Economic inequality and racial inequalities in the UK: Current evidence and the possible effects of systemic economic change

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Inequality has risen up the public and policy agenda. While there is some dispute about how far inequality has risen or fallen in the past decade in Britain (IFS 2016, Resolution Foundation, 2017), there is increasing recognition that inequality has significant economic, social and political costs. (ippr 2018; Wilkinson and Pickett, 2010)

This report focuses on what we know about how economic and wider social inequalities affect Black and minority ethnic (BME) people in the UK. It will also consider if and how a range of policy changes could address these racial inequalities, within a wider context of addressing how the economy might better address inequality more broadly.

One important note: this report will not address global inequalities. Framing and responding to global racial inequalities may not be in conflict with, but it is arguably a different task from, ensuring greater racial (and other) equality in the UK. At the same time, past global inequalities are one of the causes of existing racial inequalities in Britain, and they continue to drive racial inequalities through Britain’s immigration policies and the relative skills and position of migrants from Asia and Africa.

We have first outlined some findings. Sections 1 and 2 are mainly descriptive, outlining the background to ethnic minorities living in Britain, and then a brief summary of their experiences in the labour market, the main way they and other people engage in the economy. In Section 3 we suggest different ways of analysing these outcomes, while Section 4 considers if and how changes to the economy could or would in fact BME people.

Findings
-Black and minority ethnic people in Britain face extensive and persistent economic inequalities.
-These inequalities vary by ethnic group, and are more significant for Black, Bangladeshi and Pakistani and less so for Indian and Chinese groups.
-Much of this inequality is explained by BME experiences and outcomes in the labour market, where they have lower employment rates and wages, and higher unemployment rates and ‘occupational segregation’ in low-paid, poor progression jobs.
-These inequalities are explained by two main factors: (1) demographic features that make ethnic minorities more likely to be experience inequalities that other similarly position groups also experience, and (2) discrimination.
-The origin of many racial inequalities in the labour market and more widely stem from the history of economic relations between Britain and the rest of the world, especially Africa, the Caribbean and Asia. The fact that people with Asian or African sounding surnames have to send in twice as many CVs to get an interview is not an arbitrary or random inequality, but is based on views about deep-seated, sometimes not even conscious, views about their competencies and skills.
-There is also an important correlation between ethnicity and migration status (just over half of BME people were born overseas), and immigration debate and policy remains racialized. This has significant
effects for economic policy, or even for more systemic economic changes. Migration policy is driven by economic considerations but this is rarely connected to more radical thinking on the economy, which too often treats the ‘system’ as an enclosed domestic space, at least in terms of labour and/or citizenship.

**Recommendation:** work on rethinking the economy must include migration and citizenship policy. Migrants are not only inputs into the economy, but migration policy clearly plays a role in labour supply and demand, so further attention is necessary on economic grounds alone. Migrants are also people, and often future citizens, while they are also more likely to be ethnic minorities; any work on rethinking the economy therefore needs to address migration policy if it seeks to tackle racial inequalities.

-To the extent that reforms or more fundamental changes to the economy benefit the demographic groups that BME people are more likely to belong to, those will (perhaps disproportionately) benefit BME people.

**Recommendation:** reforms or changes to the economy generally should be adopted for their own sake, but also to tackle racial inequalities. However any such policies or more systemic changes should be monitored to ensure that racial inequalities are so reduced, and if not, additional policies should be adopted.

**Recommendation:** Universal policy or systemic changes may need particular delivery to reach BME groups, e.g. through working with BME community groups to tailor a particular approach or provide language translation and/or ESOL support

**Recommendation:** Those working to change economic outcomes or the wider system should consider how their reforms will affect BME groups and others currently disadvantaged in the economy. Where possible they should consider (with rough statistical tools, if not by modelling) how any proposed changes will in fact benefit BME people, women and other groups (especially those experiencing multiple disadvantage)

-To the extent that economic inequalities are driven by discriminate on, conscious or unconscious bias, general policies may be unlikely to benefit them.

**Recommendation:** Discrimination should be tackled directly, through the better enforcement of existing laws. In the labour market policies such as targets (from hiring to progression to senior management to board level), the ‘Rooney rule’, interview panels, and incentivising existing senior managers (by tying their own progression or wage rises to their performance on progressing ethnic minority staff)

-Tackling racial inequalities is unlikely to succeed without wider structural changes to the economy.

