Ethnicity and child poverty

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Abbreviations

AHC	After housing costs
BCS70	1970 British Cohort Study
BHC	Before housing costs
BHPS	British Household Panel Survey
CeLSIUS	Centre for Longitudinal Study Information and User Support
DWP	Department for Work and Pensions
EMETF	Ethnic Minority Employment Task Force
FRS	Family Resources Survey
HBAI	Households Below Average Income
HMSO	HM Stationery Office
HRP	Household Reference Person
LFS	Labour Force Survey
MCS	Millennium Cohort Study
NAO	National Audit Office
NCDS	National Child Development Study
NISRA	Northern Ireland Statistics and Research Agency
OLS	Ordinary least squares
ONS	Office for National Statistics
ONS LS	Office for National Statistics Longitudinal Study

Glossary

Italics refers to terms explained.

Coefficient

In *Regression analysis*, the net contribution of each characteristic to the outcome of interest (e.g. poverty) is summarised by a coefficient. This coefficient expresses the effect of an increase in the characteristic if it has a continuous range (e.g. age). Where the characteristic has categories, each category is expressed as a 'dummy variable' with a value of 1 where the category applies and a value of 0 otherwise. One category is excluded; and the meaning of the coefficient is then the effect of having that characteristic relative to being in the excluded (or reference) category. The reference category is typically the majority category. Thus, for example, with ethnic group analysis the reference group is typically white and dummy variables are included for all the minority categories. The coefficient for each 'dummy' category is the effect for that group **compared** to being white.

In the analysis reported here, the actual coefficients are not supplied, but simply summarised in terms of whether they are positive (they increase the chances of the outcome), or negative (they decrease the chances of the outcome), and whether they are statistically significant.

Confidence intervals

All survey data can only approximate poverty rates (or other characteristics) across the population as a whole. Thus, some apparent differences in poverty rates among the survey respondents may not reflect true differences in the population. Confidence intervals provide a range around estimated rates within which we can be reasonably confident (typically 95 per cent confident) that the 'true' value falls. If these ranges for two groups do not overlap then we can be confident that there is a genuine difference between the groups. If the ranges do overlap then we cannot be confident that differences observed in our survey data can be generalised to the population. See also *Statistical significance*.

Control

Refers to the practice of estimating differences between groups in *poverty risks* over and above differences in family type, working status or other factors, which might be expected to contribute to differences in poverty rates. Controlling for characteristics allows us to look at the influence of ethnicity at common values of the other characteristics, that is when all the other characteristics are 'held constant'.

Deprivation

Deprivation scores complement the income poverty measure used in much of the analysis. They refer to a family or child's score in relation to whether or not they lack a range of material and social goods considered necessary for their well-being. Deprivation scores are not used to establish a single point at which a child moves from being deprived to not being deprived, but are used to look at whether scores are higher or lower for children from different ethnic groups.

Ethnic group	Refers to standard Office for National Statistics (ONS) categories of ethnicity that are typically collected in surveys. The categories used for the 2001 Census, or variations on those categories, form the basis of most of the analysis. For analytical coherence and for reasons of sample size, only a selection of the categories are used (typically six or seven categories). Ethnic group is measured at the level of the child, one of the parents or the composition of the household in which the child lives, depending on the specific data source and the analysis being conducted.
Hold constant	See *Control*.
Multivariate analysis	See *Regression analysis*.
Persistence	Refers to the duration of a state over a period of time which is important for understanding the impact of that state. This report examines both *poverty persistence* and unemployment persistence, which can be contrasted with analysis examining movements in and out of poverty (*poverty transitions*) or of worklessness (*workless transitions*).
Poverty	In this study, poverty is defined as living in a household where income is below 60 per cent of the median adjusted for household size. This is the standard low income measure used in research and in Government reporting. In most analysis it is the measure before housing costs (BHC) that is used.

