



Ethnic minority women's poverty and economic well being

Abstract

The economic well-being of ethnic minority women differs from that of White British majority women and there is great variation between ethnic groups in terms of average individual income, household income and poverty rates. Average individual incomes of Black African, Black Caribbean and Chinese women are higher than White British women's, but average household incomes are lower for all except Chinese and Indian women, and all minority group women have higher poverty rates than White British women. Differences in socio-demographic characteristics contribute to but do not account for income differences between groups. The economic situation of women is worse on average than that of men from the same group, while children's position mirrors that of women.

Key findings

- Poverty rates for all groups of women are higher than those of White British men. Among women, they are lowest for White British women, followed by Chinese, Indian, Black Caribbean and Black African women. Pakistani and Bangladeshi women have extremely high poverty rates of around 50 per cent and their children are more likely to be poor and stay poor.
- Chinese, Black Caribbean and Black African women's mean individual incomes are higher than those of White British and Indian women which in turn are higher than those of Pakistani and Bangladeshi women.
- Chinese, Indian and White British women gain in average economic welfare on the basis of common assumptions about income pooling within the household. That is, a household measure of income improves their income position relative to average individual income and relative to men's income. Bangladeshi and Pakistani women also gain but not substantially so that they have the lowest equivalent household incomes as well as individual incomes. This is a consequence of the low individual incomes among other household members, typically men from the same ethnic group alongside relatively high demands on those incomes in terms of average family size. Caribbean women fare worse when we consider income pooling.
- Almost all groups of women and men with children have higher individual but lower household incomes on average than those without.
- A high proportion of women have very low individual incomes. White British, Black Caribbean and Black African have the lowest degree of inequality followed by Indian, Chinese, Bangladeshi and Pakistani women. Some of the income inequality is driven by the number of women with zero or very low incomes.
- The degree of dispersion is much less for equivalent household incomes because of income pooling.
- Income inequality between ethnic groups is much lower than that within groups. Individual income inequality for women with children is higher than among all women.
- Labour income is the single most important source of income for all except Bangladeshi women (although self-employment earnings is also quite important for Chinese women and pension income for White British women). Benefits and tax credits are an important source of income for women with children. Differences in women's earnings and self-employment income are the most important contributors to individual income inequality.

Background

This report aims to enrich the study of economic inequality in UK by providing a deeper understanding of the economic well-being of ethnic minority women. A society that aims to be a fair and equal society and “to protect the rights of individuals and advance equality of opportunity for all” (The Equality Act 2010) needs to understand the nature and mechanisms of creating and perpetuating inequalities. Inequalities based on gender and ethnicity are some of the key concerns of the architects of a fair and equal UK. An understanding of these inequalities, however, is incomplete without looking at the experiences of ethnic minority women because these may be different from those of White British women or men from their own ethnic group. Additionally, as most children live with their mothers a closer look at women with children can be informative about the economic position of children and their poverty risks. This report constitutes the first comprehensive attempt to establish the evidence base on ethnic minority women’s poverty, income and income inequality.

Research findings

Our findings describe differences in individual and equivalent household income across women of different ethnic groups. They interrogate the extent of income inequality faced by women of different ethnic groups and reveal the income sources which contribute most to that inequality. They explore the impact of inequality on poverty by using simulations of more equal scenarios as a heuristic device. The findings cover both all women and women living with dependent children. For the latter the report also explores variations in material deprivation and poverty persistence.

Average economic well-being of different ethnic groups and relative position

We focused on women from six minority ethnic groups: Indian, Pakistani, Bangladeshi, Chinese, Black Caribbean and Black African, and compared them with White British majority women. We examined their average economic well-being using two income measures: own net income and equivalent net household income. While a woman’s own income is an indicator of her financial control and personal resources, equivalent household income (adjusted for family structure and size) is arguably a better indicator of her actual economic welfare. We also investigated poverty rates.