**Recommendation:** Advocacy for structural changes to the economy should more explicitly explain and defend why such changes are the only way to tackle racial inequalities, given the latter are structural in nature.

-Reforming the economic system so that socially valuable but currently un-remunerated activities become more viable is valuable in its own right. This is also particularly valuable for tackling the forms of injustice and inequality such as gender and race, which although refracted and endorsed through the current economic system, are unlikely to disappear solely through reforming the economy.

**Recommendation:** Any activities or institutions that seek to adapt the current economic system should ensure there is space for currently non-remunerated but valuable social activities, in particular activities that tackle racist and sexist attitudes, for example by ensuring the sort of positive human interactions that social contact theory has found to be most effective.

**Recommendation:** Given the current economic starting point of racial inequalities, systems thinking about redesigning the economy need to clarify if they are seeking a more ‘sufficientarian’ (everyone has enough) or ‘egalitarian’ political economy.

**Recommendation:** What gets measured guides how we respond to any issue, including (re)designing the economy. Ensure that at least one of these measures is about the representation of BME voices/perspectives. Also consider how every other measure may (or may not) hide racial or other structural inequalities.
**Recommendation:** Racial inequalities will need to be considered in the re-envisioning and transition phases, but also even if (or when) most just, inclusive economic systems are up and running. To ensure it properly accounts for existing racial and structural inequalities, systems thinking on the economy will need to develop short, medium and long-term strategies.

1. **Background to Black and minority ethnic people living in Britain**

Ethnic minorities in Britain are known to experience various inequalities. How should we understand these inequalities today, and what sorts of solutions to racial inequality

Migrants and ethnic minorities have lived in Britain for millennia, contributing significantly to our economy and culture, from entrepreneurship and innovation to the English language and monarchy. Over the centuries migrants to Britain have also experienced hostility and exclusion, and sought to challenge it, notably contributing to the slavery abolition movement. In the public imagination, however, the experience of racial discrimination was somewhat marginal in Britain proper, though of course the racial inequalities of income, wealth, investment and health were a key feature of the British Empire, with, e.g., life expectancy in British India under 30 in 1947, compared to closer to 70 in Britain.

In Britain itself there was always a BME population, from including performers, ayahs, sailors, students, merchants and princes (see www.ourmigrationstory.org.uk). There numbers were smaller, but included some significant individuals and events, including the election of Dadabhai Naoroji in the 1890s, a large contribution to the first world war (around a million soldiers from the Empire fought for Britain) and race ‘riots’ in 1919 that left some African and Chinese seamen dead in South Shields, Cardiff, London and Liverpool.

During the second world war, a larger contingent of African and Asian soldiers lived in Britain, and after the war numbers increased further as Britain sought labour for its weakened industries and public sector. The Windrush (Phillips and Phillips, 1998) ship that landed in Tilbury docks in June 1948 is now iconic for the wider waves of immigration that followed not just from the Caribbean but from African and Asia and the ‘Commonwealth’ (ex-British Empire) in particular. From the 1962 Immigration Act there were greater restrictions placed on entry from the ‘New Commonwealth’ and on access to citizenship, while evidence also suggested that discrimination in the labour market was widespread, affecting wages and (un)employment (e.g., Rose et al., 1969).

Following the 1965 Race Relations Act the evidence on racial discrimination became better documented, in part to ensure the act’s provisions could be monitored and acted upon. This was further strengthened by the 1968 (the first to apply to employment and housing) and 1976 Race Relations Acts, the 2000 Race Relations (Amendment) Act (passed in the aftermath of the Stephen Lawrence Inquiry Report) and the 2010 Equality Act.

During the 1960s-1980s a large majority of black and minority ethnic people were migrants, though by the 1970s there was already a significant British-born ethnic minority population. Throughout this report, we will reflect on the links between migration and race. In the immediate postwar decades, when many countries in Africa and Asia were still colonised, but before there were large numbers of British-born ethnic minorities, the relative labour position of non-white migrants was generally quite poor. In the intervening decades immigration has remained a source of low-skilled migrants, but there has also been a significant growth in the numbers of high-skilled migrants from formerly British colonies, coterminous with the rise of African and Asian economies globally, as well as the growth of a British-
born (and British-educated and British-networked) ethnic minority population. So while race and migration are indeed still linked, those links are much more complex in 2018 than they were in 1948 when the Windrush landed.

