been, given the other known characteristics of the person or household concerned. This cannot be expected to produce exactly accurate results for each member of the sample, but should be reliable in the analysis of large groups of households.

The DSS provided two sets of data derived from the FRS⁶. The first was the basic data (but including imputed values for missing

variables, as just described). This is the data used for the annual base report on the FRS (DSS 1997a). The other data set was the version derived by DSS analysts for the Department's annual analysis of Households Below Average Income (DSS 1997b). This includes a number of derived variables (such as total household net income) which have been checked by the DSS for consistency.

This report is based primarily on the Family Resources Survey, but makes some comparison with the Fourth National Survey of Ethnic Minorities. A more detailed assessment of the differences between the two sources, including a direct comparison of some key questions, is provided in Appendix A.

⁶ To be precise, both sets of data were provided for 1994/5, but for 1995/6 we received the basic data plus the computer program by which the HBAI variables had been derived the previous year. To the extent that the DSS refined their programs for 1995/6 and incorporated minor changes made to the data, our 1995/6 derived variables may not be *exactly* identical to the DSS's.

1. THE COMPOSITION OF FAMILY INCOMES

Background

This first chapter focuses on the composition of the income available to families in different circumstances: in work, out of work or retired. For workers, the most important source of income will be their earnings but, as will be seen, benefits make an important contribution at the margin. For non-workers below retirement age, most income comes from benefits, but the main client groups — unemployed, lone parents, disabled — face rather different regimes. For pensioners, a central issue is the relative importance of state and occupational or private provision.

The recent restrictions on the availability of benefits to migrants and asylum seekers may be seen to discriminate against ethnic minorities, but among those resident in this country, the rules do not distinguish directly between ethnic groups. There are nevertheless a number of ways in which the ‘impartial’ operation of the system may place minorities in a different, and potentially worse, position from that of white people. For example⁷:

- A high proportion of some minority groups are unemployed. They will therefore be especially sensitive to the less generous arrangements for unemployed people, compared with other client groups.
- Members of some minorities receive low wages when in work. Many Asians have relatively large families. Low pay and large

families are the conditions for entitlement to Family Credit.

- A large number of women of Caribbean origin bring up children on their own. They share with other lone parents the difficulty of maintaining themselves and their families in the labour market; a very high proportion of them have to claim Income Support.
- Migrants who arrived in this country as adults are unlikely to have built up full occupational pension entitlements. Nor will they have the full qualifications for the State Earnings Related Pensions Scheme. Even among those who were born in this country, some groups’ life-time employment and earnings records are likely to be worse than those of white workers. These facts indicate poor pension provision for minority groups, and a high probability of having to claim Income Support in old age.

These are the conditions which might create ethnic disadvantage, even though the social security rules were apparently fair and fairly applied. It has also been suggested that minorities are less well treated by the staff of benefit offices (Gordon and Newnham 1985, NACAB 1991), or that they need more advice to find their way about the system (Bloch 1993, Law and others 1994) but the data available for the current study do not allow us to examine those problems on this occasion.

Introducing the analysis

The Fourth National Survey of Ethnic Minorities provided some information about total household income (EMiB), but no detail about its make-up — earnings, benefits and so on. The Family Resources Survey provides a

⁷ The following list of points is a précis of part of a note about *Social Security and Race* written for the Social Security Advisory Committee at the time of the Fowler reforms of the benefit system (Berthoud 1988). It has taken nearly ten years for data to become available which would test the validity of this analysis; but the findings in this chapter confirm the relevance of each of the factors listed.

much more detailed account of the components of family incomes.

Although it is individual adults who take employment, and receive earnings, it is more helpful to analyse total incomes at the level of the 'family'. This is defined as either a single adult, or a couple (married or living as married), including their dependent children.⁸ The assumption is built into the analysis that the income of any one member of a family is available to be spent on all the others. Even though many families do not share their resources fairly (Pahl 1989, G. Wilson 1987), there is probably still a legal obligation on a married couple to maintain each other, and parents are certainly obliged to maintain their children. Whatever happens on the ground, many social security benefits are assessed and paid on the basis of information about the circumstances of a whole family⁹, and it would not make sense to analyse claims as though individual adults were not members of family groups.

The 'family' defined for this purpose is not the same as the 'household', which consists of people who live and eat together, but who may not be related, and may have no mutual obligations. The incomes of whole households will be considered in the next chapter, but for the moment it is the family that forms the unit of analysis.

A family's income can come from three broad types of source:

- Income from work: wages, salaries and earnings from self-employment.

⁸ A 'dependent' child is defined, following the convention embodied in social security rules, as aged less than 16, or aged between 16 and 18 and still in full-time education. Sons and daughters who are older than that are each treated as a separate 'family', even if they are living in the same household as their parents.

⁹ The technical term is 'aggregation'. For a discussion of alternative approaches, see Esam and Berthoud 1991.

- Other sources of income derived in one way or another from the market — occupational and personal pensions, investment income and so on.
- Social security benefits paid by the state.

All the income figures quoted in this section are net of tax and other compulsory deductions. But they are absolute weekly figures, and have not been adjusted by an equivalence scale.

For each family, we also calculated how much basic Income Support they would have been entitled to if they had had to claim in the year in question, including Housing Benefit and council tax rebate. A deliberately crude calculation of the amount has been used to assess these basic needs, independent of the tortuous set of rules devised by government to give a bit more money to this group, a bit less to that. The details are explained in Appendix B. *Available income* is the family's actual income after subtracting their basic needs calculated in this way. As will be seen, some families' available income was negative: this means that their net income was below their basic needs.

Stage in the life-cycle

People have very different expectations about their principal sources of income, depending on their age and family structure. A comparison between ethnic groups has to take family structure into account, because the minorities have much younger age-profiles than the white majority (see Table 1, page 2). This is largely because most of the people who migrated to Britain came as young adults — initially from the West Indies in the fifties, most recently from Bangladesh and Uganda in the eighties — and it will take several more decades before enough of them have reached

old age to form a full cross-section of the life-cycle.

Table 1: 1: Age and structure of families

	<i>Column percentages</i>						
	Whites	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Others
Pensioners	27	11	3	11	6	7	6
Over 60	5	4	2	5	6	1	3
Lone parents	6	23	25	4	7	7	10
Teenagers	4	3	3	4	6	5	4
Others	58	58	67	75	76	80	77
<i>Sample size</i>	<i>59319</i>	<i>768</i>	<i>263</i>	<i>722</i>	<i>501</i>	<i>142</i>	<i>709</i>

Source: FRS 1994/5 and 1995/6

The most important factor from our point of view is that a quarter of our FRS sample of white families were pensioners (Table 1.1¹⁰). But among minority groups, the proportion varied between only 3 per cent (Africans) and 11 per cent (Caribbeans and Indians). Because most pensioners did not work, and because (as we will see) many of them had low incomes, the white population might be expected to have lower incomes than the minorities.

There are other population groups, besides pensioners, among whom relatively few people had jobs — whatever their ethnic group. Only about half of families where the man was aged between 60 and 65 were in employment; and a similar proportion of single teenagers (Table 1.2). There was little variation between ethnic groups, though, in the number of such families. Less than half of lone parents had a job, but this time they were

much more common in some ethnic groups than others — a quarter of the two groups of ‘black’ family were lone parents. This is a well known feature of these minority groups (see Table 1, page 2), and will help to explain low levels of employment, and of incomes, in those communities.

The most direct comparison between ethnic groups, then, is among families which do not fall into any of these low-employment categories — the bottom line, labelled ‘others’ in Tables 1.1 and 1.2. The majority of all families fell into this general category — three-fifths of whites and Caribbeans, two-thirds of Africans and three-quarters or more of the Asian groups. It will be seen from the bottom row of Table 1.2, however, that not all ethnic groups had the same chance of employment: the proportion of the ‘other’ category of families with no job at all was only one fifth for whites, but rose to a quarter for Indian families, one third for Caribbeans and Chinese, and nearly half for Africans, Pakistanis and Bangladeshis. This is a huge range of variation when you consider that the effects of age and family structure have been taken out of the analysis: comparing like with like, *Africans, Pakistanis and Bangladeshis were two and a half times more likely to have no earner in the family than white people*. Whatever the reasons for this lack of employment, some minority groups are likely

¹⁰The precise definitions of the groups in Table 1.1 were as follows:

Pensioners: single people over pensionable age; couples with the man over 65;

Over 60: men over 60; couples with the man over 60

Lone parents: Men or women with dependent children, not married or living as married;

Teenagers: Single people aged less than 20. The definition of a dependent child in footnote 1 means that this group did not include 16-18 year olds still in full-time education;

Others: All other family units.

to be poorer, and

Table 1: 2: Proportion of families with any worker, by family structure

	<i>Cell percentages</i>						
	Whites	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Others
Pensioners	8	10		5			
Over 60	51						
Lone parents	37	43	32				28
Teenagers	54						
Others	81	68	51	73	53	68	66
<i>Sample size</i>	<i>59319</i>	<i>768</i>	<i>263</i>	<i>722</i>	<i>501</i>	<i>142</i>	<i>709</i>

Source: FRS 1994/5 and 1995/6. Cells with fewer than 50 respondents have been left blank

more reliant on social security, than others, even among the core group who would normally be expected to have a job.

- The following three sections divide the sample from each ethnic group into three principal categories¹¹. Working families: those families with any job (but excluding the few workers above pensionable age).
- Non-working families: those families with no job, but below the age of 60.
- Pensioners: those over pensionable age, plus those over the age of 60 who were not in employment.

The incomes of working families

There were enough working families in the FRS sample for a full analysis by ethnic group.

Most of the analysis in this chapter will be concerned with the total income of all members of a 'family' — adding together the earnings and other sources of income of

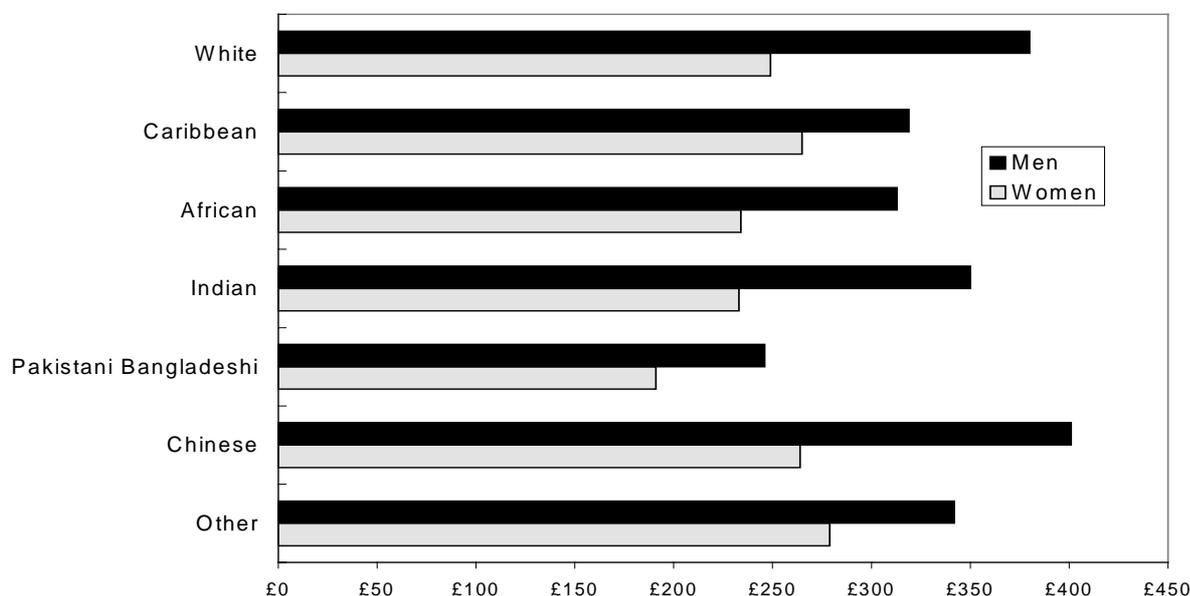
husband and wife, depending on whether each of them has a job, and how many hours s/he works. Before turning to such family-based accounts, it is important to look specifically at earnings rates. The Family Resources Survey broadly confirms the findings of the Fourth National Survey (EMiB, see Table 2 of this report) and of the Labour Force Survey (Employment Policy Institute 1998)

Chart 1.3 shows that, among men, Chinese and Indian full-time employees were on a par with those of whites — the Chinese were actually slightly ahead of the majority group. Caribbean and African men averaged rather less than whites. Pakistanis and Bangladeshis were further behind again, averaging only £246 in comparison with whites' £380 per week.

Women averaged less than men for full-time work in all groups. In general the ethnic variations among women were much less than among men. Chinese and Caribbean women were slightly ahead of the white average. The latter in particular is now a well-established finding based on several sources of data. The small number of Pakistani and Bangladeshi women full-time employees were again the worst-off group, though their disadvantage in comparison with their white comparison group was less than that experienced by Pakistani and Bangladeshi men.

¹¹ Single teenagers (whether in or out of work) and full-time students below the age of 25 have been removed from the analysis altogether. Their sources of income are very different from the rest of the population, but there were not enough of them in the minority group samples to analyse separately.

Obviously, all members of the category defined as working families had earnings to report.

Chart 1.3: Average weekly earnings of full-time men and women employees

Source: FRS 1994/5 and 1995/6

When we use the ‘family’ as the unit of analysis, there are three distinct sources of variation in the amount of earnings: whether (in the case of couples) one or both partners is in employment; how many hours each worker is employed; and the wage or salary s/he is paid.

Table 1.4 shows the averages and distributions of total earnings for working families in each ethnic group. The Chinese and Indians had the highest totals, followed by white families.

Caribbeans and Africans were significantly below the white average. Pakistanis and Bangladeshi working families were much worse off than any other group, though: on average £124 per week below whites, and £65 below their nearest neighbours, the Africans. If the quarter of whites earning less than £150 are considered ‘low paid’, and the quarter earning £380 or more are ‘high paid’, *half* of Pakistani and Bangladeshi working families were in the low group, less than one in ten in the high group. This is clearly the result of a

Table 1.4: Net earnings of working families

	<i>Means, column percentages</i>						
	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Other
Average earnings	£298	£253	£239	£305	£174	£314	£303
Up to £149	24%	28%	32%	22%	51%	24%	23%
£150 to £379	51%	53%	52%	53%	41%	49%	51%
£380 or more	25%	19%	16%	25%	8%	27%	26%
<i>Sample size</i>	<i>31069</i>	<i>406</i>	<i>115</i>	<i>430</i>	<i>216</i>	<i>84</i>	<i>401</i>

Source: FRS 1994/5 and 1995/6

Table 1.5: Other sources of income received by working families

	<i>Means, column percentages</i>						
	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Other
Other market income	78%	65%	69%	77%	51%	79%	72%
Child and one parent benefits	38%	44%	47%	62%	68%	49%	50%
Means-tested benefits	8%	16%	19%	9%	29%	7%	10%
Other benefits	14%	20%	21%	13%	23%	6%	14%
<i>Sample size</i>	<i>31069</i>	<i>406</i>	<i>115</i>	<i>430</i>	<i>216</i>	<i>84</i>	<i>401</i>

Source: FRS 1994/5 and 1995/6

combination of the low rates of pay earned by Pakistani and Bangladeshi men, and low rates of economic activity among women.

We would expect earnings to be the primary source of income among these working families, and this is confirmed, below, for all ethnic groups. But other sources of income were also reported by the great majority of working families (Table 1.5). The most common consisted of unearned income derived at first or second hand from the market. This covered a variety of sources, of which the most frequent was interest and dividends from savings and investments. Many people received unearned income of this sort, though the amounts may not have been very large, in comparison with earnings: three-quarters of whites, Indians and Chinese; about two-thirds of the two black groups; but only half of Pakistani and Bangladeshi working families. The signs are, therefore, that the availability of unearned income follows roughly the same distribution as of earned income.