- Women of all ethnic groups have lower mean individual incomes than men in the same ethnic group. Pakistani and Bangladeshi women have the highest gender income gap and Chinese and Black Caribbean women the lowest.
- Chinese, Black Caribbean and Black African women have the highest average individual incomes, followed by White British and Indian women. Pakistani and Bangladeshi women have the lowest.
- Men and women with children have higher average individual incomes than those without, especially White British, Indian and Chinese men and women. But the difference is greater for men than women. Exceptions to this pattern are Pakistani men and women and Bangladeshi women. The broad groupings in rank by individual income for those with children is quite similar to those without children.
- Almost all groups of women benefit economically from sharing with others. That is, average individual income is lower than average equivalent household income. Indian, Chinese and White British women benefit the most from household sharing;

but Black Caribbean and Black African women gain hardly at all. The gain is lower for women with children.

- As a result, women's ranking by household income follows a different pattern to individual incomes. This reflects differences in men's (typically partners') incomes and number of children across ethnic groups. Chinese, Indian and White British women have the highest average equivalent household incomes, followed by Black African and Black Caribbean women. But Pakistani and Bangladeshi women again have the lowest average incomes.
- Poverty rates are higher for women of all minority ethnic groups compared to White British women. Pakistani and Bangladeshi women have the highest poverty rates at around 50 per cent.
- Women with children have higher poverty rates than those without across all ethnic groups. Similarly, children's poverty rates are higher than those of men and women from the same ethnic group.
- The average ratio of the individual incomes of women to that of their spouse or partner is higher for Black Caribbean and Black African women than other groups.

Average experience of women relative to each other

The comparison of average economic well-being of one group vis-à-vis another masks a number of different stories within it as the women in each of these ethnic groups are not homogeneous in terms of their socio-economic characteristics, many of which influence their potential income. For example, age has implications for individual income, and family composition has implications for both individual and equivalent household incomes.

- White British women are evenly distributed across different age groups while Pakistani, Bangladeshi, Chinese and Black African women are relatively younger. Women with children are, as expected, comparatively younger.
- Income gaps between ethnic groups do not vary much by age except at the extremes. That is, the pattern of mean incomes by age are relatively similar across groups: individual incomes rise steeply to a peak in the middle years and decline sharply after that. Mean household incomes show much less variation by age.
- In most ethnic groups, the majority of women live in families without children. The exceptions are Bangladeshi, Black African and Pakistani women.
- A higher proportion of Black African and Black Caribbean women are lone parents, around 18% compared with 6% of all women for other groups.
- Most Indian, Pakistani, Bangladeshi and Chinese children live with two parents, but only around three quarters of White British children and half of Black Caribbean and Black African children do.
- Women of most ethnic groups who are living as couples live with men of the same ethnic group. The exceptions are Chinese and Black Caribbean women: a substantial proportion of these women are living in couples with White British partners.
- The average number of children per household is highest for Pakistani and Bangladeshi women at between 2.3-2.4 children on average, followed by Black African women at around two children. Other households with dependent children have an average of 1.6-1.7 children per household.

Ranges of income and women's economic inequalities: between and within group comparisons

Average income measures tell us very little about the experience of all women in the group unless incomes are highly concentrated (or similar). We therefore compare entire distributions of individual and household incomes of men and women in different ethnic groups and summarise this information in terms of inequality statistics.

- Comparing distributions we find that there is substantial income dispersion in women's income for all groups, especially for Chinese women. There is least dispersion for Black Caribbean women.
- By almost all inequality measures, individual income inequality is the lowest for White British, Black Caribbean and Black African groups, followed by Indian, Bangladeshi, Chinese and Pakistani groups, in that order.
- Dispersion is higher for individual incomes than equivalent household incomes. This is as a result of a high proportion of women with zero individual incomes: around 30-50 per cent for most groups, and 80% for Pakistani and Bangladeshi women.
- By almost all measures equivalent household inequality is the lowest for the Bangladeshi group, followed by Pakistani, White British and Black Caribbean groups. Higher household income inequality is found among Black African, Indian and Chinese ethnic groups.
- Individual income inequality is higher for women than men; the opposite is true for equivalent household income.
- Women's within-group income equality is much higher than that between groups.
- Individual income is less dispersed among women with children, while equivalent household income is more dispersed.