Figure one indicate the rise of the black and minority ethnic population in Britain. In 1971, the BME population was estimated at around 1 million people, or roughly 2.4% of the total population. Forty years later, in the most recent 2011 Census, the numbers of BME people had increased eight fold, to nearly 8 million, or roughly 14% of the population. In another forty year, in 2051, we have estimated (in The Future Ageing of the Ethnic Minority Population of England and Wales, 2012) the BME population will more than double, to around 19 million, or 27% of the population. This change over 80 years – the life expectancy of the average British male – is remarkable. Even over forty year, a child who started secondary school in 1971 would have known almost no BME neighbours unless they lived in a major city, and even then the numbers were relatively small. That child is today 58 years old, roughly the median age of a FTSE-100 board member, but presiding over a very different workforce and customer base (if not yet in senior management teams or the boardroom).

Figure 1. Black and minority ethnic population of England and Wales (%), 1971-2051


2. Demographic and economic circumstances of BME people

Having outlined the general background and overall trends of the UK’s BME population, we can turn to the evidence on how they fare in the economy. In general data from the Labour Force Survey since at least the 1980s (and before that surveys testing for discrimination) have found significant ethnic inequalities in the labour market. These inequalities have persisted and remain for every ethnic minority group, though it is important to recognise the variance in outcomes for different groups.

Overall, there is just over a 10% ‘employment gap’ between ethnic minority people and the overall population.¹ Figure 2 shows this gap, but also how employment rates vary substantially among ethnic

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¹ The DWP measures the employment gap between BME people and the overall population (i.e not between the BME population and the white British population). This is arguably confusing, as it includes the BME population within the group to which it is being compared (i.e. BME people are also part of the ‘overall population’), and so this comparator group (the ‘overall population’) has a lower employment rate than the white British population. The gap as measured between the BME and White British population would, however, only be slightly higher, at 11%.
minority groups. For example, while the Pakistani/Bangladeshi employment rate is 54%, it is 73% for Indians (compared to 73% for White British). And although there has been some narrowing of this gap, it’s not much lower than it was in the 1980s, and progress for some groups has been very slow.

Figure 2. Employment rates, by ethnicity (2016)

When we look at gender, the variance in racial inequalities becomes even more notable. Figure 2 shows the economic participation of women, aged 16-49 (from the 2011 Census). Here many ethnic minority women have higher full-time employment rates than white British women, who have the highest part-time employment rates (though Bangladeshi women have the highest part-time employment rates. This may partly also explain wage differentials, with some ethnic minority women earning higher hourly wages than white British women – because part-time work tends to be lower paid.

Figure 3 also shows, however, that ethnic minority women have very high unemployment rates. This means that when they are seeking work, ethnic minority women are almost five times more likely to be unemployed, with Bangladeshi, Gypsy-Traveller and Arab women rates of 19%. The 2012 APPG on Race and Community report on Ethnic minority female unemployment found that discrimination and stereotypes were a key reason for this higher rate of unemployment.


Figure 3 Labour market participation, adult women, by ethnicity (2011 Census data)
Black and minority ethnic men also have much higher unemployment rates than white British men. Unemployment is damaging in the short term where people’s income falls below the poverty line, and where they cannot provide for their families. But it is even more damaging when it is long term, with evidence of ‘scarring effects’ that last throughout an individual’s working life.

For many ethnic minorities, unemployment appears to be a greater risk even when they have what are otherwise viewed as ‘protective’ characteristics (i.e. characteristics that reduce the likelihood of being unemployed. For example, Lucinda Platt, using Understanding Society data has found that black men who are employed in one year, are much more likely to be unemployed the following year compared to white British men. Runnymede Trust research has similar found that even among Russell Group graduates with otherwise similar qualifications, black people in particularly are more likely to be unemployed 2.5 years after completing their degree (When Education Isn't Enough, 2014).

Perhaps unsurprisingly then, BME workers are more likely to be in low-paid work, and to be living in poverty. Around 18% of Bangladeshi workers are paid below the National Minimum Wage, compared to only 3% of White workers (and 11% of Pakistani and Chinese workers, and 5% of Black African and Indian workers) (Peters, 2015). This is partly because they are a younger population (workers under 25 are paid a lower minimum wage), and partly because they are more likely to work in the ‘grey’ economy, such that their employers may be illegally paying them below the minimum wage.