Although the social security system is aimed mainly at families with no earnings, benefits were also of some importance to these working families, especially to some groups. The most common, of course, was Child Benefit, which (with its linked One Parent

Benefit) is paid to all parents without regard to their employment status or income (Table 1.5). The distribution of Child Benefit between ethnic groups simply mirrors the presence of children: two fifths of white families, rising to two-thirds of Pakistani and Bangladeshi families, received it. The line in the table labelled 'Other benefits' covers a wide variety of particular schemes, and although there were variations between ethnic groups in the number of people receiving them, it is difficult to identify a clear pattern.

A more striking pattern can be seen in the use of means-tested benefits. A small number of people were recorded as 'working families' even though they were working part-time and claiming Income Support. Other benefits, though, are available to full-time workers, provided their earnings are low enough: Housing Benefit and Council Tax Rebates are based on a calculation linking rent/tax liabilities, household size and income; Family Credit is designed specifically for low paid workers. For whites, Indians and Chinese, less than one family in ten received any means-tested benefit while working. For Caribbeans and Africans, approaching two in ten; for Pakistanis and Bangladeshis, three in ten.

Table 1.6 shows more clearly how the means-tests affected different types of family.

Table 1.6: Working families' receipt of means-tested benefits, by family type*Column percentages*

	Families with no children	Lone parents	Couples with children		
	All groups*	All groups*	Pakistanis/ Bangladeshis	Africans	Other groups*
Family Credit	nil	34	29	6	5
Housing Benefit	2	30	15	15	3
Council Tax Rebate	3	22	17	18	3
Any means-tested benefit	4	56	40	24	8
Average amount	£1	£39	£33	£7	£4
<i>Sample size</i>	<i>19756</i>	<i>1539</i>	<i>144</i>	<i>33</i>	<i>11249</i>

Source: FRS 1994/5 and 1995/6. Income Support is included under 'any means-tested benefit', but is not shown separately

* Note that 'All groups' and 'Other groups' includes whites

- Among single people and couples without children, hardly any (from any ethnic group) claimed such benefits — Family Credit is confined to families with children, Housing Benefit and Council Tax Rebate scale rates are geared towards them.
- A high proportion of lone parents claimed means-tested benefits, especially Family Credit and Housing Benefit. Means-tested benefits, and Family Credit in particular, are an important element of policy to enable lone parents to work in spite of the low rates of pay and short hours available to many of them (McKay and Marsh 1994). These benefits were of equal importance to lone parents from *all* ethnic groups. But because lone parenthood is very common among Caribbean and African families, and very rare among Indian, Pakistani and Bangladeshi families, the overall impact of the benefits varied between communities.
- Very few couples with children from most ethnic groups received any means-tested benefits. Pakistanis and Bangladeshis were exceptional in this respect: 29 per cent of two-parent families in this group claimed Family Credit — as many as among white

or black lone parents. Housing Benefit and Council Tax Rebates were also of some importance for Pakistanis and Bangladeshis with children, and also to African couples with children.

The impact of means-tests, and especially of Family Credit, on Pakistani and Bangladeshi working families with children is striking, and an important outcome of recent policy developments. In-work means-tested benefits have been a major element of government policy designed to 'target' help on those in greatest need — Family Credit was claimed as the 'jewel in the crown' of the social security reforms introduced in 1988. It is directly aimed at families with low earnings and large numbers of children; previous research had indicated that it was achieving significant penetration among lone parents, but its achievements among two-parent families were less clear (Marsh and McKay 1993). Pakistanis and Bangladeshis are now found to be right in the middle of the target group, and a very high proportion of them were receiving the benefit. They are therefore a litmus group for the success or failure of the policy. It will be judged a success, to the extent that the additional £75 or so for each claimant family

Table 1.7: Components of net income among working families

	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Other
	<i>Means</i>						
Net earnings	£298	£253	£239	£305	£174	£314	£303
Other market income	£23	£15	£10	£19	£9	£29	£25
Child and one parent benefits	£7	£8	£9	£11	£17	£8	£9
Means-tested benefits	£4	£8	£10	£5	£22	£3	£7
Other benefits	£7	£7	£4	£7	£4	£0	£6
(Adjustments)	£-18	£-14	£-11	£-17	£-9	£-19	£-3
Total net income	£321	£277	£261	£330	£217	£335	£337
Benefits as % of total	6%	8%	9%	7%	20%	3%	7%
<i>Sample size</i>	<i>31069</i>	<i>406</i>	<i>115</i>	<i>430</i>	<i>216</i>	<i>84</i>	<i>401</i>

Source: FRS 1994/5 and 1995/6. 'Adjustments' consist of taxes and other deductions not already accounted for in the calculation of net earnings. They are not taken into account in Charts 1.8 and 1.9

improves their living standards compared with what it might have been if no means-tested benefit had been on offer. On the other hand, it has been argued (Marsh and McKay 1993) that having to depend on means-tested support places a family on the disadvantaged side of British society, even if it is combined with earnings. Nor can Family Credit claim to have succeeded in some of its other objectives, as far as Pakistanis and Bangladeshis are concerned. They still have very high rates of

unemployment, so the incentive effect has not overcome their other disadvantages. And it will be seen that they are still very poor, so the welfare effect is not strong enough either.

Whatever benefits are on offer, earnings continue to be the primary source of income for the working families being considered in this section. As Table 1.7 and Chart 1.8 confirm, variations between ethnic groups in average earnings are closely reflected by

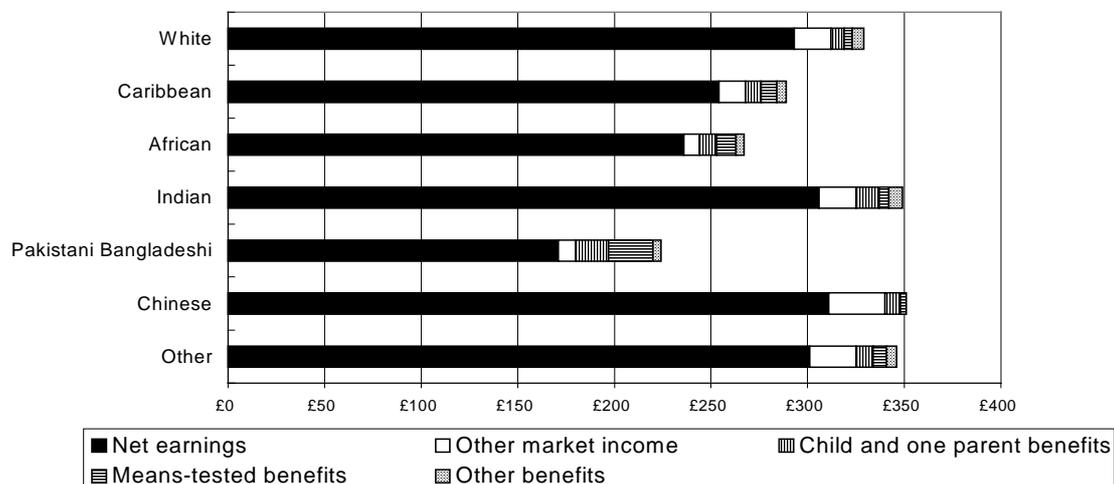
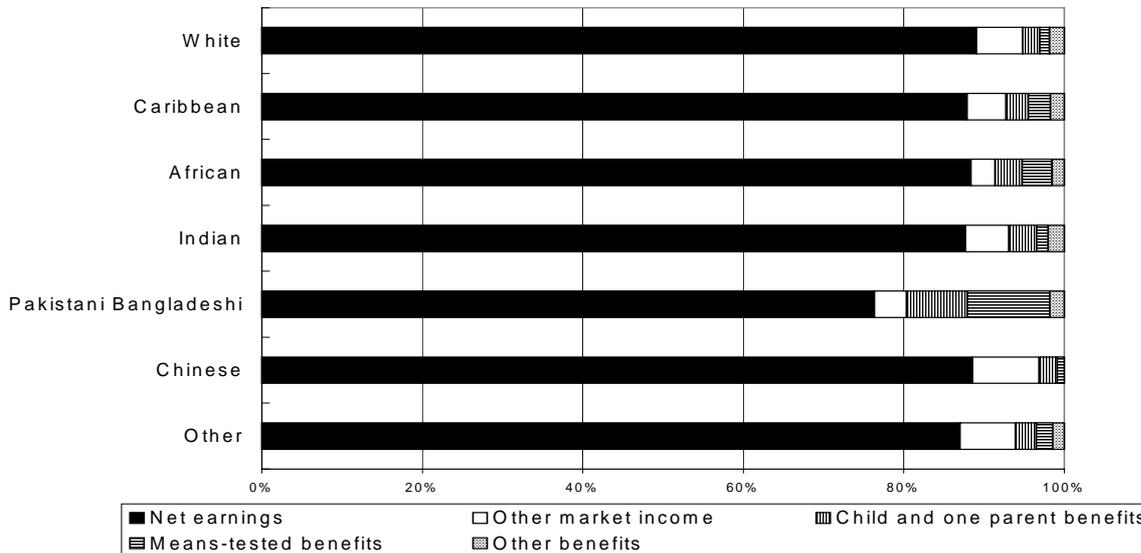
Chart 1.8 Components of total net income of working families

Chart 1.9: Composition of total net income of working families



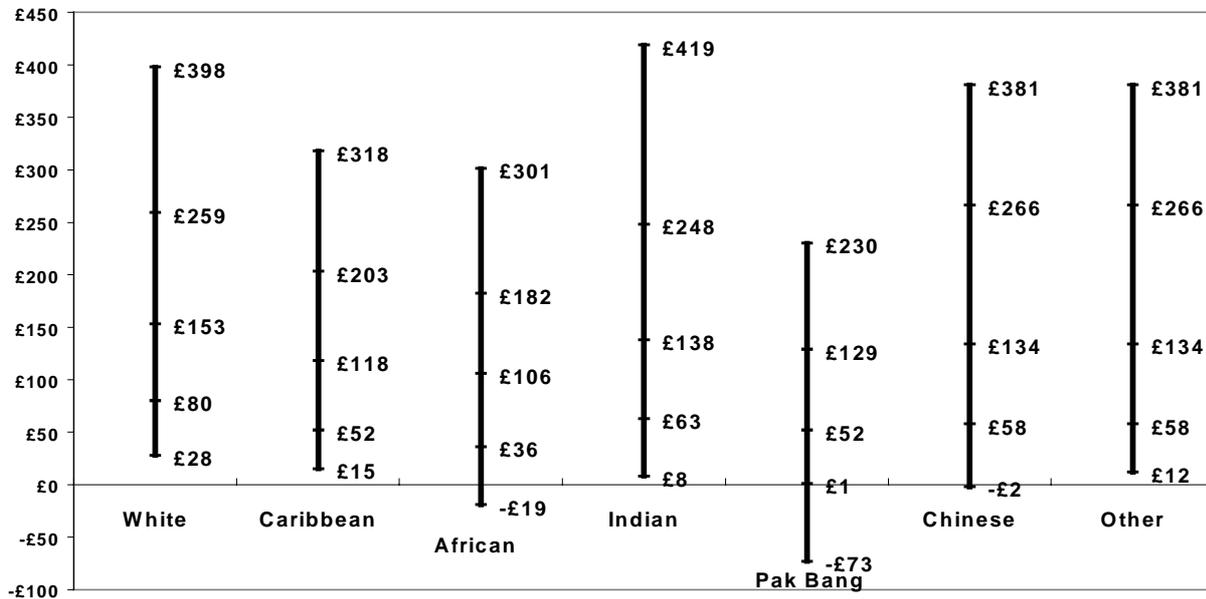
variations in their total incomes, after adding in unearned income and benefits. Benefits nevertheless had an important contribution to make for some groups of working families — the lower their earnings, the more important benefits were. To the extent that one-fifth of the income of Pakistani and Bangladeshi *working* families was accounted for by social security (Chart 1.9). More than half of their benefits were means-tested.

How do these incomes compare with the ‘needs’ of the families concerned. The current convention (DSS 1997b) is that total income should be adjusted for household composition, and then compared in some way with the national average. That convention will be adopted for the overall analysis of household incomes, in the next chapter. At this stage the analysis of family units compares current incomes with a simple measure of basic needs derived from the system of means-tested benefits which is intended to provide a floor below which no-one should fall. This offers a convenient baseline against which to compare people’s actual incomes. ‘Available’ income is defined as the amount of income received by the family in excess of the baseline measure.

The details of the calculation are explained in Appendix B.

The ranges of income ‘available’ to working families are shown in Chart 1.10. The first point to note is that there was a wide distribution of income within each ethnic group, and that they overlapped considerably. You could not say that all working Pakistanis and Bangladeshis were poorer than any working members of the more prosperous groups such as whites, Indians or Chinese. Indeed, some groups were characterised by the width of their range of incomes: Indians, especially, included many of the best off families, but other members of the same group were very close to the baseline derived from social security rates. Nevertheless, working Caribbean families were distinctly below the top three groups; Africans below them; and the Pakistanis and Bangladeshis at the bottom of the scale. More than a quarter of *working* Pakistanis and Bangladeshis had net incomes below their family needs baseline. Even the combination of earnings and in-work benefits had not protected this group from poverty.

Chart 1.10: Quantiles (10, 25, 50, 75, 90) of the distribution of available income of working families



Note: See Appendix B for definition of 'available' income

Non-working families below 60

The analysis now turns to the second of the family types defined at the beginning of this chapter. This consists of families (benefit units) none of whose members was in employment, and whose head was below the age of 60. Single teenagers have been excluded, though, as have full-time students below the age of 25. There were fewer than 50 non-working families in the FRS sample of Chinese people, and they are therefore not examined in this section.

There are three main reasons why a family might be out of work before they reach the age at which everyone retires from the labour force: disability, lone parenthood and unemployment. The three are treated quite differently by the social security system.

- The national insurance scheme covers most people who leave work on grounds of ill-health and disability. It provides a long-term benefit roughly equivalent to the basic

retirement pension, although the benefit was curtailed when it was converted from Invalidity Benefit to Incapacity Benefit in 1995 (Berthoud 1998). Many disabled people can also claim the Disability Living Allowance, another non-means-tested benefit intended to meet the extra costs of disability.

- There is no national insurance provision for lone parents (unless they are widows) and most of this group have to claim Income Support and other means-tested benefits.
- The national insurance scheme provided Unemployment Benefit until 1995, and then Job-Seeker's Allowance. (All of the data used here refer to the period before the change.) The rates of benefit are lower than those available to pensioners and disabled people; the insurance scheme is limited to 12 months (UB) or 6 months (JSA); and carries no allowance for children. Most unemployed people therefore have to claim Income Support.

Table 1.11: Sources of income of non-working families, by client type

	<i>Column percentages</i>		
	Disabled	Lone Parents	Unemployed
Unearned income	47	81	46
Insurance benefits	52	3	13
Any means-test	75	96	80
Income support	56	93	75
Other benefits	78	99	52
<i>Sample size</i>	<i>3016</i>	<i>2234</i>	<i>3263</i>

Source: FRS 1994/5 and 1995/6. Students and 'pre-retired' are excluded

Note: This analysis covers all ethnic groups combined

These three categories of non-working family are often referred to as 'client groups' and are the basis for many of the social security statistics published by the DSS. For present purposes they will be referred to as 'client types', to avoid confusion with ethnic groups. Although political debate focuses first on one and then on another, a long run view shows that there have been substantial increases in the numbers of all three types of claim over the past 25 years, even though the total number of people of working age in Britain has remained fairly stable (Berthoud and others 1998).