Income composition and the contribution of income sources to inequalities

To get a handle on the differences in incomes between different groups, we investigated the contribution of different sources of income to overall income. We also examined the contribution of these different sources of income to inequality.

- For most groups of women around 50% of their individual income derived from either paid employment or self-employment. Even among Pakistani women, over 40% of individual incomes came on average from these labour earnings, while for Bangladeshi women the share was nearer 30%. Self employment income is not a major contributor to women's individual incomes, except for Chinese women. Labour income constitutes a higher proportion of men's income than women's. It follows that labour income is a larger contributor of household income.
- Pension income makes up a substantial share of incomes only for White British women. Non-pension benefit income makes up a correspondingly large share of incomes where earnings are low, as for Pakistani and Bangladeshi women. It is also a substantial absolute component of income for Black Caribbean and Black African women, who have much higher incomes than Pakistani and Bangladeshi women. For women with children benefit income and tax credits are more important income sources than for those without. These sources are also important for household incomes.
- Labour income from both earnings and self-employment is the main factor contributing to individual income inequality for both men and women and for both individual and household incomes. Self-employment income contributes disproportionately to income inequality.

- Benefit income contributes slightly to individual income inequality, but reduces inequality at the household level, and more so for women with children.
- These patterns largely hold across ethnic groups and for men and women.

Simulations: Effect of elimination of within and between group income inequalities

We asked how much poverty rates for women in different ethnic groups would fall if we were to eliminate within- and between- group income inequalities. To do this, we hypothetically assigned the group mean and median income to every woman in their ethnic group (to measure the impact of eliminating within-group income inequality) and the mean and median age-adjusted income of White British women to women in other ethnic groups (to measure the impact of eliminating between-group inequality).

- Equalising women's individual income within each group reduces their poverty rates by around 80% for Chinese women, 50-60% for White British, Indian and Black Caribbean women, 30% for Black African women and just 4-6% for Pakistani and Bangladeshi women. For White British women with children, equalising individual income within group increases poverty rates and reduces it for Chinese, Indian and Black African women with children.
- Equalising women's individual (age-adjusted) income between groups reduces poverty rates substantially for almost all groups, but less so for White British women and very little for Black Caribbean women. Equalising women's individual incomes between groups increases the poverty rates for Black Caribbean women with children.

- In general the impact of within and between group individual income equalisation reduces poverty more for all women than women with children.
- Equalising within and between group household equivalent income reduces poverty rates of women to zero for all except Bangladeshi women (for whom it becomes almost 100%). Women with low incomes are very sensitive to the position of the poverty line. The simulation of incomes raises incomes for a large number of women around the middle of the distribution and thus raises the poverty line, and Bangladeshi women's simulated incomes fall just below this threshold.
- The same patterns are found for women with children. And the impact on eliminating women's inequality on children's poverty rates is similar to that on the poverty rates of women with children as most children live in households with women, only 1.2% live in men-only households.
- Equalising to the median instead of mean incomes has a less favourable impact in most cases as median incomes are lower than mean incomes.

Deprivation and ethnicity

We use measures of material deprivation to provide a more complete picture of economic disadvantage for women with children.

- Many families with children have zero levels of deprivation while few have very high levels. Deprivation scores vary across ethnic groups from mean values of 11 among Chinese children to 31 among Bangladeshi children
- Only 25% of White British and Indian children have scores higher than 22 while 50% or more of Pakistani, Black African and Bangladeshi children have scores above this level, and 25% of children from these groups have scores higher than 45.

- Nearly half of Bangladeshi children have both incomes below 70% of the median and deprivation scores above 25 as compared to only 16-17% of all children. This is also the case for two-fifths of Bangladeshi women, around 30% of Pakistani and Black African women and 20% of Black Caribbean women with children.

Poverty persistence among women with children

Poverty persistence is recognised as a particularly detrimental form of economic disadvantage. We used the Millennium Cohort Study for analysis of poverty persistence for women with children.

- Bangladeshi and Pakistani children have a very high risk of being persistently in poverty. Black Caribbean and Black African children have a lower risk of persistent poverty but higher than that of Indian and White children
- Indian and White children are less likely to start off poor and have a greater likelihood of exiting poverty.