All BME groups are more likely to be in the lowest paid work, and the higher rates of child poverty (rising to over half for Pakistani children) are particularly striking. This is due to lower wages, higher unemployment rates, higher rates of part-time working, higher housing costs in England’s large cities (especially London), slightly larger household size, and the relatively low levels of benefit paid, particularly following the application of the ‘benefit cap’. Child poverty is not only bad for children in terms of their experience at school and relationships with parents and wider family, but it provides people with a disadvantaged start in life. The government’s prior decision to remove child poverty
targets, to change the definition of child poverty to downgrade income and to measure divorce, alcohol abuse and educational attainment, results in the perverse conclusion that because Bangladeshi children are doing better in school, and their parents are less likely to drink or divorce, those children are suddenly less likely to be poor. This is what happens when policymakers don’t understand or respond to data on racial inequalities.

Recent research from the Resolution Foundation suggests inequalities among graduates are not much better than those among non-graduates, or that racial inequalities cannot be wholly explained by socio-economic disadvantage or class. The largest gaps were among Black and Pakistani/Bangladeshi men, and remained for most groups even when accounting for ‘compositional factors’ – e.g. that some ethnic groups are younger or work part-time. In section xx below we suggest that compositional factors are indeed important for understanding variations in and sources of ethnic inequalities, but urge caution in viewing such factors as fully explanatory in themselves.

Table 1: Pay penalties with white men, 22-64 year-olds, 2007-17: UK

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<th>Black men</th>
<th>Indian men</th>
<th>Pakistani/Bangladeshi men</th>
<th>White women</th>
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<tbody>
<tr>
<td>Raw pay gap, graduates</td>
<td>-24%</td>
<td>-4%</td>
<td>-27%</td>
<td>-18%</td>
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<tr>
<td>Adjusted pay gap, graduates</td>
<td>-17%</td>
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<td>-12%</td>
<td>-7%</td>
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<tr>
<td>Raw pay gap, non-graduates</td>
<td>-15%</td>
<td>-12%</td>
<td>-31%</td>
<td>-19%</td>
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<tr>
<td>Adjusted pay gap, non-graduates</td>
<td>-9%</td>
<td>-8%</td>
<td>-14%</td>
<td>-12%</td>
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Notes: Blank cells indicate that the difference in average hourly pay is statistically meaningless
Source: Resolution Foundation analysis of ONS, Labour Force Survey

Table 2: Pay penalties with white women, 22-64 year-olds, 2007-17: UK

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<tr>
<td>Raw pay gap, graduates</td>
<td>-9%</td>
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<tr>
<td>Adjusted pay gap, graduates</td>
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<td>-3%</td>
<td>-5%</td>
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<tr>
<td>Raw pay gap, non-graduates</td>
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<tr>
<td>Adjusted pay gap, non-graduates</td>
<td>-6%</td>
<td>-4%</td>
<td>-5%</td>
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Notes: Blank cells indicate that the difference in average hourly pay is statistically meaningless
Source: Resolution Foundation analysis of ONS, Labour Force Survey

The Equality and Human Rights Commission reporting very similar findings in its report on ethnic pay gaps. Over the period of 2002-2014 it found larger pay gaps for migrants than for UK-born ethnic minorities, and for men compared to women. When considering median hourly the authors summarized: ‘Broadly speaking, in the period 1993 –2014 there has been very little narrowing of ethnic pay gaps and for some groups they have actually increased, particularly among men’ (page 8-9).

Another important finding over the years is that while migrants experience significant labour market disadvantage, their UK-born children do not always experience the expected gains. Migrants might be ‘expected’ to do worse in the labour market, to the extent that they have un- or under-recognized overseas qualification, are less connected to social networks, and are more likely to speak English as a second language (or with an accent). Such factors do not apply to British-born ethnic minorities, but previous research has found that UK-born ethnic minority men are more likely to be unemployed than their overseas-born fathers (Heath and Cheung, 2006), that despite being ‘positively selected’ migrants

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2 The full list of factors RF used in its regression analysis included: ‘age, qualifications, region, whether a person is UK-born, the length of time since they left education (a proxy for experience), whether they work full-time or part-time, occupation, industry, whether they work in the public or private sector, the length of time they have worked for their employer and whether they are on a permanent contract.’ (page 5)
have ‘experienced notable déclassement in the British labour market, leaving their children in a disadvantaged starting position’ (Li, 2017), and that even recent Russell Group BME graduates have higher risk of being unemployed than their white British counterparts (Lessard-Phillips, 2015).