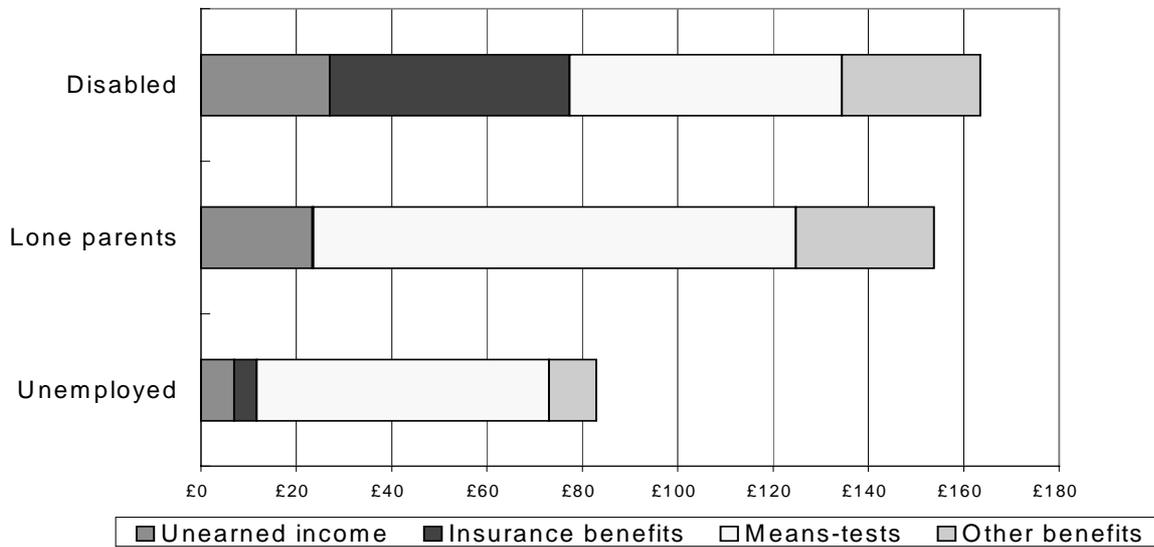
The consequences of the different benefit regimes are illustrated in Table 1.11 and Chart 1.12, which refer to non-working families from all ethnic groups combined. The results are very much in line with the policy influences just outlined.

- A high proportion of lone parents received some unearned income — much of it in maintenance payments. Only about half of disabled people received unearned income — mainly occupational pensions. But the amounts of disabled people's unearned income were relatively large, so that in total this group obtained rather more than lone parents from non-state sources — and much more than the unemployed.

- Disabled people had a clear advantage over the other two client types in their claims on the insurance system. It accounted for more than a quarter of their total income, but made a negligible contribution to lone parents' and unemployed people's resources.
- More than half of the non-working families in each client type had to claim Income Support — just over half of disabled people, three-quarters of the unemployed, and nearly all one parent families.
- The main other benefits were Child Benefit for one parent families, and Disability Living Allowance for disabled people.

The total incomes of unemployed people in Chart 1.12 were significantly lower than those of the other two groups. That might have been a consequence of their family structures — if they had smaller families, they would be entitled to less benefit, but that should have reflected their needs. However Chart 1.13 shows the three client types' 'available' incomes in relation to the estimate of needs based on means-test scale rates.¹² As expected, all three types of non-working family were much worse off than the working families reported in the previous section (Chart 1.10).

¹² As defined in Appendix B.

Chart 1.12: Composition of income of non-working families, by client type

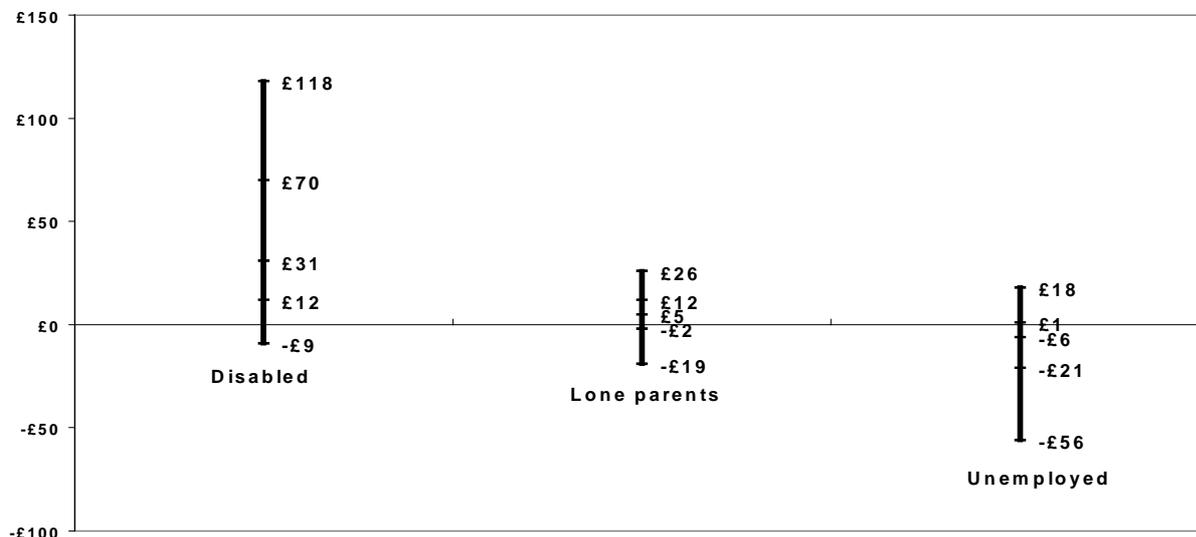
- The great majority of disabled people were, nevertheless, receiving a total income rather higher than their baseline needs, and a quarter of them had at least £70 per week clear of the baseline. Note that for this analysis the calculation of baseline needs does not include an allowance for the extra costs experienced by disabled people, and which are intended to be met by DLA. If extra costs were allowed for, disabled people would appear worse off than Chart 1.13 indicates. But the better position of this client type is also explained by their relatively generous provision of insurance-based benefits.¹³
- Non-working lone parents were quite tightly bunched near the level of income calculated to be their baseline needs.
- But unemployed families were much worse off than the other two groups: more than half reported an income below their baseline needs, and a few were well below this implicit poverty line.

Two main conclusions from this brief review of the incomes of non-working families from all ethnic groups need to be taken forward to the comparison between ethnic groups. First, the importance of means-tested benefits. These benefits were originally intended as a minor back-up to the main social security system (Deacon and Bradshaw 1983). They are cheaper than insurance or contingent benefits, but they suffer a number of disadvantages. Many commentators regret the over-reliance on means-tests; many others argue strongly for ‘targeted’ benefits as a way of minimising the state’s role. What the foregoing analysis shows is that means-tests are now the main determinant of non-working families’ incomes below the age of 60. £4 in every £10 of benefit expenditure on disabled people consisted of means tests; £8 in every £10 for lone parents and the unemployed.¹⁴ For the majority in all groups who receive means-tested as well as other benefits, it is the means-test which ultimately determines total income.

¹³ For a more detailed analysis of FRS data on the incomes of disabled claimants, see Berthoud 1998.

¹⁴ These proportions derived from the FRS are very similar to the calculations derived from the public accounts (DSS 1997c).

Chart 1.13: Quantiles (10, 25, 50, 75, 90) of the distribution of ‘available’ income of non-working families, by client type



Note: This analysis covers all ethnic groups combined

The second important point is the differences in ‘available’ income between the unemployed, lone parents and disabled claimants. This is not an accident; benefit levels for the unemployed have deliberately been allowed to fall behind provision for other client types because, historically, one parent families and disabled people were not expected to look for work, and did not require the harsh incentive regime imposed on those who had no specific reason, other than scarcity of jobs, not to be in the labour force.

All three types of non-worker were found in each ethnic group’s sample, plus additional categories of students and early retired people who were of some importance to some groups (Table 1.14). Compared with whites:

- Caribbeans and Africans had more one parent families, while Asians had fewer;
- Indians had more disabled people;

Table 1.14: Client type of non-working families below 60

	<i>Column percentages</i>					
	White	Caribbean	African	Indian	Pakistani/ Bangladesh i	Others
Disabled	34	19	18	41	28	17
Lone parent	24	38	33	13	16	24
Unemployed	35	40	41	41	53	43
‘Retired’	6	1	nil	5	3	2
Student	1	2	8	2	nil	14
<i>Sample size</i>	8252	228	122	128	186	195

Source: FRS 1994/5 and 1995/6. Non-working Chinese families have been excluded because there were only 30 in the sample. ‘Retired’ is defined as non-workers over the age of 40, but below 60, who did not report that they were

'unemployed' or 'disabled', and whose unearned income was at least £50 per week. Widows have also been included in that category.

Table 1.15 Sources of income of non-working families

	<i>Column percentages</i>					
	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Others
Unearned income	58	54	59	56	62	62
Insurance benefits	26	13	6	34	18	12
Any means-test	78	88	83	76	89	78
Income Support	68	81	77	71	84	67
Other benefits	70	73	66	70	77	66
Sample size	8252	228	122	128	186	195

Source: FRS 1994/5 and 1995/6. Non-working Chinese families have been excluded because there were only 30 in the sample

- Pakistanis and Bangladeshis had more unemployed people than other groups.

These variations in the composition of the sample will help to explain why some minority groups were more or less likely to receive certain types of benefit, and so to have higher or lower incomes. In practice, the effects were not very great. The following series of tables and charts show the *actual* incomes of each ethnic group; at the end of the section, this will be compared with what the differences *would have been* if each ethnic group had had the same proportions of disabled people, lone parents and unemployed among its non-working families.

Table 1.15 and Charts 1.16 and 1.17 compare the sources of income of non-working families by ethnic group. There was virtually no earned income, and this is omitted from the analysis. About half of all the non-workers had unearned income, in every ethnic group. It was benefits, though, which provided the overwhelming proportion of income. National insurance was of some importance to Indians (who had a high proportion of disabled people among their non-working families) and whites (who are most likely to have built up an insurance record). The 'other' benefits, including Disability Living Allowance and

Child Benefit, were of greatest importance to Indians, Pakistanis and Bangladeshis. But, as the earlier analysis showed, most non-working families depended, in the end, on means-tests. There was some variation between groups in the number claiming Income Support, but means-tested benefits were the biggest single item for every ethnic group — ranging from half the total income of whites and Indians, to three quarters of the income of non-working Africans.

Chart 1.16 showed that, in absolute terms, Pakistanis and Bangladeshis had the highest average incomes of non-working families. But this was largely because, with many children, they attracted higher Income Support payments. If incomes are compared with each family's basic needs, calculated from means-test scale rates, then Chart 1.18 shows that the median levels of 'available' income ranged only between -£6 and +£6 per week. All the families being considered here were living on social security, and most of them, from all ethnic groups, were claiming means-tested benefits. The general conclusion of Chart 1.18 is not the extent of differences, but the broad similarity of outcomes. The conclusion of this chapter will be that some ethnic minorities, especially Pakistanis and Bangladeshis, were much poorer than others, and poorer than the

white majority. But this was because more of Pakistani them were on social security, not because

Chart 1.16: Components of total income of non-working families

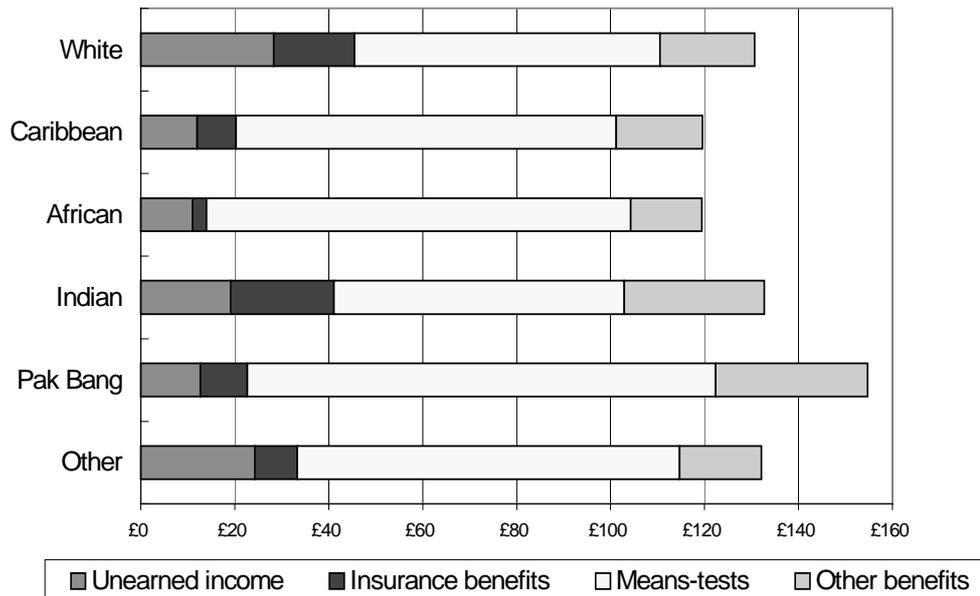


Chart 1.17: Composition of total income of non-working families

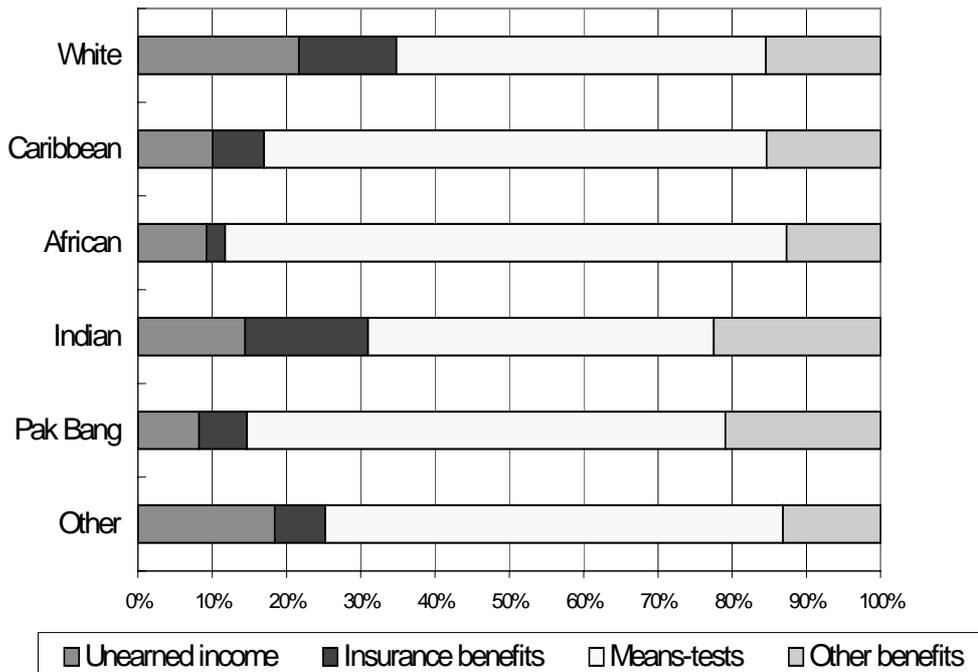


Chart 1.18: Quantiles (10, 25, 50, 75, 90) of the distribution of available income of non-working families

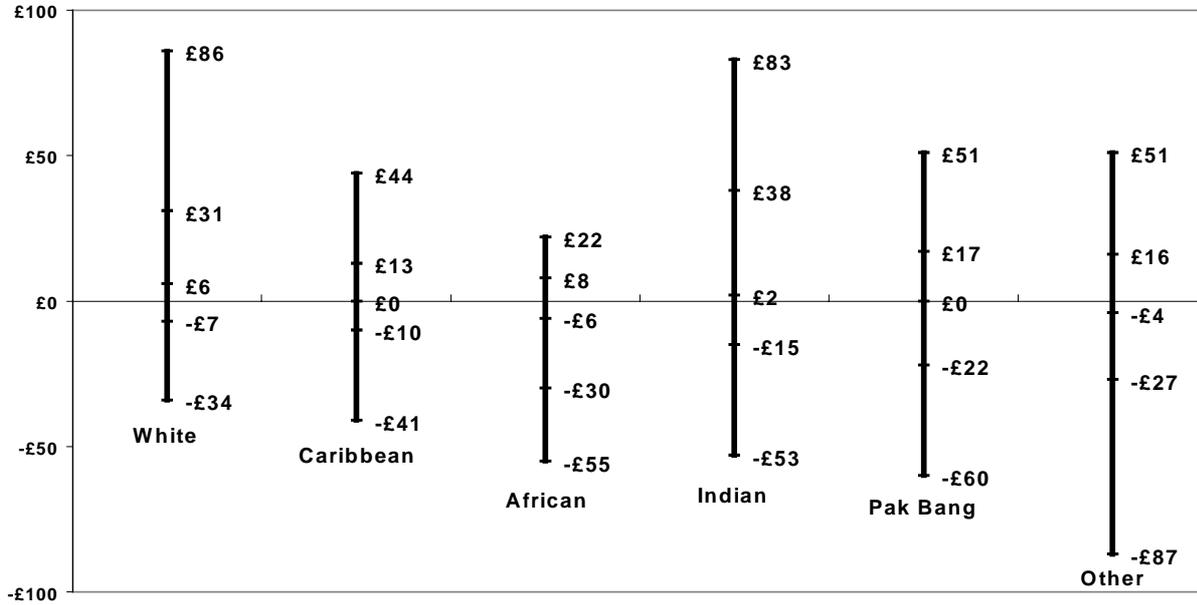
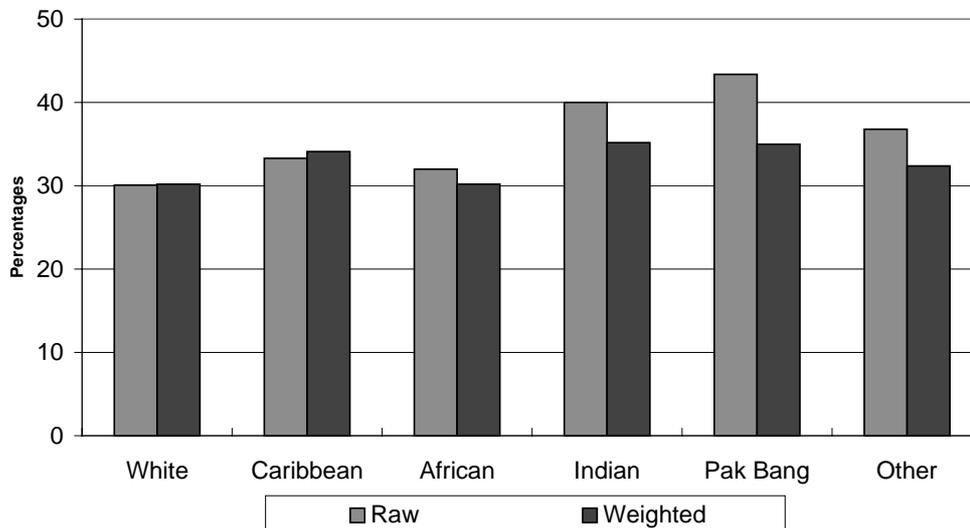


Chart 1.19: Proportion of non-working families with available incomes below zero: actual compared with weighted figures



and Bangladeshi social security claimants were much poorer than white ones.