Poverty penalty   The term used to describe unexplained differences in estimated *poverty risks* between children from different ethnic groups whose family circumstances are otherwise similar. That is, it is the difference in risks once relevant factors have been simultaneously *controlled*. The poverty penalty comprises all those unmeasured and unmeasurable factors that cause otherwise comparable families to have different rates of poverty. The presence of an ethnic poverty penalty then implies that we need further information to understand those differences and that addressing known poverty risk factors will not **on its own** remove differences in poverty between ethnic groups.

Poverty rate   The share of a group or a sub-population who are in poverty. For example one group may have a poverty rate of 50 per cent and another may have a poverty rate of 20 per cent.

Poverty risks   A key concept underpinning much of the analysis is the notion of differences in poverty risks. At the simplest level the risks of poverty for children from the various ethnic groups are the same as the poverty rate within the group. That is, if 50 per cent of a group is in poverty (a poverty rate of 50 per cent), then the risk of any child from that group being in poverty is also 50 per cent. Risks can also vary among those with similar individual or family characteristics, so that a child from a certain group may have a higher or lower poverty risk given family type.

Poverty transitions   Refer to movements from a household not in poverty to one in poverty ('entries') or from a household in poverty to one not in poverty ('exits'). See also *Workless transitions*.

Predicted probabilities

Provide a way of illustrating the results from *regression analysis* where there are two possible outcomes (e.g. poor versus not poor). The *coefficients* from such analysis are not very informative in terms of understanding the scale of an association between poverty and other variables in the analysis (such as ethnic group). By estimating probabilities of being poor for different groups at specified levels of all the other characteristics, we can easily see the impact of belonging to that group. This can be important as it shows us the size of the ethnic group effect rather than simply the *statistical significance*, since statistically significant differences may, nevertheless, be small or they may be substantial.

Regression analysis

Refers to techniques for estimating the average relationship between an outcome (such as poverty) and a characteristic (such as ethnic group or lone parenthood) that might be associated with it, while *controlling* for other characteristics. The fact that there are a number of characteristics or variables included in the estimation makes this *Multivariate analysis*. A statistically significant coefficient in a regression analysis suggests that there is a true relationship between the outcome and the characteristic of interest net of all the other characteristics included in the analysis. In this report, regression analyses are used to estimate whether there is an ethnic *poverty penalty*. Different regression-based approaches are employed depending on the data and the nature of the question being investigated.

Statistical significance	Summarises the extent to which we can be confident that a relationship observed in our data can be generalised to the population. Conventional levels for indicating statistical significance are five per cent, one per cent and 0.1 per cent, indicating that there is a five, one or 0.1 per cent chance, respectively, that the association in our data will not be found in the population. Smaller chances of an arbitrary finding increase the confidence with which it is possible to claim the result. However, associations which are highly statistically significant (e.g. 0.1 per cent or below) may not necessarily be large. It can therefore be important to consider the size of the association as well as the confidence with which we can claim it.
Workless households	These are defined as households in which no adult member is in paid work (either full-time or part-time).
Workless transitions	These refer to being in a *workless household* at one time point and being in a household in which there was at least one worker at a later time point (entries) or being in a household in which there is at least one worker at one time point and in a workless household at a later time point (exits). These are expressed in terms of moves – though the 'movement' will typically be an existing family member getting or losing a job or someone with a job leaving or joining the household. These are discrete changes in household circumstances rather than looking at how long it takes to move from worklessness to work, for which see *Persistence*.

Summary

Introduction

Child poverty commands widespread national and international concern. The United Kingdom (UK) has established its ambitions to end child poverty, with interim targets for substantial reductions and an apparatus to monitor progress. However, the poverty of ethnic minority children has not been strongly emphasised within the child poverty agenda by means, for example, of specific targets for ethnic minority groups. This is despite the fact that children from minority ethnic groups are overrepresented among poor children. Ethnic minorities make up 12 per cent of the population and 15 per cent of children, but 25 per cent of children who are in poverty (author's own analysis of Households Below Average Income figures 2003/04 – 2005/06). That equates to 700,000 children, a number set to grow by 50,000 by 2010 (Sharma, 2007). All minority groups have higher rates of child poverty than the majority and the poverty rate for Bangladeshi children approaches two-thirds, compared to an average of one fifth. As these children become adults they will carry with them the consequences of childhood poverty and, to the extent that poverty is intergenerational, minorities may make up an increasing share of those in poverty in the UK. The greater risks of poverty faced by children from minority groups demand attention. Yet we do not know if policies to improve family incomes affect all groups evenly. Given higher chances of poverty across minority groups overall, are minority group families with children more responsive to policy levers to reduce child poverty? Or is poverty more intractable and severe – are minority group children at risk of being left behind as other children are gradually lifted out of poverty? What are the implications for the future welfare of the UK's minority groups? At present we are not in a position to answer such questions.