3. Analysing racial inequalities in the labour market and wider economy
This finding highlights some important considerations or factors for understanding racial inequalities in the UK, particularly those that result in the labour market and in the economy more widely. First is that racial inequalities persist in other important areas, notably including education, though here the findings are even more complicated than in the labour market, with Indian and Chinese pupils doing better than White British pupils, while Black Caribbean and especially Gypsy, Roma and Traveller pupils doing much worse. Perhaps more than education, poverty or class may also be viewed as a factor that explains why racial inequalities persist.

One way statisticians, and following them policymakers, interpret these issues is to ‘control’ for factors such as prior educational attainment, or class background. Through various statistical tools, the idea is to try to isolate a particular factor – in this case race – by ‘controlling’ for other factors, notably education and class. So if, say, 70% of a particular group is working class compared to 30% of another group, we should seek to determine the size of that gap assuming those groups had the same sized working class. As in the Resolution Foundation research cited above, ‘compositional effects’ are important for understanding the extent to which those other factors – say the greater youth of Bangladeshi and Pakistani workers, who will then have less experience and so lower wages – are driving ethnic inequalities.

On the one hand this is clearly a sensible approach, not just in terms of analysis, but in thinking about solutions. If racial inequalities are primarily driven by class inequalities, then the quickest way to solve them will be by attending to class. On the other hand, it can be somewhat misleading to think about, e.g. class or education merely as controls, or, more specifically, to assume any inequalities in those factors didn’t come about due to discrimination or racism. If black children have worse educational attainment in part because of lowered teacher expectations, increased risk of exclusions, or poor schools in their neighbourhoods, it may not be sensible to ‘control’ for those factors when estimate the extent of the ‘ethnic penalty’ in the labour market.

Various studies have tried to ‘control’ for as many as possible relevant factors, with the assumption then made that any resulting differences are an ‘ethnic penalty’. This just means that once we account for factors like class, age, educational attainment and family type, there remains a gap between white British and ethnic minority job-seekers, though this isn’t usually viewed as analogous to ‘discrimination’ (because there are other unmeasured or unobserved factors that may also explain any inequalities).

At the same time there is evidence of discrimination in Britain, including in the labour market. For example, a recent study found that people with Asian or African-sounding surnames had to send in nearly twice as many CVs just to get an interview (DWP research report, 2010; Heath tbc in 2017). This is hardly ‘indirect’ discrimination or ‘unconscious bias’, as it involves people refusing to offer an equally qualified candidate an interview solely because of his or her surname.

Although we don’t have as strong evidence regarding retention and progression in the labour market, the CV study’s conclusions have wider implications. If an HR employee is willing to refuse people even to get into the door for an interview, it seems fairly likely that they would discrimination against the same people once they’ve come through the day.
While evidence for discrimination is clearest in CV studies, but surveys also indicate a large number of British people agree they are racially discriminatory (25%) (NatCen/Runnymede 2017), while a majority of BME people feel that ethnic minorities experience discrimination in Britain (EMBES 2010). Furthermore, in a competitive labour market, where people make quick and close decisions on a daily basis, affecting recruitment, assessments, and progression, even a tiny racial preference can have significant consequences. By ‘discrimination’ we also also include ‘unconscious bias’ or other terms that (correctly) note that racial preferences in 21st century Britain are much more likely to be covert than overt.

Of course not all racial inequalities in the economy can be explained by discrimination, even of the most covert kind. A second, wide-ranging explanation for racial inequalities in the economy are various demographic features that BME people share with other groups who are more likely to be disadvantaged in the economy.

The most frequently noted of these relate to various indicators of disadvantage: class, poverty and education underachievement. We have already explained the complex and varying outcomes for different groups in schools, but it’s important to recognise that the past experiences of educational attainment will have significant economic consequences for decades to come. Until the 1990s all ethnic minority groups did worse in school that White British pupils, with most groups underachieving until the late 1990s or early 2000s (when they were then 16 years old). So while it is good to see improvements in racial inequalities in education, the long-term effects of educational under-attainment will be ‘baked in’ to the labour market for many decades to come, at least until those born up to the mid 1980s (30-35 year olds in 2018) retire (i.e. till around 2050).