There were, nevertheless, some differences between ethnic groups in the proportion of non-workers whose available incomes fell below their estimated needs — 38 per cent of

whites, rising to 62 per cent of Africans (Chart 1.19, left-bars). This result is partly explained by the composition of each ethnic group's sample of non-working families. The right-bars of Chart 1.19 use weighting to estimate how many non-workers would be below the needs scale if each minority group had the

Table 1.20: Sources of income of pensioners

	<i>Column percentages</i>				
	White	Caribbean	Indian	Pakistani/ Bangladeshi	Other
Earnings	7	9	4	nil	9
Any unearned income	83	56	58	44	70
Occupational pension	58	42	39	14	45
Investment income	71	33	48	19	59
Insurance benefits	95	92	61	60	73
Any means-test	39	70	55	83	52
Income support	17	42	41	71	32
Other benefits	45	65	48	81	50
<i>Sample size</i>	<i>17327</i>	<i>103</i>	<i>101</i>	<i>52</i>	<i>56</i>

Source: FRS 194/5 and 1995/6. Africans and Chinese have been omitted from the analysis

same ratio of disabled people, lone parents and unemployed as whites.¹⁵ In every ethnic minority group, the number of low-income non-working families was partly explained by the composition of the group by client type. Once the adjustment has been made, most groups were only slightly worse off than whites on this measure, with the exception of Africans.

Pensioners

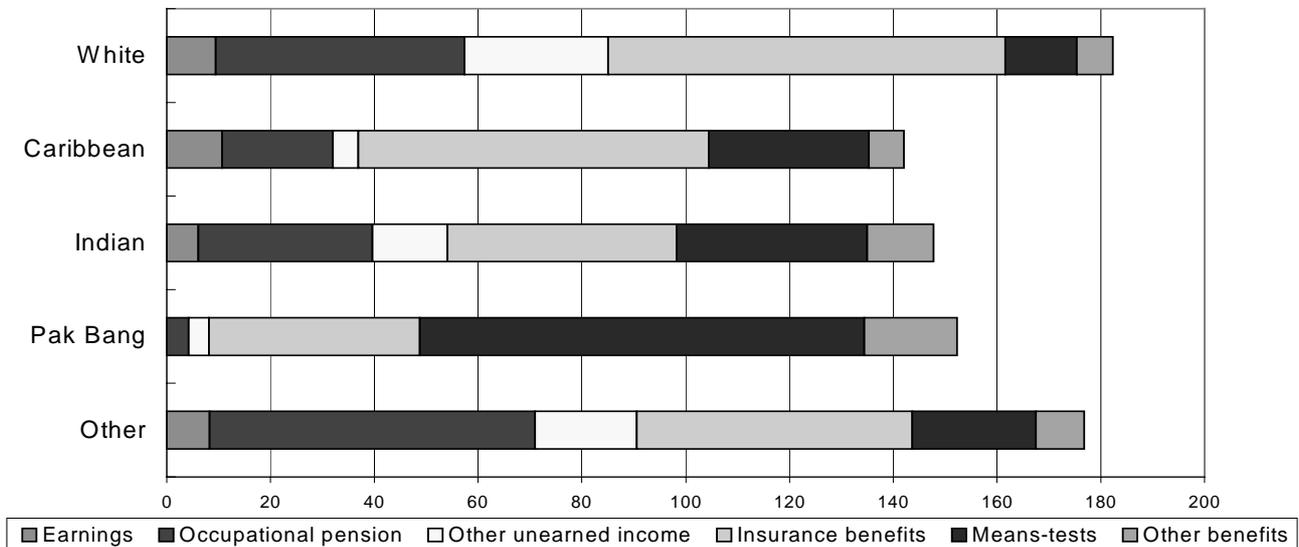
The third main group defined at the beginning of the chapter was pensioners. These have been defined as families whose 'head' was over pensionable age, whether they had actually retired or not; plus those over the age of 60 who were not in work. There were only 11 Chinese and 12 African pensioner families in the sample, and they are not therefore analysed. There were 52 Pakistani and Bangladeshi pensioners; their results are worth quoting, but will not be very accurate.

The issues for this section of the population are different again. The state pension funded by National Insurance contributions is intended to provide a base for all pensioners.

Occupational pensions, incomes from savings and so on, can be added, to provide a higher standard of living in old age derived from resources which are more directly linked to the individual's earnings and savings habits during their working life. The growth of occupational pensions, in particular, means that a larger number of elderly people are now retiring to a period of prosperity than ever before (Bone and others 1992). But for those who have not had access to such schemes, the basic pension provides a very restricted standard of living. Its level has always been rather lower than the scale rates of means-tested benefits, and elderly people with only a small income from non-state sources generally have to claim Income Support, Housing Benefit and/or Council Tax Rebates.

These points are well illustrated by the results for white pensioners in Table 1.20 and Chart 1.21. Almost all white pensioners received insurance benefits, which can be seen to provide far better coverage for pensioners than for those out of work for other reasons (see Table 1.11). Five out of six white pensioner families had some form of unearned income, including more than half with an occupational pension. On the other hand, one in six claimed Income Support, and as many as two in five depended on one or another of the means-

¹⁵ The weighted figures exclude retired and student non-working families (see Table 1.13).

Chart 1.21: Components of income of pensioners

tested benefits. For white people, nevertheless, 43 per cent of total income was provided by the NI pension; nearly as much — 40 per cent — by unearned income; and only 8 per cent by means-tested benefits.

Each of the three main minority groups had its own pattern of income in retirement. Caribbeans — the group which has lived in this country for the longest period — were just as likely to receive a state pension as white people were, though the amounts they received were a little less. But the Caribbean community, having experienced low levels of employment and of earnings over the past decades, had less than half as much unearned income from occupational pensions and investments. As a result, Caribbeans were much more reliant on means-tests in general, and Income Support in particular.

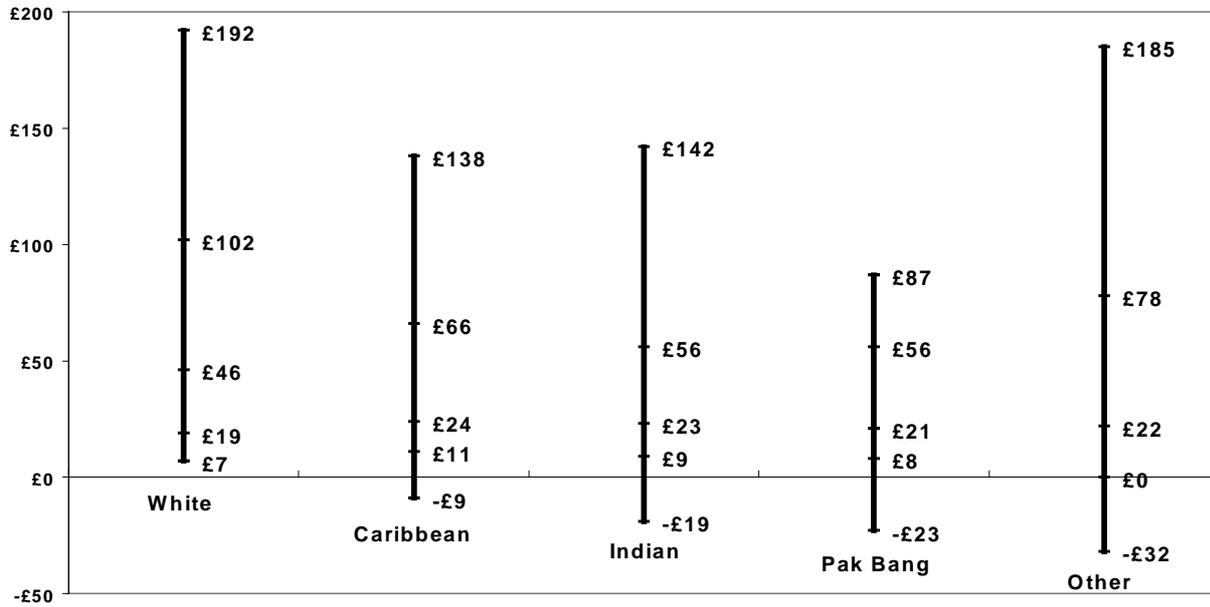
As for Indians, only 60 per cent of ‘pensioners’ appeared to be receiving the state pension. This must be because many of them had arrived in this country too late to build up their entitlement. Since many of them have been relatively successful in the labour market, though, their non-state incomes were a little higher than those of Caribbeans, if less than

those of whites. The net result was that Indian pensioners were just as dependent on Income Support and other means-tests as Caribbeans were — about a quarter of their income, in both cases.

For Pakistanis and Bangladeshis, only a small proportion have reached pension age, and the sample is correspondingly small. But the signs are that, like the Indians, only about half claimed the state pension. Unlike Indians, though, few of them had any significant non-state resources: the average non-state income was £8 per week, compared with £79 for white pensioners. No less than 71 per cent of Pakistani and Bangladeshi pensioners had to claim Income Support — compared with 17 per cent of white pensioners. More than half of their total income came from means-tests.

Chart 1.21 showed that the pensioner incomes of each of the three main *minority* groups had a different composition, but the overall totals were rather similar. Clearly means-tested benefits were effectively compensating for variations between minorities in the availability of the state pension and of non-state incomes. Only among white people was

there enough income as of right to overcome the means-test
Chart 1.22: Quantiles (10, 25, 50, 75, 90) of the distribution of available income of pensioner families



poverty trap, and give pensioners the advantage of their occupational pensions and investments. The effects on the distribution of ‘available’ income for individual pensioners can be seen in Chart 1.22. In every ethnic group (including whites), the less well-off half of pensioners’ available incomes were clustered either side of the basic needs scale — the median above the scale; the lowest decile below it. There was a rank ordering from the less poor whites to the more poor Pakistanis and Bangladeshis, but the differences here were not great — because variations in income among the poorer half of pensioners have been ironed out by means-tests. In the better-off half of the distribution, on the other hand, the availability of basic pension plus unearned income has created a clear gap between whites at one extreme and Pakistanis and Bangla-deshis at the other. The white pensioner at the top decile had more than double the ‘available’ income of the equivalent Pakistani or Bangla-deshi, with Caribbeans and Indians in between.

Comparing family types

This chapter has contained a great deal of detailed analysis, comparing the sources and amounts of income of six ethnic groups within three family types. Table 1.23 offers a summary, by comparing the ‘available’ incomes reported by each family type. The columns of the table have been re-ordered so that the group with the highest incomes is on the left, the group with the lowest on the right. Although the median incomes shown in the table do not capture all the detail of the variation, the overall picture is clear enough.

Among working families, whites appear significantly better off than any other group. Chinese and Indians come next, about £20 per week lower than white working families. Caribbeans, followed by Africans, were some way behind again — about £40 per week less than whites. Pakistani and Bangladeshi working families averaged only about £50 per

week above the social security entitlements

Table 1.23: Median ‘available’ income by type of family

	White	Indian	Chinese	Caribbean	African	<i>£ per week</i> Pakistani/ Bangladeshi
Working families	£153	£138	£134	£118	£106	£52
Pensioners	£46	£23	na	£24	na	£21
Non-working families under 60	£6	£2	na	£0	-£6	£0
All families	£82	£76	£88	£66	£51	£27

Note: The first three lines of the table are the 50th percentiles shown in Charts 1.10, 1.18 and 1.22

from which ‘available’ income has been calculated.

Pensioner families typically had far lower incomes than working families. White pensioners were better off than the minorities, but there was little difference among these groups. All non-working families were close to the social security ‘poverty line’. There was little difference between ethnic groups.

But among non-working non-pensioner families, most members of all ethnic groups depended on social security benefits. There was very little difference between groups.

Taking all three types of family together, the white position is reduced somewhat in relation to ethnic minorities by the relatively large number of white pensioners. But the Pakistani and Bangladeshi position is worsened, relative to the more prosperous groups, by their number of non-working families. There is a clear ordering of groups: whites, Indians and Chinese with the best position; Caribbeans and Africans in the middle; and Pakistanis and Bangladeshis clearly worst off.

2. LEVELS OF HOUSEHOLD INCOME

Background

This second chapter is concerned with the total incomes available to ethnic minority households, in relation to the number of people to be supported. It was pointed out in the introduction that it has long been clear that ethnic minorities, or at least some of them, must have lower average incomes than the white population, but it has not been possible before now actually to measure the gap. Some preliminary conclusions were reported from the Fourth National Survey (EMiB, Chapter 5) — showing, especially, a huge gap between Pakistanis and Bangladeshis and all other ethnic groups. This chapter consolidates that analysis with information from the Family Resources Survey, which enables ethnic minority incomes to be set in the national context using exactly the same analytical approach as is adopted for the ‘official’ figures published by the DSS (DSS 1997b).

The chapter also looks at the geographical distribution of income. In parts of America, the majority of black people live in areas where the majority of the population is black (Peach 1996). These ‘ghettos’ are closely associated with poverty and with notions of ‘underclass’ (W. J. Wilson 1987). We do not have anything like that degree of concentration in this country, but there are nevertheless substantial concentrations of minorities in, and within, the major conurbations (Ratcliffe 1996). Many of the areas with a sizeable minority population are ‘run down’ (a characteristic of the area itself) and are often thought of as ‘poor’ (a characteristic possibly of the area, possibly of the people who live there). Indeed, many area classifications use the number of ethnic minority residents as one of the key indicators of ‘deprivation’. The survey being used for this study contains some information about the areas where people live,

and it will therefore be possible to make a direct comparison between geographical and individual measures of income and ‘poverty’.

Introducing the analysis

The analysis of the sources of income of working and non-working families, and of pensioners, in the previous chapter used the ‘family’ as the unit of analysis, largely because social security benefits are often assessed and paid on the basis of the family unit. Now that the components have been assembled, we turn to the ‘household’ as the unit of analysis of total incomes. The assumption is that although ‘families’ who live together in households might separate from each other to form new households, they are likely to share many aspects of their living standards as long as they remain together.