Appropriate policy responses to these greater risks require detailed investigation of the patterns of poverty by ethnic group. This report expands our evidence base by offering the most detailed, comprehensive and up-to-date account of ethnicity and child poverty to date.

This report uses a multiplicity of approaches and sources to build up as detailed a picture as possible of how and why poverty varies across ethnic groups at the current

time. It draws on data from 2002 to 2007 to give a contemporary perspective on child poverty and ethnicity. The report cannot provide a detailed analysis of trends and the impact of policy since the ambition to eliminate child poverty was originally declared, due to small sample sizes in annual data. However, the evidence from rolling averages of pooled data from 2002/03 indicates a marked decline in child poverty among those with the highest poverty rates, Bangladeshi children, and evidence of declines in poverty for Pakistani, black Caribbean and black African children as well. The implication is that minority groups have benefited from child poverty policy, but very large differences in poverty remain.

The main focus of the report is not, though, so much on trends as on illuminating the extent to which ethnic minority children's poverty can be understood in terms of recognised risk factors that policy is already concerned to address, such as the high poverty rates among lone parent families.

It explores the extent to which it is possible to explain the poverty of ethnic minority children in terms of known risk factors, and whether poverty of minority ethnic groups appears to be more intractable than the majority experience of poverty. Importantly, the report focuses on the specific experience of different ethnic groups, illuminating the diversity across groups and highlighting the distinctive patterns of poverty that characterise the experience of children from particular minority groups.

This summary highlights the main findings of the report and their implications for the experience of particular groups.

Main findings

Poverty rates

Child poverty differs widely across ethnic groups. All minority groups have higher rates of poverty than the average and compared to the white majority, according to the standard measure adopted by the Government for monitoring child poverty.[1] With a fifth of children in poverty overall, black Caribbean and Indian children had rates of poverty of 26 and 27 per cent rising to 35 per cent for black African children. Over half of Pakistani and Bangladeshi children were in poverty according to most recent figures.[2] With an increasing proportion of children made up of those from minority groups this is a cause for concern not only for the welfare of these children in the present but also for the future prosperity and equality of the UK's minorities.

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[1]   The standard measure is living in a household with income adjusted for family size which is below 60 per cent of the median, without deducting housing costs.

[2]   Note that these rates are calculated from averaging the most recent three years' of data: 2004/05-2006/07. All other analysis of this source focuses, however, on 2003/04-2005/06, which was the most recent available during the period of the research.

These poverty rates have shown some diminution since 2002/03-2004/05, when they were even higher for all minority groups, but they remain striking and demand explanation.

The poverty of minority groups is not just a result of higher numbers of families at risk of poverty, such as lone parents or large families; the risks of poverty associated with living in different types of family also differ across groups. Thus, for example, children in white couple parent families had a 14 per cent risk of being in poverty, but Bangladeshi children in couple parent families had a 66 per cent risk. Similarly, white children in a one or two child family had a 17 per cent chance of poverty but Pakistani children in a small family had a 49 per cent chance of being poor. And while risks of being poor were high for all children in lone parent families, they were yet higher for some groups than others with, for example, 36 per cent of white children in such families being in poverty but 46 per cent of black African children in lone parent families being poor.

There were also striking differences between the minority groups, both in the patterns of family type and the poverty risks associated with them. Thus, for example, the chances of being poor for Indian children living in households without a worker were 70 per cent, but only 12 per cent of Indian children lived in such households. By contrast, black African children living in a workless household had a slighter lower risk of poverty – 62 per cent – but 37 per cent of all black African children lived in such households. This means that policy to address the poverty of workless households can be expected to have a bigger impact on black African child poverty than on Indian child poverty.