Conclusions

Diversity between women of different ethnic groups in economic welfare is the main finding of the report. It has shown how women's economic well being varies across groups, but that the ranking of incomes is sensitive to the measure used. It has also revealed the extent of inequality among women as well as between women of different ethnic groups.

- Using individual income measures and measures of equivalent household income shows the income disparities that exist across women of different ethnic groups in average income. These are found both across women of all ages and family circumstances, and across women living with dependent children.

- Overall there would appear to be three types of income experience. First Indian and White British women have moderate average individual incomes but relatively high average equivalent household incomes. Second, Black Caribbean and Black African women have high individual but low household incomes. Finally, Pakistani and Bangladeshi women have both low individual and household income. Fitting clearly into none of these patterns, Chinese women have both high individual and equivalent incomes, but they also have very dispersed incomes.
- Within the first 'type', women benefit from their household circumstances, on the assumption of household sharing, but they may have less control over income and may not be so well off if household incomes are not equally shared. In the second case, the household circumstances of the women do not increase the potentially available income to them, so they may face greater difficulties in making ends meet. On the other hand they may have greater control over income, given the share that they contribute. In the third case, the women also do not gain substantial benefit from household sharing, but nor are they making a major contribution to limited household resources
- The report also illustrates strikingly different poverty risks across women of different ethnic groups. Women from all minority groups have higher average poverty rates than women on average. However, poverty rates are particularly high for Pakistani and Bangladeshi women, though they are also high for Black African women and relatively high for Caribbean and Indian women. Poverty persistence is highest for Pakistani and Bangladeshi women, and these two groups, along with Black African women, also show high rates of material deprivation.

- Women have different demographic profiles, but differences in age distributions across groups do not account for differences in average income or in poverty.
- Within group income inequality contributes far more to overall income inequality among women than between group income inequalities. Differences in labour income are the main contributory factor in income inequality among women. Self-employment plays a disproportionately high role, particularly for Chinese women. Benefit and tax credit moderates household income inequality.
- Women with children, like men, have higher individual incomes on average than those without (exceptions Pakistani and Bangladeshi women). However, with the exception of Chinese women with children, the average equivalent household income of those with children is lower than those without.
- Equalising the disposable income of households across groups is, clearly, the most effective way to address poverty. This implies that group inequalities have to be seen in the context of wider social inequalities. Having a compressed income distribution across society may be good for everyone, but the compressed income distribution experienced by a particular group (whether women, or an ethnic minority group or women from a particular ethnic group) is not necessarily good for that group.
- Ethnic minority women's economic well being is a cause for concern whether we are looking at equivalent household income or individual income, though the measure matters for whether some groups appear to be doing relatively well or relatively poorly.
- Since women have lower incomes than men on average, they tend to benefit economically from living in households with other adults. But this is only on the assumption that equal pooling of household incomes takes place.
- Wages from employment and even employment rates are not a particularly good indicator of the differences in economic well-being that women from different ethnic groups face, whatever assumptions we make about income pooling. Indeed in some cases they may be misleading.
- The findings here provide more direct measures of women's economic well being and inequalities, and make it possible to evaluate the experience of particular groups and compare the implications of different assumptions about the relationship between income and material well being.

About the project

In this report we used secondary analysis of survey data. We pooled data from the annual cross-sectional Family Resources Survey (FRS) from 2003/04 to 2007/08, its derived dataset, Households Below Average Income (HBAI) across the years 2003/04 to 2007/08. This is a nationally representative sample survey of private households in UK with an annual target sample size of 24,000. Our analysis covered households from Great Britain only. Our total sample comprised 103,822 adult men, 116,857 adult women and 69,142 dependent children.

We also used the Millennium Cohort Study (MCS) sweeps 1-4 for section 2.8 of the report. This a longitudinal study of a representative sample of around 18,000 UK children born in 2000.



Further information

The full report, **Ethnic Minority Women's Poverty and Economic Well Being**, by **Alita Nandi** and **Lucinda Platt**, Institute for Social and Economic Research, University of Essex, is published by the Government Equalities Office (GEO).

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