Of course, the conversion from ‘families’ to households is not neutral between ethnic groups. It has been well-established that adults of Asian origin are more likely to live with their parents, and/or with their children, or with brothers and sisters. Table 2.1 shows that households in both the Caribbean and African minority groups were similar to whites, in that about a one-sixth of ‘households’ contained more than one ‘family’; these multiple households accounted for a third of all families. Among Indians, Pakistanis and Bangladeshis, multi-family households were about twice as frequent, and accounted for a majority of all ‘families’. This meant that Asian households might have had quite high incomes measured in terms of pounds per week, but this did not necessarily leave them well placed when the size of the household was taken into account.

In this chapter, a number of analytical conventions will be adopted which have been set down by the Department of Social

Table 2.1: Multi-family households, by ethnic group

	<i>Percentages</i>					
	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Other
Proportion of 'families'	33	39	34	66	59	53
Proportion of households	15	17	14	27	24	24

Security's official analysis of Households Below Average Income (HBAI) (DSS 1997b). The total income in the household has been added together using the DSS formulae: earnings, plus other market income, plus benefits, minus direct taxes. No allowance is made for the value of benefits or other resources received in kind, rather than as a cash income¹⁶. No deductions have been made for indirect taxation, nor (except in one table) for housing costs. The equivalence scale by which income is adjusted for the needs of larger and smaller households is also the same. The national average equivalent income has been calculated, and each household's income has been expressed as a percentage of the average. The data have been weighted by the number of individuals in each household, so that the results reflect the number of people — adults and children — at each income level.

Comparing ethnic groups

Chart 2.2 shows the full distribution of household incomes for each ethnic group, in relation to the national average. Since much of the rest of this section will be looking at low incomes in some detail, it is appropriate to start with a consideration of high incomes. For white people the median income is about four-fifths of the average (mean). This is a common feature of income distributions, because the mean is affected by the very high incomes of the 'rich', while the median is not. The top

decile among whites — the income of the 90th person up the scale — is about two-thirds higher than the average. This represents a net income of about £23,000 per year for a two adult family.

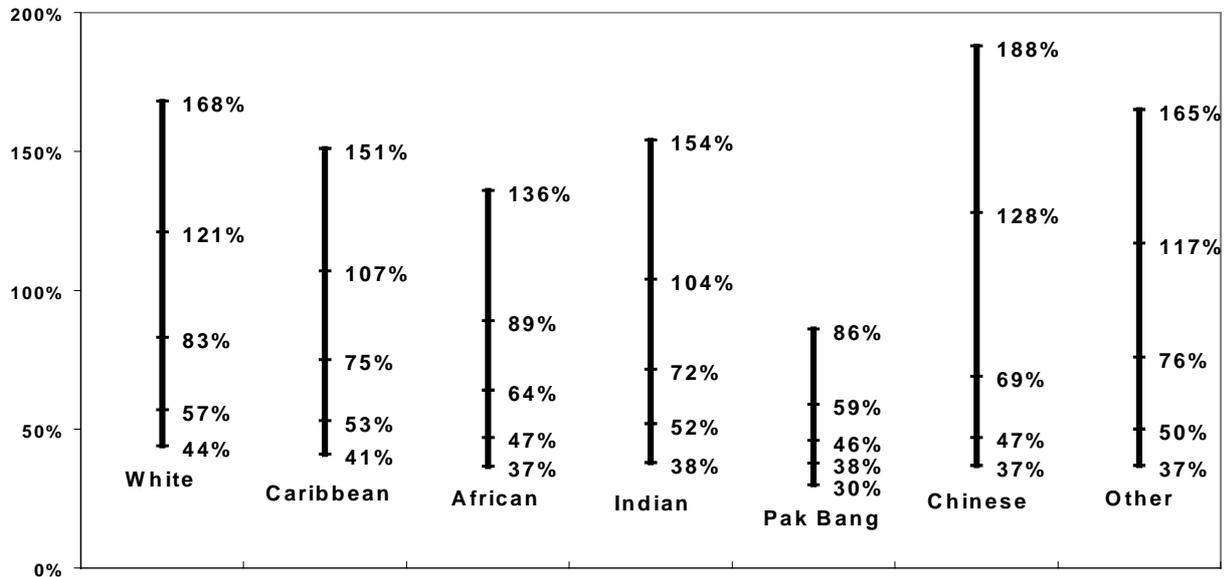
There were some important differences between ethnic groups at the top of the income distribution. All the minorities had medians below that of whites, but the Chinese upper quartile and (especially) their top decile were both higher than whites. This suggests a wide stretch among Chinese household incomes, but a number of them seem to have gained a higher level of prosperity than their white equivalents. ('Seem to have' because the sample of Chinese households is too small for the conclusion to be reliable.) But, as the chart shows clearly, the other minorities were all less well-represented than whites among high income households. Indians and Caribbeans were in a very similar position to each other, with rather fewer well-off households than among the majority group. Africans had fewer still. Pakistanis and Bangladeshis, arguably, had none at all: the *top decile* for that group was well below the national average income.

At first sight, the variations between ethnic groups were much narrower at the bottom end of the income scale. All groups' lowest deciles penetrated below 50 per cent of the national average income, which is commonly used as a conventional benchmark to identify the poorest households. A closer look, though, shows that while most ethnic groups' lower

¹⁶ Although Housing Benefit paid direct to the landlord is counted as income.

quartile — representing the poorest quarter of their

Chart 2.2: Quantiles (10, 25, 50, 75, 90) of the distribution of household income in relation to the national average



Note: Net equivalent household income before housing costs

households — was close to the 50 per cent benchmark, for Pakistanis and Bangladeshis not only the lower quartile but the median was below the poverty line — that is, more than half of that group were poor.

‘Poverty’

This section concentrates on a detailed analysis of households whose income was below 50 per cent of the national average. There has been a long debate in this country about what level of income is so low that households cannot participate in the activities which their fellow citizens consider so normal as to be essential (Journal of Social Policy 1987). The debate about a poverty line has been inconclusive — at least, those who argue that there is much poverty have failed to convince those who argue that there is little. One element of the debate of particular relevance in the present context is the reference group whose ‘normality’ each

household aspires to — is it the national average, or the average of the local community, including perhaps many members of the minority group? For migrants, does the reference group include ‘home’ where people may be poorer or more prosperous than they are in this country?

While recognising the importance of these theoretical issues, the analysis here adopts an entirely conventional approach, in which those below half the national average are identified — and labelled ‘poor’ simply on the basis that they have less income than other households. The findings need to be interpreted in the light of the general trend in Britain (DSS 1997b). Low-income households had roughly the same resources at the end of the 1980s as their equivalents had ten years earlier. All the growth in the national income over that period went to high-income households. The low income household fell behind in relative terms: where only 8 per cent were below half

the national average in 1979, 20 per cent were in that position by 1992/93. This trend seems to have levelled off in recent years; but the rate of poverty indicated by the analysis is probably at a post-war high. Our own figures from the Family Resources Survey show that 17.3 per cent were below half the national average in 1994/5/6. It is this group which will be analysed in detail.

The headline figures for each ethnic group are shown in the first row of Table 2.3. The 16 per cent of whites below half the national average was, of course, very close to the overall rate. But it was also the lowest of any ethnic group. Caribbeans and Indians both had higher levels of poverty. The Chinese had a higher rate too, though Chart 2.2 showed that they were well represented at the top of the income scale as well. 31 per cent of Africans were below the benchmark poverty line. This is an important finding, because Africans could not be included in the sample for the Fourth National Survey of Ethnic Minorities (EMiB), and we now find that they were significantly worse off than the Caribbeans with whom they are often combined. But — as every page of this report would lead us to expect — it was Pakistanis and Bangladeshis who were the poorest group in Britain. Three out of five were below the threshold. This was nearly four times the rate observed among white households.

One way of assessing the impact of poverty on ethnic minority groups is to show how the risk of falling below half the national average varied between types of household in each group, and between groups in each type of household. In the white population, only 9 per cent of households containing any worker fell below the benchmark poverty line (first column of Table 2.3). For white households all of whose members were above pensionable age, the risk was 23 per cent. For white non-pensioner households containing no worker, the risk was higher again, at 43 per cent. This is exactly what would be expected from what we know of the workings of the labour market and the social security system, and runs in parallel with the findings of the earlier section based on a similar analysis of families.

In the other ethnic groups, there were few pensioners, and this, on its own, ought to have reduced the overall amount of poverty. The differences in risk between working and non-working households was always in the same direction as for whites. The *levels* of risk in each category were sometimes similar to whites, and sometimes higher. For most minority groups, it appeared that increased levels of poverty were partly attributable to

Table 2.3: People in households below 50% of the national average

	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Other
All households	16	20	31	22	60	28	26
Working	9	8	9	15	50	18	14
Pensioner	23	29					
Non-working	43	42	54	54	72		54
<i>Sample size</i> <i>(households)</i>	49864	651	232	529	368	114	626

Source: FRS 1994/5 and 1995/6. Cells with fewer than 50 households have been left blank. Income is net equivalent income before housing costs

larger numbers of people of working age without employment, and partly due to lower levels of equivalent income once in that state.

The exceptions, again, were the Pakistanis and Bangladeshis. Half of the working households and three-quarters of the non-working households fell below the poverty line. The risk of poverty among *working* Pakistani and Bangladeshi households was higher than the risk among *non-working* white households — a result very similar to that derived from the Fourth National Survey (EMiB).

Another way of looking at the same figures is to compare the composition of each ethnic group's poor population in terms of household type (Chart 2.5). Although working households had a relatively low risk of poverty, there are so many of them that they accounted for as many as 40 per cent of all poor white households. In the white population, there was a significant contribution from poor pensioner households (though the popular impression that most poor people are elderly is clearly inaccurate).

There were few pensioners in the minority populations, and, therefore, few poor pensioners. In the two black groups, the extra poor consisted mainly of people with no worker in their household. In the three Asian groups, a relatively high proportion of the poor came from working households.

Mixed households

All this analysis is based on classifying a household under the minority heading if any person living there was not white. Other research has showed that black and Chinese people have quite high rates of inter-marriage with white people, while the South Asian communities have remained more exclusive (Berrington 1996, EMiB). The number of mixed households in the FRS was consistent with those findings. Table 2.6 compares rates of poverty for households all of whose members were of the same minority group, with those who lived in the same household as white people. In every case, the mixed households were less likely to report low incomes than the members of the same ethnic

Chart 2.5: Composition of poor households

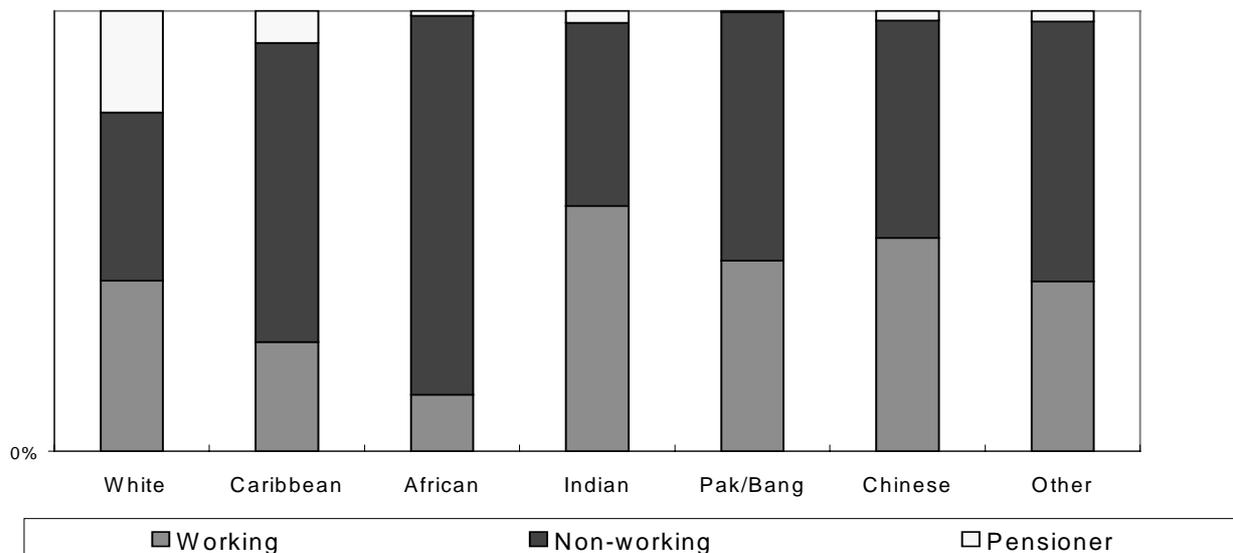


Table 2.6: Risk of poverty in mixed minority/white households*Cell percentages*

	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese
% of households which were mixed	20	18	11	4	30
Risk of poverty among unmixed households	21	33	23	61	33
Risk of poverty among mixed households	16	27	11	(5)	18
Sample size (mixed)	129	41	56	14	34

Source: FRS 1994/5 and 1995/6. Households which contained combinations of more than one minority ethnic group have been assigned to the 'other' category, and are not included here. Note the very small cell size for mixed Pakistani or Bangladeshi households

group who lived exclusively with members of the same community. In most minority groups, indeed, the risk of poverty was lower for mixed households than for all-white households (16 per cent). Much more detailed analysis would be required to explain this finding (in terms, perhaps of the ages of the individuals concerned, the duration of their period of residence in Britain, and so on). But it is at least a sign that social and economic integration in a white society may be linked.

Alternative measures of poverty

The measure of income used so far is the one known as 'before housing costs' (BHC). All income, including Housing Benefit and other support for housing costs is included in the calculation. The assumption is that the accommodation occupied by the household is of value to it, and should be included in the estimate of its resources and consumption.

An alternative formulation is to measure income 'after housing costs' (AHC). The assumption here is that housing expenditure is an unavoidable necessity over which households have no short-term and little long-term control, and the AHC measure is a better reflection of discretionary income. Much of the argument over the relative merits of these

two measures has been about their validity in making comparisons over time: during the 1980s' period of rapid increases in council house rents the AHC measure provided a better picture of the effects on the poor than the BHC measure could. That historical comparison is not relevant to the current study.

Another point is that an AHC measure increases the apparent degree of inequality, by eliminating from consideration an element of consumption which is relatively equal. That would be cheating. In order to make the comparison as fair as possible, the low-income threshold for our AHC analysis has been calculated to produce exactly the same proportion of 'poor' people as the BHC analysis. Instead of 50 per cent of average, we count the number of people below 42.3 per cent of average (Table 2.7, upper panel). So the measure is forced to produce the same answer for the whole population, and enables us to look specifically at the effect of housing costs on different ethnic groups.

For Asian households, the proportion below the threshold was very similar 'after' subtracting housing costs, as it was 'before'. For black households, both Caribbean and African, housing costs had a much more important effect. In both cases, the poverty

Table 2.7: Household incomes below a proportion of the national average: comparison of three measures

	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Other
Before housing costs (50%)	16	20	31	22	60	28	26
After housing costs (42.3%)	16	28	46	23	56	32	32
Sample size (households)	49864	651	232	529	368	114	626
Fourth national survey	28	41	na	42	83	34	na
Sample size (FNS)	2457	778	na	757	737	115	na

estimate was higher, using the AHC measure. Nearly half of Africans were below the benchmark, and this suggests that housing costs were a significant drain on their resources.

Another basis of comparison is with the Fourth National Survey of Ethnic Minorities, conducted in 1994 (EMiB). As explained in the introduction, the Fourth Survey used a much cruder question about income than the exhaustive enquiry for which the FRS was designed; but it had other potential advantages. One difference between the two surveys is that the Fourth Survey used a much simpler equivalence scale than is adopted by the HBAI conventions, but in fact the FRS produced almost identical poverty estimates using the simple scale, as it did using the McClements version.