As noted, living in a lone parent family brings relatively high risks of poverty across groups. But between minority groups both the risks and the chances of living in such a family varied. Thus, for example, the risks of poverty among children living in lone parent families were 49 per cent for Pakistani children and 39 per cent for black Caribbean children; but only 17 per cent of Pakistani children were in lone parent families, compared to 56 per cent of black Caribbean children. Policy to reduce the poverty of lone parent families will thus be much more pertinent to the experience of poor black Caribbean children than Pakistani children, even though they have somewhat lower risks of poverty.

Turning to disability, the risks of poverty associated with living with a disabled member were higher for Pakistani (57 per cent) and Bangladeshi (66 per cent) children than they were for black Caribbean (42 per cent) and black African (44 per cent) children, and for all these groups the risks were higher than that for white children living in a household with a disabled member (28 per cent). In addition, the chances of living in a household with a disabled member were much higher for Pakistani (34 per cent) and Bangladeshi (37 per cent) children than they were for black Caribbean (16 per cent) and black African (14 per cent) children. This means that living in a disabled household contributed much more to the poverty of Pakistani and Bangladeshi children than it did to the poverty of other minority groups.

Ethnic poverty penalties

The report examines whether such differences in poverty rates constitute an 'ethnic poverty penalty' for children from some groups. That is, if we control for measurable factors which we know are linked to differences in poverty risks – such as employment status and family structure – can we explain ethnic differences in poverty in terms of those risks, or are there additional, 'unexplained' differences?[3]

The report finds that higher poverty risks for minority ethnic groups are not simply the result of higher proportions of families which we know are at higher risk of poverty, such as lone parent families, large families or workless families. There were, rather, ethnic poverty penalties, for all the main minority groups, that is Bangladeshi, Pakistani, Indian, black African and black Caribbean children (though when we focused just on families with young children, a poverty penalty for black Caribbean and black African children was not observed).

Income sources

If it is income that determines whether or not a family is in poverty, whence does that income derive and do income sources vary across ethnic groups? These are relevant questions for thinking about how incomes might be improved among poor families and also to understanding why those families are poor in the first place. It is also of interest to consider how much income sources differ between poor families with children and families with children that are not living in poverty. If income sources vary substantially between poor and not poor households with children, then it might be thought that focusing on increasing those elements of income that differ substantially might help those in poverty, especially if income sources among poor households are rather similar across groups.

Looking at the sources of income across ethnic groups, there were clear differences between groups. Average household incomes were highest for Indian households with children and lowest for Bangladeshi households with children. There were also clear differences between families that were and were not living in poverty, with earnings playing a much more important role among those families that were not poor, and benefits forming a much more substantial share among those that were poor.

But among poor families, there were also differences across ethnic groups. Thus, poor Indian families still had a relatively large share of their income coming from earnings and a correspondingly smaller share coming from benefits. There were also differences among families above the poverty threshold. For example, benefits and tax credits made up a substantial share of the incomes of Pakistani and Bangladeshi households with children that were not in poverty, indicating the role of these income sources in helping families avoid poverty.

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[3]   A more detailed discussion of what constitutes an ethnic poverty penalty can be found in Chapter 3.

Poverty experience over time

Poverty is most often measured at a point in time. However, policy is very well attuned to the recognition that poverty can be long-term or short-term, a one-off experience or persistent (or recurrent). Long-term poverty is potentially of greater concern as it can have more severe consequences and mean that a low standard of living one year is not ameliorated by a higher standard of living the next. Thus, there can be a cumulative impact on standards of living. However, due to previous data limitations, there has been very little evidence on differences in poverty persistence across ethnic groups. In spite of data limitations, this research did manage to investigate poverty persistence to a certain extent across ethnic groups. Looking at just two time points and data covering young children only, the analysis showed that Pakistani, Bangladeshi, black Caribbean, black African and mixed ethnicity families were more likely to be in poverty at both points than white families.