Figure 4. GCSE Attainment, by ethnic group, 1991-2006

At the same time as the ‘long tail’ of educational under-attainment will affect ethnic minorities in the labour market for decades to come, since the late 1990s ethnic minorities have been more likely to attend university. This means that the current generation of mainly British-born ethnic minorities in their
late teens to early 30s actually has better qualifications, in terms of holding a university degree, than their White British counterparts. Among Chinese young people, over three quarters attend university, compared to less than half among White British young people. One important caveat is that BME graduates are more likely to attend less ‘selective’ universities, particularly among Black, Bangladeshi and Pakistani graduates, and far less likely to get a 1st, or a 2:1. So while BME people are more likely to get a qualification, the monetary value of that qualification is worth less in the labour market (with nearly 40% of Black African graduates in non-graduate jobs, nearly double the White British rate of 20%).

A complicating factor for assessing poverty and indeed wider labour market outcomes is what economists call ‘occupational segregation’. This refers to groups that are much more likely to work in particular professions or sectors of the labour market, and is also clearly evidenced in terms of gender (where there are also sectoral and part-time effects). For example, nearly one in three Bangladeshi men works in catering, restaurants and related businesses, i.e. as chefs and waiters. This compares to around 1 in 100 White British men working in the same professions. And while the same 1 in 100 White British men work in taxi, chauffeuring and related businesses, the figure for Pakistani men is around 1 in 7 (see 2011 Census).

Is this a ‘cultural preference’ among South Asians or other groups for particular kinds of jobs, is this about discrimination, or is it a mix of these and other factors – for example the role of immigration, or of parental and family influences on job choices and outcomes? Whatever the explanation, it’s important to recognise the consequences in the current economy: the sorts of jobs where many ethnic minorities are ‘clustered’ are not only low pay, but they have limited prospects for progression, training and wage increases.

A somewhat related point here is that while many black and minority ethnic people are now born in Britain, just over half were born overseas (though some have been in the UK for decades). Migrants do not actually have lower educational qualifications (a higher proportion of those born in African have degrees than the proportion of those born in Europe or the UK), but they are more likely to end up in low-skill parts of the labour market. This may be because of employer recruitment practices, but it is also down to other factors: their qualifications not being recognised, a lack of social networks, particularly in the labour market, and (sometimes) English language aptitude (real, and also sometimes perceived in terms of accent). Research suggests that immigrants do ‘catch up’ to British-born in the labour market, but that this can take over a decade in the case of men (and slightly less than a decade in the case of women).

One other important factor to consider and understand is the geographic distribution of ethnic minorities, notably their greater likelihood of living in London and England’s largest cities. More specifically, many ethnic minorities live in among the most deprived boroughs or wards in England, and probably not unrelatedly, experience particular inequalities in housing (see ‘Drifting Forwards or Sliding Back’, 2015).

Although ethnic minorities are more likely to live in deprived neighbourhoods, because they are often in major urban centres, they are less affected by a ‘spatial mismatch’ between where they live and where jobs are. In other words, they can travel more easily from where they are to where jobs are because they are much more likely that White British people to live in large cities and have access to good public transport.

Turning to the index of multiple deprivation further demonstrates that ethnic minority disadvantage cannot merely be explained by other factors, in this case where they (are more likely to) live. For example, whether or not they live in better-off or worse-off areas, Black people experience significant

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inequalities in the labour market and housing. Interestingly, while Asian people have relatively small inequalities when they live in more deprived neighbourhoods, they appear to experience relatively worse outcomes in the labour market when they live in better off neighbourhoods (Jivraj and Khan, 2013).

So far we have mainly addressed economic inequalities mainly in terms of labour market outcomes. But although labour market participation rates are over 75%, and most people feel that working is not just of economic benefit, but also of moral value, most people are out of work for significant parts of their lives. Furthermore, there are some people who cannot easily work due to impairments, or perhaps how the labour market and wider economy is structured to respond to their impairments. There is also of course the periods of nearly two decades at the beginning and almost two decades at the end of a person’s life where we do not typically earn wages in the labour market but nonetheless benefit economically (whether through support from parents and the state when younger, or support from savings or the state when older).