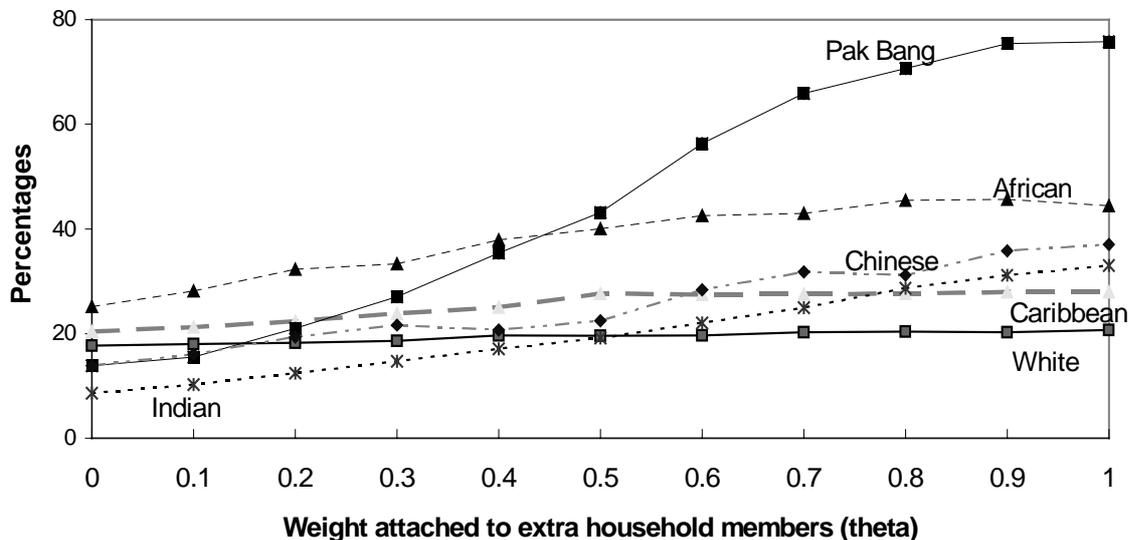
The Fourth Survey produced much higher overall estimates of the proportion below half the national average (Table 2.7, lower panel). This is directly consistent with the basic comparison of the income distributions of the two surveys discussed in Appendix A: the Fourth Survey seems to have under-stated the

incomes of poorer households and overstated the incomes of richer households.

The important point of comparison is between the minority groups and the white figure. Here the results of the two surveys were very similar. Similar in both, Caribbeans and Indians were rather worse off than whites. In both, Pakistanis and Bangladeshis were much worse off than any other group. The FRS suggested that the Chinese had a higher poverty rate than Indians; the Fourth Survey gave them a lower poverty rate, though still above that of whites; but the sample of Chinese people in both surveys was too small for much weight to be placed on this finding.

Adjusting for household size

Analysts of the distribution of income and of poverty have considered a number of alternative ways of adjusting household income to take account of the number and ages of the people among whom the income has to be shared (Atkinson 1992). In principle, it can be assumed, first, that many people require more income to maintain a given standard of living than one person on his or her own. On the other hand, it can also be assumed that

Chart 2.8: Households below half average income, using a range of equivalence scales

some costs are fixed per household, which all members enjoy the benefit of. Thus, at the limit, the extra needs associated with an extra person are probably more than zero, but less than the needs of a single person.

The McClements scale used by the DSS has the advantage that it was based on empirical analysis (McClements 1977), and that it is widely adopted in this country. Its disadvantages may be that the data analysed are now out of date; that it is unrealistically complex; that the needs associated with very young children are much lower than other estimates suggest; and that it is not widely used in international comparisons. Actually, most analysts conclude that the overall level of inequality, or of poverty, is very similar, whichever equivalence scale is used. But results are more sensitive when comparisons between types of household are introduced — small and large households will swap positions as greater or lesser weight is attached to extra persons.

As already noted, a simple equivalence scale (1.00 for a single person, 0.6 per extra adult, 0.3 per child) produced almost exactly the same results from the FRS as the McClements

scale did, and that may suggest that the estimates are not sensitive to the scale used, within the range of 'reasonable' scales. A more systematic test has been undertaken using a generalised form of equivalence scale suggested by Buhmann and others (1988, see also Coulter and others 1992). This takes the form:

$$\text{Scale} = (N)^\theta$$

where N is the number of people in the household,

and θ (theta) is a power between 0 and 1.

If N is raised to the power of 0, the scale is 1, however many people there are in the household. At a power of 1, the scale equals the number of people in the household. At a power of 0.5 (for example) the scale is the square root of the number of people: 1.0 for 1 person, 1.41 for 2, 1.73 for 3, 2.00 for 4, and so on. The advantage of this formula is that a continuous family of scales can be introduced in between the logical maximum and minimum.

Although the DSS/McClements scale is differently formulated (reducing the 'value' of additional people according to their age, rather

than their number), in practice its effect is similar to a value of θ of about 0.75¹⁷.

Chart 2.8 shows the results. (The ‘other’ ethnic group has been omitted for the sake of clarity.) The proportion of white households below the ‘poverty line’ remained just under 20 per cent, whichever equivalence scale was used — because the white population contains such a wide range of household sizes that any rise in poverty in one sector would be offset by a fall in another, as the sensitivity of the equivalence scale increased or decreased¹⁸.

There was some slight variation in the poverty estimates for Caribbean households, according to the value of θ . At the left of the chart, they were in a very similar position to white households; but they were more likely than white people to appear poor on the right hand side of the scale.

Indian and Chinese households had rates of poverty very similar to the white population, except that they were both fairly sensitive to the equivalence scale. The more weight was attached to additional household members, the more of them fell below the poverty line. The effect was sufficient to move both groups from below the white rate with ‘weak’ scales, to above the white rate when the scale was ‘strong’.

¹⁷ This is established by calculating the correlation between the DSS scale and the experimental scale for various values of θ , on the actual sample of households in the FRS. The correlation peaks at between $\theta = 0.7$ and 0.8.

¹⁸ Coulter and others (1992) using 1986 FES data, suggest that poverty rates appear high at large and small values of θ , with the lowest rates observed at values between 0.6 and 0.8. The difference in the shapes of the curves may be caused by technical differences in the calculation of the ‘national average’. The main point in the analysis presented here is a comparison between the lines for each ethnic group, which should not be affected.

African households were also fairly sensitive to the equivalence scale. But they were always more likely to fall below the poverty line than any of the four groups mentioned so far, and this is therefore a very stable result.

For Pakistanis and Bangladeshis, the poverty rate was hugely sensitive to the equivalence scale used. If the number of people among whom income is shared is virtually ignored (low θ) this group were no more likely to be found below half the national average than others. If extra people (including children) are assumed each to require almost as much income as a single person living alone (high θ), three-quarters were found to be in poverty. The finding that 62 per cent of Pakistanis and Bangladeshis were below the HBAI benchmark is because the McClements scale is roughly equivalent to a θ of 0.7.

At first sight it is highly surprising that Pakistanis and Bangladeshis were no more likely to experience poverty than whites, if household size is heavily discounted (low θ). Does that mean that Pakistanis and Bangladeshis would have adequate incomes, if they had only one or two persons per household? What about all the evidence on unemployment, economic activity and earnings, which would tend to place these groups low in the income scale even if family size was not an issue? The answer is that the apparent adequacy of Pakistani and Bangladeshi incomes if the needs of children were minimal is an artefact of a social security system which accepts that their needs are not minimal. As has been shown earlier in this chapter, a very high proportion of families from Pakistan and Bangladesh were out of work; a high proportion of those were claiming means-tested benefits; and even among those in work, many were claiming family credit. All these payments are strongly related to family size. They would make some of the recipients reasonably well off, if they

spent none of it on their children, and this explains the position of Pakistanis and Bangladeshis low down at the left of Chart 2.8. All the evidence suggests that children do impose costs (Bradshaw 1993, Berthoud 1984, Berthoud and Ford 1996, Middleton and others 1997), and that social security payments err if anything on the low side.

Geographical variations in the distribution of income

It is well known that Britain's ethnic minorities are not spread evenly across the country but tend to live in certain areas, especially London, the West Midlands and other large cities (Ratcliffe 1997). At the extreme, they represented less than half of one per cent of the population of the County of Cumbria at the time of the 1991 Census; but as many as 45 per cent of the population of the London Borough of Brent. Even within a district (such as Brent) there are pockets of higher and lower concentration. The pattern of settlement may be explained by a combination of historical, social, economic and geographical considerations which are outside the scope of this enquiry. It is relevant, though, to consider some of the possible consequences of the uneven distribution of minorities for the current study's interest in patterns of income. Variations between areas in the availability of employment or of low-cost housing mean that the geographical distribution of income will also be uneven, and it is widely assumed that ethnic minorities tend to be found in low income areas.

A separate study is being undertaken of the detailed relationship between ethnic minority patterns of settlement and measures of urban deprivation (Dorsett 1998); that study is based on the Fourth National Survey of Ethnic Minorities, linked to detailed Census data about sample members' local areas of residence. Another small study is planned of

the geographical distribution of income among the population as a whole; that will be based primarily on the Family Resources Survey. The intention on this occasion is simply to add geographical factors to the analysis of ethnic minorities' incomes.

Each year's Family Resources Survey sample is based on 1,752 postal sectors which have been selected at random¹⁹. The data available to us records simply the name of the local authority district²⁰ within which each household lives. The sample can *not* be interpreted as representative of households living in any particular district. But it *is* representative of all households living in any type of district, provided the classification by type is broad enough to include a large number of the sampling points. We have looked up the 1991 Census results for each of the districts represented in the sample, to establish two things:

- The proportion of all residents in the district who were members of minority ethnic groups. This is referred to as ethnic minority density. The national average was 5½ per cent.
- The proportion of all economically active men who were unemployed. This is referred to as the unemployment rate. The national average was 11½ per cent.

As expected, the ethnic minorities interviewed in the Family Resources Survey were relatively common in the main conurbations

¹⁹ In formal terms, the sampling points were selected with probability proportional to size, from a stratified list of postal sectors.

²⁰ The term 'district' is used here in its official sense, not simply as another word for area or locality. The district is the lower tier of local government, where two tiers exist: a district within a county; a metropolitan district within one of the former metropolitan counties; a London borough.

— especially London and the West Midlands.
This has been

Table 2.9: Characteristics of district of residence

	Big cities	Ethnic minority density greater than 10 per cent	Unemployment rate greater than 15 per cent	<i>Row percentages</i> <i>Sample size</i>
White	15	13	20	116620
Caribbean	66	68	53	1550
African	82	78	60	588
Indian	48	67	37	1828
Pakistani/Bangladeshi	48	54	44	1679
Chinese	52	39	33	324
Other	53	51	33	1987

Note: Big cities include London, Birmingham, Manchester, Sheffield, Leeds, Liverpool, Newcastle and Glasgow. The last three of these have quite low levels of minority representation

well established elsewhere (eg Ratcliffe 1997), but the first column of Table 2.9 illustrates the separation. Only 15 per cent of white people lived in one of the big cities; half of the Asians in the sample, and higher proportions of Caribbeans and Africans, were found there.

It stands to reason that ethnic minorities tend to be found in areas of high minority concentration. The direction of this association is simply tautologous; but its strength is a measure of the extent to which the minority population is segregated from the majority group. The middle column of Chart 2.9 shows, as would be expected, that minorities were often found in districts of high minority density, while whites were not. At least two-thirds of Caribbeans, Africans and Indians lived in districts where more than 10 per cent of their fellow council tax payers were also of minority origin. The concentration at district level is slightly less for Pakistanis and Bangladeshis, and less again for Chinese. In spite of this evidence of concentration, though, members of every minority lived in districts where they were genuinely in a minority. (The highest recorded density, in Brent, is just under half — 45 per cent.) The degree of concentration would be higher if the analysis focused on a much smaller grain of geographical measurement such as the ward or

the enumeration district. Even so, few black or Asian people live in wards or EDs where they outnumber whites (EMiB, Chapter 6, Dorsett 1998.)

The striking thing about minority patterns of residence is that so many live in areas of high unemployment. Roughly one-fifth of all individuals (and of all whites) lived in districts where the 1991 male unemployment rate exceeded 15 per cent (third column of Table 2.9). More than half of black people, and more than a third of Asians, lived in the districts with the highest rates of unemployment. For the minorities, only about one in twenty lived in an area of low unemployment (compared with one fifth of whites, not shown in the table). Thus you might expect minorities to experience relatively high levels of unemployment, and of poverty, simply as a correlate of the types of area in which they tend to live.

Preliminary analysis of household incomes among white pensioners was very similar, whatever the characteristics of the area in which they lived. This is not surprising, since the universal state pension makes up such a high proportion of the incomes available to elderly people; they would not be expected to be especially sensitive to local effects. There

were, in any case, very few pensioners among the samples of ethnic minorities. The analysis which follows therefore excludes all-pensioner households, and concentrates on households where at least one adult was below pensionable age.

It is commonplace to observe, or assert, that members of minority groups tend to live in 'run-down' areas. From this is often assumed that the area, and the people living in it, are 'poor'. In practice, the variation in incomes between the households within an area are so wide that it is far from clear that the 'poor' area is a very meaningful concept (Berthoud 1976). The question now is the extent to which low incomes are associated with ethnic concentration. To the extent that there is an association, there are three possible ways in which this might work:

- Minorities, having high rates of unemployment and poverty, can only find accommodation in areas of cheap housing, where their neighbours are also likely to be unemployed and/or poor.
- Racial discrimination has excluded minorities from prosperous areas, so they have to live in deprived ones.
- Minorities tend to live near each other, because of chain migration and community ties. Because as a group they have high rates of unemployment and poverty, the places where they live register as deprived.

However this simple set of hypotheses has to be adjusted for the fact that some minorities now enjoy economic positions no worse, on average, than those of white people; and that there is substantial variation in incomes within each group. It is not possible, though, to unravel all these effects on the basis of the material available here.

Because most white people live in one set of districts and most minorities in another set, it is not easy to make direct comparisons of the effects of area characteristics on household incomes. Instead of the usual tables, therefore, we have calculated, for each ethnic group, how much higher the average household income is, in a district where the level of unemployment is 10 percentage points higher than in some other district. It is to be expected that average incomes should be lower in areas of high unemployment and in general this is the case. The first line of Table 2.10 shows, for example, that white households in districts where the unemployment rate was (say) 15 per cent were £61 worse off than those in districts where only 5 per cent of men were unemployed. The relationship between unemployment and income was much stronger for Indian and Chinese households. But it was rather weaker for Caribbeans, and weaker still for Pakistanis and Bangladeshis. For Africans, the local rate of unemployment made no difference to average incomes.

The middle line of the table shows that the average incomes of Indians and Chinese households living in a district where the ethnic minority density was (say) 25 per cent would be £26 or £29 lower than in districts where only 15 per cent of the population were non-white. This relationship holds good even when the rate of unemployment has also been taken into account, and suggests some polarisation between poorer members of these communities, who live in high density areas; and the better-off families living in areas of lower concentration. For Caribbeans there was only a weak association between income and density. For Africans, Pakistanis and Bangladeshis, no association at all: they were equally poor, wherever they lived.

If white people were strongly antagonistic to the idea of living among members of minority groups, one might expect only lower income

Table 2.10: Association between equivalent household income and characteristics of the district of residence (non-pensioners only)

(The table shows the size of the difference in household incomes associated with a change of 10 percentage points in the characteristic of the district)

	<i>Regression coefficients</i>						
	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Chinese	Other
Unemployment rate	-£61	-£33	+£3	-£101	-£14	-£106	-£60
Ethnic minority density	+£16	-£13	£0	-£26	+£1	-£29	-£4
Variance explained	2.6%	2.7%	3.0%	5.9%	2.3%	7.0%	4.3%

Note: The first two lines are coefficients x 10, derived from simple regression equations. 'Variance explained' is 100 x R² from a multiple regression equation in which the independent variables were density, unemployment, the squares of density and unemployment, and a dummy variable distinguishing London from elsewhere

whites to move to or remain in high density areas — because they could not afford to exercise their preference for living among white people. It is therefore important to find that white families in high density areas were significantly *better* off than those who lived in areas of low concentration. This is a surprising, and perhaps an encouraging, result, though it would be a mistake to place too much weight upon it. Few whites actually live in areas of high concentration, and most of the data contributing to the analysis is really distinguishing between people in low or very low density districts.