If poverty persistence – or the inability to escape poverty – is of substantial concern, an additional source of concern is the risk of falling into poverty. The research found that risks of entering poverty having not been in poverty around two years earlier, were significantly greater for Indian, Pakistani, Bangladeshi and mixed ethnicity families with young children than for white majority children, even when holding constant relevant family characteristics.

Poverty and deprivation

Just as poverty persistence gives some insight into longer-term standards of living, so more direct measures of standard of living or of deprivation can amplify our understanding of the experience of poverty and its variation across ethnic groups. Standard measures of poverty are based on low income measures. However, the child poverty monitoring process also recognises the importance of deprivation measures as indicators of lower standards of living. Investigating the incidence of deprivation across groups, we found that rates of deprivation were significantly higher for mixed ethnicity, Pakistani, Bangladeshi, black Caribbean and black African children than for white children. Indian children's rates of deprivation were very similar to those for white children. When controlling for family characteristics, significantly higher rates of deprivation were still found for all those groups with absolutely higher rates; and Indian children also had significantly higher rates of deprivation than their white counterparts (or deprivation penalties), once like was compared with like. This held true when income poverty status was also held constant. So minority groups were at greater risk of deprivation even among the income poor.

Workless households

Living in a workless household is strongly associated with poverty. Children in a workless household have a 61 per cent risk of poverty compared to a 14 per cent risk for children living in a household with at least one adult in paid work (author's own analysis of HBAI figures 2003/04 – 2005/06). Though the working poor are

a growing concern and many poor children are living in households with at least one earner, a relatively low proportion of children who live with no earners can avoid poverty.

Analysis in this report, therefore, explored whether children are likely to live in a workless household over a ten year interval – or whether they experience moves into or out of a workless household between the two time points. This also enables a longer-term perspective across children's childhoods. This analysis showed that risks of entry into a workless household were significantly higher for Pakistani and Bangladeshi children even after controlling for a range of family, household and local area characteristics. Moreover, the additional risks for Pakistani children appeared not to have reduced over time, when compared with a cohort born ten years earlier.

Diversity between ethnic groups in experience of poverty

The findings summarised above relating to poverty rates, income sources, poverty persistence, deprivation, and workless households indicate that children from minority ethnic groups have a diverse experience of poverty and that its causes vary by group. Issues potentially contributing to differences in poverty across groups include: employment rates, hours of work and pay, non-take-up of benefits and credits, numbers of adults in employment relative to dependants within the household, and lack of additional 'buffers' such as savings, sources of credit or alternative incomes. However, given the differences in experience of poverty across ethnic groups these factors are likely to vary in importance depending on the group.

The experience of children from different ethnic groups showed some highly distinctive features. Indian children had poverty rates that were not hugely above the average and were substantially lower than those for Pakistani, Bangladeshi and black African children. However, unlike for other groups, where some part of their increased poverty risks could be attributed to having more characteristics associated with higher poverty risks, Indian children's poverty gap was not associated with risky characteristics. Indeed, controlling for their characteristics resulted in them having a higher poverty penalty than their original poverty gap. That means they could expect to have lower poverty rates than the majority. Conversely, if they had the same characteristics as the white majority they would have poverty rates higher than those they currently experience. In particular, rates of working and the role of earnings in total income are greater for poor Indian families than they are for the majority. So, although Indian children's poverty is not as great as that for some minority groups it is perplexing.

Pakistani and Bangladeshi children have the highest rates of child poverty. Their experience across all measures shows that they are the worst off. While part of it can be understood in terms of higher rates of 'risk' factors such as larger families and workless families, much of their excess poverty cannot be explained in such terms. Of the two groups, Bangladeshi children appeared worst off on almost all

measures; but the experience of Pakistani children seemed, in some cases, less susceptible to being accounted for in terms of known risk factors. The evidence also indicated that for Pakistani children their ethnic penalties showed no evidence of decreasing over time.