One of the main ways that people insulate against poverty in older age is through savings or assets. By building up savings during our working lives we provide ourselves for an income in later life when we are now longer working. Of course the state pension is a major source of income for many pensioners, and as it has become increasingly generous (relative to previous decades), the proportion of older people living in poverty in Britain has reduced significantly.

Yet private savings are still important for many older people, where the state does not provide enough income, and are further useful for covering the costs of short- or medium-term unexpected or emergency costs (a broken boiler, or funeral costs). For those who earn less, or who work more precarious or short-term hours, or are more likely to be unemployed, building up for such savings is obviously much more difficult. Foregoing consumption now to improve consumption in the future isn’t really an option if you don’t have enough income today.

Wealth and savings is also important in understand intergenerational transfers, and mobility (or immobility). Because of their worse outcomes in the labour market, however, BME people have fewer savings. Furthermore, with 52% of BME people born overseas, and an additional, large proportion with parents born overseas, they are much less likely to inherit property or any financial assets from family members.

The result is that BME people generally have much lower levels of savings or assets than white British people. Figure 5 shows the last three waves of the Wealth and Assets Survey for those groups with sufficient data. There is some variation, but the trends are clear, with White British holding the most wealth (£282,000, closely followed by Indian groups (£266,000). Pakistani households have under half (£127,000) the wealth of White British households, with Black Caribbean substantially less (though the data appears quite volatile, dropping from £49,000 to £37,000 and then rising sharply to £89,000 in the three successive waves). Black African and Bangladeshi groups have much lower wealth around £30,000 or less, though the most recent Bangladeshi figure is based on a small sample size.

Another way to summarise this is while Indian group have 90-95p for every £1 of White British wealth, the figure for Pakistani households is around 50p, for Black Caribbean around 20p, and for Black African and Bangladeshi approximately 10p. It also appears that especially Pakistani but also Indian...

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3 According to the 2011 UK Census, there were 7,866,517 Black and minority ethnic people living in England and Wales, of which 4,069,942 were born overseas. Scotland and Northern Ireland collect data on ethnicity somewhat differently, though the numbers living there are relatively much lower.
households are less likely to hold pensionable wealth, suggesting that their wealth holdings are driven more by their high levels of home ownership.

Figure 5. Wealth by ethnic group, 2010-16

In addition to the cumulative effects of labour market, another explanation for lower wealth is migration. Recent migrants are obviously less likely to inherit savings or homes, and so it’s hardly surprising that more established communities with a larger and older British born population (Indian people) would have more wealth than a more recent and younger one (Black African people). However this cannot explain the lower wealth among Black Caribbean people, who were the largest single ethnic group in Britain from the 1940s to 1970s. Here housing tenure seems to explain the relatively higher wealth among Pakistanis in particular, as they have much higher home ownership rates than Black Caribbean people, even as Black Caribbean people have higher pensionable wealth (probably due to their past greater representation among public sector jobs with public sector pensions).

A final but crucial point is that existing economic policies, particularly fiscal policies, appear to exacerbate racial inequalities in the economy. For example, Runnymede found that ethnic minorities were most likely to be affected by changes to the 2015 for a variety of reasons (family structure, age distribution, wage rates, tax credit uptake, housing costs), while the Women’s Budget Gropu and Runnymede more systematically modelled the changes in the 2010-2020 budgets. The findings were that the poorest Black and Asian women were hardest hit by these changes, both in terms of loss of income by benefit and related changes, and due to cuts in the public services that are most likely to taken up by women (https://www.runnymedetrust.org/blog/austerity-is-hitting-black-and-asian-women-hardest)

Before turning to more systemic changes to the economy, it’s worth highlighting that existing policies could do much more to respond to racial inequalities. Three examples are worth highlighting, as they have implications for thinking about ‘systemic reforms’: first, the government could better enforce, and employers and service provider could better comply with existing equality legislation; second, tax and spend policies could do much more to tackle poverty and inequality (i.e. more progressive redistributionist policies), and third, greater support for public services that benefit more disadvantaged groups would likely disproportionately benefit ethnic minority groups and others experiencing inequalities (especially women and disabled people).