So the FRS data suggest that there are some systematic geographical influences on minority incomes. These are strongest for Indians and Chinese, and weakest for Africans, Pakistanis and Bangladeshis. On the other hand, these area effects do not explain much of the very wide variations in income levels within ethnic groups (third row of Table 2.10). Nor much of the differences between ethnic groups: in every type of area, whites, Chinese and Indians had the highest levels of income; in every area, Africans, Pakistanis and Bangladeshis had the lowest. Thus income seems to be determined more by who you are, and where you came from, than by where you live now.

CONCLUSIONS

Review of the findings

Analysis of the distribution of income, and studies of the economic position of ethnic minorities, have been two of the strongest areas of social research in Britain over the past three decades. So it is surprising that it has taken so long for the two traditions to come together, to provide sound data about the incomes of ethnic minorities. Now that two sources have become available, the findings complement the results of existing studies of minority employment. This analysis has not shown anything startling or unexpected; but it has provided valuable additional information on the composition of family incomes, the role of the benefit system and the extent of poverty. Some of those findings may not be surprising, but they are still shocking.

One of the themes emphasised in the Introduction (page 6) was ‘diversity’. Britain’s ethnic minorities have very different starting points — the colours of their skin, their linguistic, religious and other cultural backgrounds, and their pre-migration educational and economic experiences. The fact that the various groups arrived at different periods means that varying proportions of them were born and have been brought up in this country, and should no longer be seen as ‘migrants’. These differences between the minority groups may be at least as important as any common factors which distinguish them all from the white majority. Of course there are common factors too: all are at risk of discrimination or harassment; all live in urban areas with high unemployment rates (though the detailed patterns of settlement vary); all include at least some adults who, as migrants, may be experiencing the short-term consequences of changing their country of residence. Nevertheless, it is to be expected that groups with diverse origins have reached different

positions in Britain’s economic structure, rather than they should all occupy a slot labelled ‘ethnic minority’.

The findings of this analysis of family and household incomes have confirmed the diversity of outcome which had been suggested by previous studies based on the Labour Force Survey (Jones 1993) and the Fourth National Survey (EMiB). It may, therefore, be useful to summarise the findings for each minority group in turn, taking them roughly in order from best-off to poorest.

Chinese

This group is the hardest to characterise. The samples of Chinese people (in both surveys) are too small for detailed analysis, and estimates of their average income may not be very reliable. But the Chinese do not seem to have formed a group with so clear a profile as some of the other minorities. There are a number of indications, though, that this is a group which has prospered in Britain.

The average earnings of working Chinese families were higher than for any other group, including whites. The same group often reported other market sources of income, and rarely received means-tested benefits. When we analysed household incomes in relation to family size, the Chinese were well-represented at the top of the scale: the top quarter of their households were better off than whites, and better off than any minority group. On the other hand, there was rather a wide gap between high and low incomes in this community, and the proportion of ‘poor’ Chinese households was also fairly high: 28 per cent, compared with 16 per cent for white households.

Indians

The analysis of employment in the Fourth Survey placed 'African Asians' close to the Chinese, while 'Indians' were rather worse off, close to Caribbeans. The Family Resources Survey did not identify African Asians separately, and its 'Indian' group effectively covers both categories. Accordingly it tends to fall in between Chinese and Caribbeans — very close, in fact, to the white position.

A high proportion of Indian families contained at least one worker. Their average earnings were slightly higher than whites'. In fact the best-off Indian working families had a higher level of income (in relation to basic needs) than any other group. Among non-working families, Indians were relatively well-provided for by unearned income and insurance-based benefits, and depended less than any other group on means-tests. This allowed a fair proportion of non-workers to obtain an income rather higher than the basic social security level. Among pensioners, Indians had the best occupational pensions of any minority group, though they were less well-covered by the state pension than whites or Caribbeans. When total income was considered in relation to the number of people in the household, though, Indians fell somewhat behind white people, and came close to Caribbeans. This suggests that, while Indians were earning as much as whites, the number of children and elderly people who had to be supported out of the same income reduced this group's overall level of prosperity.

Caribbeans

People of Caribbean origin, (including many of those labelled in the Census as 'Black other') have been in Britain longer than any other of the non-white minority groups. They are therefore a test of the early hypothesis that their experiences might converge on those of

the white population after a generation or so. An alternative hypothesis, though, has been that Caribbeans might follow the previous inflow of Irish migrants through an essentially working-class trajectory, while Indians would be more similar to previous generations of Jews through a professional trajectory (Peach 1997b). In fact the Fourth Survey, and other evidence, has suggested that Caribbeans are a group with a substantial degree of internal diversity — a polarisation between well-educated, successful black people on the one hand, and under-educated, unemployed people on the other. There were also signs that the experiences of Caribbean men and women diverge in ways which are not seen in other groups. The FRS has not been an appropriate vehicle for a detailed exploration of these complexities, because the sample of Caribbeans was small, and because little information is available on subjects other than income. The overall view is that Caribbeans are system-atically worse off than white people (and Chinese and perhaps Indians), though they are much better off than other minorities.

So, for example, the average earnings of Caribbean families were £45 lower than those of white families, though still higher than Africans', Pakistanis' or Bangladeshis'. The same ordering could be seen when working families' total incomes were expressed in relation to their basic needs; Caribbeans appeared in the middle of the range of ethnic groups. Caribbean non-working families were also worse off than whites; but the important consideration here is the large number of Caribbean one-parent families who depended (like their white equivalents) on social security. The Caribbean community is the first of the post-war migrant groups to include a significant number of pensioners — again, they were worse off than white pensioners. When it came to the overall analysis of household incomes, though, Caribbeans were

not so poor as might have been expected. Few of them had high incomes, but the rate of 'poverty' was only slightly higher than among whites, and slightly lower than the Indians and Chinese who appeared more prosperous on other measures.

Africans

People have come to Britain from many different parts of Africa. It is unlikely that backgrounds in places as far apart as Nigeria, Uganda and South Africa, or in non-Commonwealth countries such as Somalia or the Congo, will contribute to the formation of a homogenous ethnic group covered by the label 'Africans'. Many of them came to Britain as students, and this makes them difficult to compare with the long-term migrants from the Caribbean or South Asia. These were among the considerations which led to Africans being omitted from the sample of the Fourth National Survey, and the FRS is therefore one of the few sources describing their position. In general Africans' incomes are similar to, but worse, than those of the Caribbeans to whom they are sometimes compared. That is, the worst position of any of ethnic groups analysed, with the exception of Pakistanis and Bangladeshis.

Thus, the average earnings of African families with at least one worker were nearly £60 lower than those of whites; though higher than Pakistanis and Bangladeshis by a similar margin. Only about half of African families had a worker in any case. Measures of household income showed that few Africans had penetrated into the upper reaches of the distribution, but nearly one third of them were poor — twice as many as among white households.

Pakistanis and Bangladeshis

In some respects these two groups may be rather different from each other. One came from the mainly Urdu- and Punjabi-speaking territory to the west of India, the other from the Bengali- and Sylheti-speaking territory to the east. The main period of Pakistani migration occurred some years before the arrival of the Bangladeshis. And the two groups moved to different parts of the country: the Pakistanis largely to Lancashire and Yorkshire, Bangladeshis to London. The two groups had one thing in common, though, at the point of arrival — both communities are Muslim. And many of their post-migration experiences have been very similar. This has not been demonstrated in this report, but the Fourth Survey (EMiB) showed that they had similar family structures, similar rates of employment, similar earnings and similar household incomes. The two groups can therefore be considered together for many purposes. They were strikingly — shockingly — the worst off ethnic groups in Britain.

This has appeared on practically every page of this analysis. Only half of potential worker families actually included someone with a job. Among those with a job, average earnings were far below those in any other ethnic group. Even among working families, and even after taking account of means-tested benefit payments, a substantial proportion of Pakistanis and Bangladeshis received less than the basic needs implied in social security benefit scales. Even the best-off Pakistani and Bangladeshi households were around the middle-income level experienced by white families. No less than 60 per cent of Pakistani and Bangladeshi households were 'poor' on the conventional definition — four times as many as among white households, and twice as many as among their nearest neighbours on the poverty scale, the Africans.

Discussion

These findings about inequality of incomes between ethnic groups will contribute to wider debates, both about social and economic stratification in Britain, and about the position of ethnic minorities. It is clear that policy makers need to take account of these facts, although conclusions about the nature of the policy implications do not emerge directly from the findings of this analysis. Three general points are pursued here: first, about the extent of poverty among Pakistanis and Bangladeshis; second, about the role of the social security system; and third about the nature of inequality between ethnic groups.

Poverty among Pakistanis and Bangladeshis

One of the conclusions of the analysis has been that ethnic minorities are not necessarily worse off than white people, and that poverty is by no means an automatic consequence of non-majority status. Another is that, at least on some measures, people of Caribbean or African origin are sufficiently worse off than whites to be a focus of concern. But the findings about Pakistanis and Bangladeshis overwhelm all others. Poverty is their most common experience.

If we leave out social security benefit entitlements for the moment, the ‘equivalent’ income of a household might be expressed in the following simple terms:

- the man’s wage rate x his chance of employment
- + the wife’s wage rate x her chance of employment
- ÷ the number of people in the family

At one level, Pakistanis’ and Bangladeshis’ poverty can be explained by the fact that every one of their terms in the numerator of this formula (the first two lines) is exceptionally

low, while their term in the denominator (the third line) is exceptionally high. Men in these groups have very poor employment prospects. Very few women have a paid job. The earnings of those men and women who do work are far lower than those of white people, or of any other ethnic group. Households typically contain more adults than is common in Britain nowadays; and far more children. Thus simple arithmetic shows that Pakistanis and Bangla-deshis will have low average incomes in relation to household size. And, as the report of the Fourth Survey showed, all these elements are directly implicated. If Pakistani and Bangladeshi employment rates were improved, *or* their earnings were raised, *or* their household sizes were reduced, there would of course be a reduction in poverty (EMiB, Chapter 5). But no *one* of these changes would be enough to return Pakistanis and Bangladeshis to the middle ranks of economic prosperity. All of the changes would be required, in combination.

The formula in the previous paragraph might be said to *describe* Pakistanis’ and Bangladeshis’ low incomes, without necessarily *explaining* them. True explanations would need to address the components of the formula — why do these groups have such low employment rates and earnings, and such large families? Three types of explanation might be put forward: educational background, cultural characteristics and industrial structure.

Educational background should be interpreted in its widest sense, to include knowledge of English and relevant training and work-experience as well as formal educational qualifications — the ‘human capital’ which is so easy to theorise but difficult to measure. There were certainly signs in the Fourth Survey that Pakistanis and Bangladeshis had lower levels of educational attainment than other groups; that many of them had limited experience of the range of work which might

be on offer in Britain; and that some were less than fluent in English (EMiB, Chapter 3). These might be partial explanations of a weak position in the labour market, though by no means enough to explain the whole of the difference between Pakistanis and Bangladeshis and other groups. The Fourth Survey showed, for example, that *within* each ethnic group, individuals with a degree were less likely to be poor than (at the other extreme) those without qualifications. But the difference *between* groups was so great that a Pakistani or Bangladeshi with a degree had the same risk of poverty as a white person with no qualifications at all (EMiB, Figure 5.4).

Pakistanis' and Bangladeshis' position on two of the five terms of the simple income formula quoted above can probably be explained in terms of cultural preferences. The very low rate of economic activity among women, and the large family sizes, are clearly associated with the family relationships valued in Islamic teaching. The question arises, therefore, whether their poverty is linked to their religion, rather than to the countries of origin by which they have been labelled. The Fourth Survey included a question about religious affiliation, and showed that Indian Muslims had a higher rate of poverty than Hindus or Sikhs, though it was still lower than that of their co-religionists from Pakistan or Bangladesh (EMiB). It is possible that these distinctive family structures may converge on white British norms over the generations, though the signs are that this movement may be slower where the distinctive pattern is linked to strong religious beliefs. Some white people may argue that Pakistani and Bangladeshi women 'ought' to go out to work, and have fewer children, if they wish to avoid poverty. But this is precisely the kind of cultural discrimination which lies at the heart of the problem. The family values revered by Pakistanis and Bangladeshis are not much different from those accepted and admired in

Britain in the recent past. The minority group characteristic is not 'wrong'; just 'different' from the currently dominant pattern.

A more conventional economic explanation of Pakistanis' and Bangladeshis' disadvantage in the labour market lies in occupational and industrial structures. Pakistanis migrated in large numbers in the 1970s to work in the textile industries of Lancashire and Yorkshire. They were needed then, but the industries collapsed in the 1980s, and the workforce was beached by the ebbing tide. The bulk of Bangladeshis, on the other hand, moved to east London in the 1980s. Many of them took semi-skilled work in the catering industry (eg as waiters and kitchen hands in 'Indian' restaurants), but there is a limit to the number of jobs in such sectors, and Bangladeshis may have suffered from a local glut in the supply of the types of labour they were able to offer.

The role of the social security system

The social security system lays down the same rules for everyone. There is some evidence that discrimination by officials (Gordon and Newnham 1985), or their own inexperience of the system (Bloch 1993, Law and others 1994), may mean that ethnic minorities do not get as much out of the system as white people in similar positions. But we have not investigated that issue here. It is possible that ethnic minorities do not claim all the benefits they are entitled to; the samples of potential claimants were too small to measure take-up on this occasion, though it will be feasible when more years of FRS data have been accumulated.

Nevertheless, the analysis has yielded some important findings about means-tested benefits. The indignities associated with the household means-test were a hated element of unemployment assistance during the depression years of the 1930s. The Beveridge social security plan was intended to minimise means-testing, but a small element remained, and has grown steadily ever since, to account for a third of social security spending in the

1990s. The balance between means-testing and con-tingent or insurance-based schemes is at the heart of current debates. The proponents of means-tests argue that they are highly effective at maintaining incomes at a minimum level, without wasteful expenditure above that level. Their opponents argue that they create a sense of dependence on the state, and reduce work incentives; to them, the widespread use of means-tested benefits represents the failure of other, more dignified, schemes.

The striking finding of this analysis has been the extent to which ethnic minorities in general, and Pakistanis and Bangladeshis in particular, rely on means-tested provision. This was especially true of working couples with children. Only 8 per cent of white, Caribbean, Indian or Chinese working couples with children received any means-tested benefit. The figure was 24 per cent for Africans with this family structure, and 40 per cent for Pakistanis and Bangladeshis. Of course, the benefits were designed for families with low earnings and many children, so Pakistanis and Bangladeshis are in the centre of the target population. The consequence, though, is that even for those able to find employment, the family income is often determined, in the end, as much by the scale rates of social security benefits as by the actual earnings.

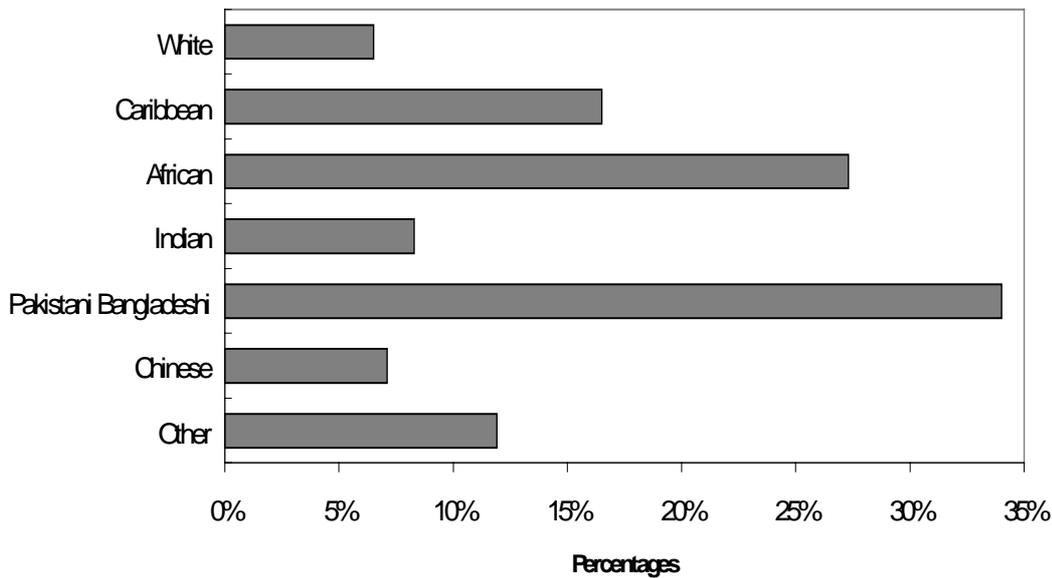
When you also take account of the receipt of means-tested benefits by the large number of non-employed families in some ethnic groups, the picture is even more striking. £7 in every £100 received by white families consists of means-tested benefits — mainly Income Support, Housing Benefit and council tax benefit. This is widely considered — on both the left and the right of the political spectrum — to be far too high a figure. It is a drain on public expenditure. It keeps families at poverty levels of income, and dependent on the state.