For both Pakistani and Bangladeshi children, the experience of those not in poverty appeared to be closer to that of those below the poverty threshold than it was for other ethnic groups. This was indicated by rates of deprivation among those not in poverty, by similarities in income sources among those poor and those above the poverty threshold, and by the greater risks of moves into poverty than for other groups. Benefits and tax credits made up a substantial share of the incomes of Pakistani and Bangladeshi households with children that were not in poverty, indicating the role of these income sources in helping families avoid poverty.

Black Caribbean and black African children had different rates of poverty, with black African children generally having higher risks of poverty across a range of measures. In addition there were a number of differences in the household characteristics of these families and in the risks associated with particular family types. Nevertheless, their poverty experience shared many features: much of their poverty could be understood in terms of the greater risks associated with particular characteristics, particularly lone parent families and workless families. Poor families from these groups, particularly poor Caribbean families, received little of their income from earnings. Conversely, non-poor households typically had an earner. Differences in worklessness and in workless transitions could be linked to family and household characteristics that put them at higher risk of being in, or moving into, a workless household circumstances rather than to an 'ethnic workless penalty'. Yet, for both these groups, deprivation was higher among the non-poor than would be expected, suggesting their standard of living may be lower than relative low income measures imply.

Area issues

Two additional themes were covered in the report. First was the contribution of differences in geographical distribution and across areas with different levels of deprivation to poverty differences. Local labour market characteristics were found to be important in increasing risks of living in a workless household, but the ethnic composition of an area did not contribute to explaining ethnic group differences in worklessness.

Religion

The second additional topic was the extent to which taking account of religious affiliation can refine our understanding of differences in poverty across ethnic groups. The results were inconclusive, partly because of small sample sizes and partly because they were not consistent across different outcome measures. The provisional conclusion was that ethnicity provides a more meaningful basis for understanding disadvantage and targeting intervention than religious affiliation.

Implications for policy and future research

Implications for policy

Risk factors for poverty such as living in a lone parent family, living in a family with a disabled member and living in a workless family vary in their distributions across children from different ethnic groups. This suggests that policies to address these risk factors will tend to reduce the poverty differences between certain minority ethnic groups and the majority. Some groups will be more affected by certain policy in certain areas. For example, black Caribbean children are likely to benefit from policies to reduce lone parent poverty, while Pakistani children are likely to benefit from policies to reduce poverty in households with a disabled person.

However, the poverty risks associated with family and household circumstances also vary between groups. Risks for any given family circumstances tend to be higher for children from minority ethnic groups; and in some cases, such as the risks of poverty among Bangladeshi children living in a working family, much higher. Therefore, tackling poverty of minority ethnicity children will also involve understanding and paying attention to the causes of these greater risks for apparently similar circumstances.

This report suggests that the following factors may contribute to the differences in poverty across groups: employment rates, hours and pay, non-take-up of benefits and credits, numbers of adults in employment relative to dependants within the household and lack of additional buffers such as savings, and alternative incomes. Addressing differentials across these areas will contribute to reducing children's ethnic poverty penalties.

Deprivation analysis suggests that some of those who are not poor by the standard income measure are, nevertheless, experiencing hardship. Deprivation among those not poor is greater across minority groups than for the white majority. In addition, some groups, such as black Caribbean children were found to be at a disadvantage in terms of deprivation compared to otherwise comparable white children, even when they did not appear to be at greater risk of poverty compared to white children in similar family circumstances. These higher deprivation rates potentially reflect a lower standard of living on a given income. This raises concerns that even if policies raise some groups out of income poverty it may still leave them with a deficit in terms of standard of living.

Poverty persistence and risks of poverty entry vary across groups, suggesting that, for children from some groups, particularly Pakistani and Bangladeshi children, poverty is relatively long-term or recurrent, with the majority of children from these groups living on the margins of poverty. This implies that it may be important to assess the impact of current policy and the potential of future policy in reaching those most seriously at risk of long-term poverty.