The proportion of income accounted for by means-tests was very similar for the two relatively prosperous minority groups, the Indians and Chinese. It was rather higher for Caribbeans (£17 in every £100). It was much higher though for the two poorest groups, Africans and Pakistanis/Bangladeshis: for every £100 they had to spend, £27 and £34 respectively were accounted for by means-tested benefits. These are astonishingly high figures, and speak volumes about the scarcity of other resources for these families.

Inequality in multi-cultural Britain

In one sense, the factual findings of this analysis speak for themselves. Some ethnic minority groups — Chinese and Indians — now enjoy incomes very similar to those of the white population. This is substantial progress from the days, in the 1960s and 1970s, when all minorities appeared worse off than the majority. Many measures suggest that one significant minority — Caribbeans — is rather worse off than the groups just mentioned, even though people of West Indian origin have been settled in Britain for more than a generation. Most measures place a fourth minority group — Africans — further behind again. But the final pair of minorities — Pakistanis and Bangladeshis — are much poorer than any other group. It is worth saying again: they are four times as likely to be in poverty as white people.

The ‘facts’ derived from ‘objective’ survey evidence nevertheless need some interpretation. The null hypothesis implicit throughout this study is that all ethnic groups might have similar levels of employment, of earnings and of income. At an empirical level, that hypothesis has been disproved. But it is worth questioning the assumptions built into the hypothesis.

Chart 3.1: Proportion of total net income accounted for by means-tested benefits

First, should it be assumed that different ethnic groups need similar incomes to achieve similar levels of material welfare? A relative poverty line, of which ‘half average income’ is a convenient example, is justified on the grounds that ‘needs’ are determined by social and cultural conventions, rather than by any absolute requirements for a minimum level of consumption. If so, cultural variations between ethnic groups might have an effect on perceptions of need. To illustrate the point with a few examples:

- The meat-free diets adopted by many Hindus might reduce the cost of living for them; alternatively, the need to buy minority produce such as ghee or Halal meat might increase the cost of living.
- Some Bangladeshi families were living at third-world poverty levels before they migrated. Some African Asians were wealthy before they were evicted from Uganda. Do these references to previous experience affect the

benchmarks against which each group’s incomes should be compared?

- The analysis of ‘equivalence scales’ at the end of the previous chapter suggested that measures of Pakistanis’ and Bangladeshis’ poverty were highly sensitive to assumptions about the cost of a child. How would the analysis handle the possibility that the cost of a child varied between communities?

Second, to what extent does the pattern of inequality differ from what might be expected. An important distinction was made in the introduction between ‘discrimination’ and ‘disadvantage’. The former refers specifically to unfair treatment at the hands of white-dominated institutions; the latter is a broader concept covering situations in which minorities are worse off than whites, without direct reference to the cause. Some forms of ethnic disadvantage may be entirely predictable. You would not expect a landless peasant from Bangladesh to reach the same economic position in Britain as a well-

educated and prosperous business man from Uganda. Hence the need to distinguish between the characteristics the minorities brought with them, and their experiences in this country. A more exacting test of equity within Britain would lie in a comparison of the outcomes for the grandchildren of migrants from such different backgrounds.

These are questions both for political philosophy and for empirical analysis. They are important issues for the future of multicultural Britain. Sophisticated issues of interpretation should not, though, be allowed to reduce the impact of the findings of this study, and its predecessor. If some minorities are prospering in the period following their migration, two groups remain at astonishingly low levels of income.

APPENDICES

A: Comparing the Family Resources Survey with the Fourth National Survey of Ethnic Minorities

Composition of the samples

Table A1 shows that the FRS's distribution by ethnic group was reasonably close to that obtained by the 1991 Census. It also shows the sample sizes in each of the two surveys under consideration: the Fourth National Survey provides larger samples of the minority groups, but the two years of the Family Resources Survey offer a reasonable number for analysis.

Response rates for the income questions

A problem with all earnings and income questions is that a proportion of survey respondents are unable or unwilling to provide an answer. Table A2 shows the rates of non-response to the two key questions in the Fourth Survey. For whites, 6 per cent of both male and female full-time employees gave no

answer on earnings, while 17 per cent of households provided no information on their total income. The proportions were very similar for people of Caribbean origin, though rather more black women than whites declined to report their earnings. But people of South Asian origin were much less able, or more unwilling, to answer these questions. This is bound to cast some doubt on the reliability of the data that was provided.

If certain minorities were more reluctant than others to answer money questions, that might have affected their overall response rate to the Family Resources Survey, but we have no way of measuring non-response by ethnic group. The DSS has, however, been able to show the extent to which those who took part in the (1996-97) survey were unable or unwilling to answer the key question about the earnings from their main job. Table A3 shows some variation between groups, though it does not match the substantial level of earnings non-response by Asians in the Fourth Survey.

Table A1: Analysis of samples by ethnic group

	1991 Census	Family Resources Survey	Fourth National Survey
	<i>Percent of population</i>	<i>Percent of population</i>	<i>Number of adults</i>
White	94.5	94.7	89,063
Black Caribbean	0.9	1.0	906
Black other	0.2	0.2	na
Black African	0.3	0.4	322
Indian	1.5	1.3	1,136
Pakistani	0.9	0.8	605
Bangladeshi	0.3	0.2	219
Chinese	0.3	0.2	194
Asian other/Other	0.9	0.9	841
			<i>Number of adults</i>
			2,867
			1,205*
			na
			nil
			1,947
			1,232
			598
			214
			nil

* The Fourth Survey combined Black Caribbean and Black other in a single category

Table A2: Non-response to earnings and income questions in the Fourth National Survey*Column percentages*

	White	Caribbean	Indian/ African Asian	Pakistani/ Bangladeshi
Proportion of FT employees not answering the <i>earnings</i> question: male	6	6	23	21
female	6	12	27	18
Proportion of households not answering the <i>income</i> question	17	17	35	29

Table A3: Non-response to the FRS question on earnings from head of household's job*Column percentages*

	White	Caribbean	African	Indian	Pakistani/ Bangladeshi	Other
Non-response	4.4	9.7	7.4	5.4	1.6	11.6
Sample size	10748	135	54	148	69	95

Distributions of earnings and of income among white households

The earnings and income data from the two surveys can be compared in two ways. This section asks whether the overall distributions were the same, even though the questions by which the information was obtained were different. Since the Fourth Survey selected samples of white people and of ethnic minorities which cannot legitimately be combined, this overall comparison is undertaken for the two samples of *white* people only. The next section will ask whether the two surveys show the same differences between ethnic groups.

The comparison should take account of the fact that the two surveys took place at slightly different times. The Fourth Survey interviews were spread between November 1993 and October 1994; the great majority of the white sample (involved in the comparison in this section) were covered in the winter of

1993/94. The FRS data analysed here was collected continuously between April 1994 and March 1996. Since the FRS was rather later, we would expect its earnings and incomes figures to be slightly higher.

Chart A4 compares the distributions of *earnings* for men and women in both surveys. All the data refer to gross pay of employees in their main job, and are confined to full-time workers. The graph is in a form in which, if one survey tended to show lower earnings than the other, its curve would appear to the left of the other's. In practice, the distributions of women's full-time earnings are so similar that the two curves are indistinguishable from each other. For full-time men, the Fourth Survey (shown by the dotted line) recorded slightly lower earnings in the middle of the distribution, so that the median from the Fourth Survey was £284, compared with £309 from the FRS. Over the full range of earnings, though, the two surveys are very consistent —

remarkably so when the differences in the method of asking the question are considered.

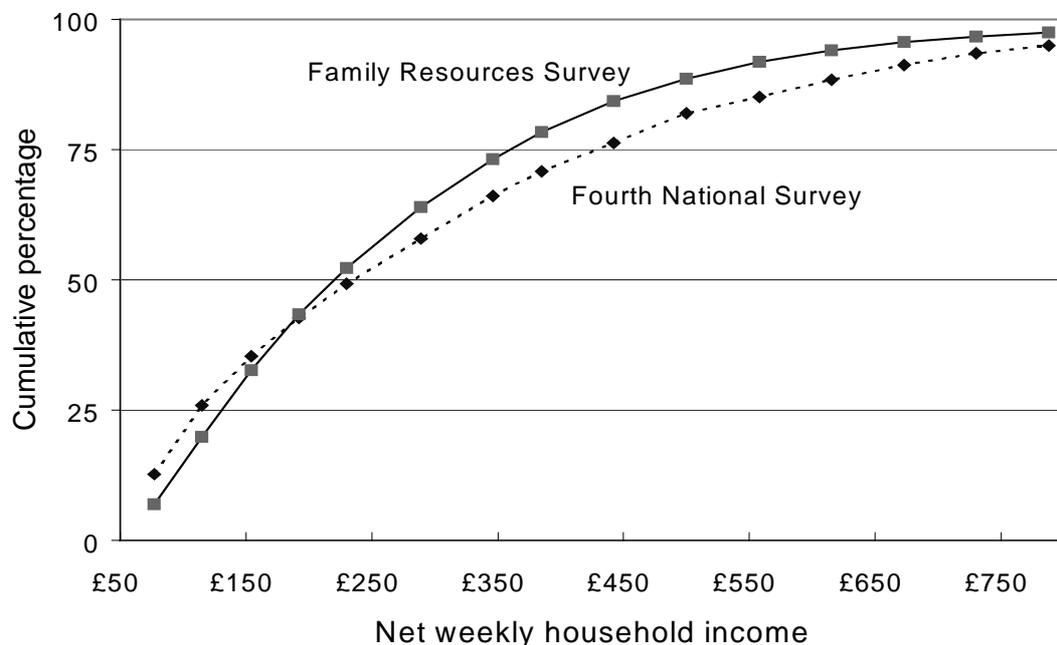
Chart A4: Distribution of gross earnings of white full-time employees: two surveys compared



Chart A5 makes a similar comparison between the two surveys' measures of total net household income — still focusing on the white samples. Here there are bigger differences between the two distributions. The Fourth Survey had lower incomes at the foot of the scale (the dotted line starts to the left of the solid line), but higher incomes at the upper end of the distribution (the dotted line crosses the solid line, and ends up on the right). The median incomes are fairly similar (£236 for the Fourth Survey, £220 for the FRS), but the range is much wider in the Fourth Survey: the latter would indicate a greater degree of inequality than the former. For example the range between the upper and lower quartiles was £317 in the Fourth Survey, but only £229 in the FRS. We cannot be certain of the reasons for this difference, but if we assume that the FRS provided the more reliable measure (at least among white people) it is consistent with two well-known potential problems associated with crude income

questions: some high salary earners may have reported their pre-tax income even though the question asked for net income; and some households dependent on social security (or a combination of earnings and social security) may not have totted up all their benefits. The Fourth Survey's question about total household income therefore seems rather less reliable than its earnings question, at least at the upper and lower ends of the distribution²¹.

²¹ A technical conclusion is that the median may provide a better indicator of 'typical' incomes in each ethnic group, than the mean. There are two ways of calculating the median (or other quantiles) from grouped data. One is to assume that all the cases in each group are situated at the mid-point of the range of income covered. The other is to assume that they are evenly spread across each range. We have used the latter assumption in Tables A6 and A7, so that 'exact' medians could be calculated by interpolation. This can be thought of, in graphical terms, as the point where the cumulative distribution crosses the 50 per cent line (see Figure A5).

Figure A5: Distribution of total net incomes of white households: two surveys compared**Comparisons between ethnic groups**

For some purposes, the absolute value of measures of income may not be so important as the relative values for different groups in the population. In this case, our primary interest may be whether specific minority ethnic groups are shown to receive more or less earnings or income than whites. Table A6 compares the two surveys' estimates of median earnings for each main ethnic group. Again, the data refer to gross earnings of full-time employees, this time confined to men. There is some degree of consistency. Both surveys show Pakistanis and Bangladeshis well below all other groups. Both placed Caribbeans and Indians below whites. But the

relative position of these two groups was rather different: the Fourth Survey suggested that Caribbean men were very close to whites, and above Indians; the FRS placed Indians rather higher than Caribbeans. The greatest inconsistency referred to the Chinese: the Fourth Survey estimated a very low median for Chinese men, while the FRS gave a very high figure. The samples of Chinese men were small in both surveys, and they were exceptional in the range of their earnings, so this problem should perhaps be considered specific to the Chinese group, rather than casting doubts on the accuracy of the data as a whole.

Table A6: Median gross earnings of full-time male employees: two surveys compared

	Fourth National Survey	Family Resources Survey
White	£284	£309
Caribbean	£279	£268
Indian/African Asian	£240	£279
Pakistani/Bangladeshi	£173	£230

Chinese

£235

£342

Table A7: Median total net household incomes: two surveys compared

	Fourth National Survey	Family Resources Survey
White	£236	£220
Caribbean	£196	£185
Indian/African Asian	£266	£283
Pakistani/Bangladeshi	£163	£210
Chinese	£308	£251

Table A7 does the same for total net household income. Both surveys recorded Indians and Chinese above whites, but in different positions relative to each other. Again, Pakistanis/ Bangladeshis and Caribbeans were well below white households in both sources; but the two were inconsistent in the relative positions of these two groups. It has been seen that a large proportion of Pakistanis' and Bangladeshis' incomes consists of social security benefits paid to large families, and it seems likely that these were under-counted in the Fourth Survey. The apparent advantage of Pakistanis and Bangladeshis over Caribbeans in the right hand column of Table A7 disappears once family size has been taken into account.

B: Baseline Needs and 'Available' Income

The 'rediscovery of poverty' in the mid 1960s was based on an assumption that the then National Assistance scale rates represented an 'official' view of the standard of living below which no-one should be expected to live (Abel Smith and Townsend 1965). National Assistance became Supplementary Benefit, and eventually Income Support. For many years, social assistance scale rates were used as a conventional 'poverty line', though no government ever accepted that they represented a true measure of minimum needs.

For the analysis in Chapter 1 of this report, a much-simplified version of Income Support rates has been used to provide a benchmark.

For each family (benefit unit) in the FRS sample, basic needs have been calculated as:

- the scale rates for an adult aged 25 to 59, or for a couple in that age range
- plus the scale rates for their dependent children, according to age, including the family premium
- plus their housing costs (if this family includes the head of the household).

This formula is very similar to the simple structure of national assistance, without complex variations in rates by age, nor premiums, nor detailed rules about which housing costs are allowed or not allowed at any particular stage in a claim. The implicit assumption is that these complexities do not reflect variations in actual need, but political responses to a variety of issues such as incentives, deservingness and lobbying.

If a family's actual net income is expressed in relation to this baseline, it provides an indication of the level of resources which are 'available' after its basic minimum needs have been met. Where 'available' income is negative, this implies they do not have enough to meet even their minimum needs, and are 'poor'.

It may be possible to develop measures of this sort, based on social assistance scales, for more systematic use in the analysis of low

incomes. For the moment, though, the formula is used simply as a convenient benchmark for comparing the incomes of low income families.

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Some ethnic minorities have prospered in Britain, but others remain severely disadvantaged. Until recently there has been no reliable information on the incomes available to minority households — from earnings, social security benefits and other sources. Richard Berthoud has been analysing the new Family Resources Survey. He shows that there is wide diversity between minority groups. Some are in serious poverty.

This ISER Report points to three important policy issues. The first, and most striking, is the extent of poverty among Pakistanis and Bangladeshis. Second, the new analysis demonstrates the importance of the social security system, and of means-tested benefits, to minority groups. Third, the findings raise issues for discussion about diversity and disadvantage in multi-cultural Britain.

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