The overarching messages for policy are that:

- consideration of ethnicity should be explicitly incorporated within the child poverty agenda to enable the impact of policies across and within groups to be evaluated and to ensure that certain groups are not left behind;

- when evaluating impact of policy, it may be important to consider how different measures tell different stories across ethnic groups;

- attention should be paid to the amelioration of poverty among those who are potentially the most severely affected;

- at the same time, much strategy focuses on the currently poor, but some groups have much greater risks of falling into poverty or into a workless household. Protecting those children not in poverty against becoming poor could potentially play an important role in reducing poverty differences between ethnic groups;

- differences in child poverty between groups can be as great or greater than those between minorities and majority. Policy needs to be sensitive to these differences and to ways of targeting the different risks across groups.

Implications for future research

The evidence presented in this report has pointed to a number of findings which cannot be fully explained. These include:

- the existence of poverty penalties for point in time poverty for a number of minority groups. That is, greater chances of poverty compared to the white majority which cannot be attributed to relevant, known risk factors, and which therefore, remain unexplained;

- poverty penalties in risks of **entry into poverty** for a number of minority groups relative to white majority comparators;

- penalties relating to risks of **entry into workless households** for Pakistani and Bangladeshi children, relative to white majority comparators;

- penalties in levels of deprivation among income poor families with children, relative to white income poor families with children;

- penalties in levels of deprivation among non-income poor minorities, relative to majority non-poor families.

The report suggests that the evidence base remains partial. In particular, additional research across the following areas would assist in addressing these unexplained findings:

- the use of benefits across groups, in particular whether there are differences in take up;

- long-term poverty dynamics;

- living standards among poor and not poor families by ethnic group and the relationship between poverty duration and living standards across ethnic groups;

- protective factors including savings and assets as well as ability to draw on sources of credit, and how they vary across ethnic groups;

- how differences in risks of becoming poor relate to past experience or to accumulation of resources or assets.

Moreover, questions remain about the extent to which the consequences of poverty are similar or different for minorities compared to the majority. It would, therefore, be valuable to explore:

- how poverty persistence and poverty dynamics influences subsequent experience of minority ethnic group children;

- whether the consequences of child poverty for later life outcomes vary across ethnic groups, and the extent to which these are influenced by the extent of poverty within the ethnic group.

Addressing these research questions would amplify understanding of the causes and consequences of ethnic differences in poverty and allow further definition of appropriate policy responses.

1 Introduction: ethnicity and child poverty

This report addresses an important but neglected dimension of child poverty: the variation in child poverty across ethnic groups and the reasons for those differences. While child poverty has maintained a prominent position on the policy agenda the poverty of children from minority groups has received much less sustained interrogation and analysis and policy attention, despite being greater than the child poverty average for all minority groups and twice or three times as large for some minority groups.

Given the lack of research attention paid to the topic of ethnic minority child poverty, this report sets out to provide a wide-ranging treatment of the topic, supplying a comprehensive analysis of a number of different aspects of minority group children's poverty experiences in one place and within the possibilities of existing data sources. It thus aims to build up a baseline of evidence on, and understanding of, ethnicity and child poverty, using insights from different sources and different approaches in a complementary fashion, and to establish a starting point for subsequent analyses. Moreover, the wide sweep of the analysis is intended to provide a much stronger grasp of the experience of individual minority groups and variation within those minority groups, in addition to their relative position with respect to the majority and, to a lesser extent, each other.

This introduction sets out the rationale for the report more fully (Section 1.1) and makes a case for the importance of incorporating an understanding of ethnic difference into the child poverty agenda (Section 1.2), noting how existing child poverty research has amplified our understanding of poverty risks and policy interventions. It outlines the specific questions that the research set out to address (Section 1.3); and briefly outlines the sources and approaches that the report utilises in order to address them (Section 1.4).

The parameters and possibilities for this extensive treatment of child poverty and ethnicity were established through a preliminary feasibility study (Platt, 2009) and paying attention to key and emerging policy concerns such as:

- the role of family structure and type in risks of poverty;

- in-work poverty as well as the poverty associated with workless households;

- acknowledgement of the limited understanding of ethnic group differences in poverty;

- the extent of within group diversity in poverty outcomes, including diversity in religious affiliation;

- the importance of locality in understanding poverty differences.[4]

1.1 Background and context

1.1.1 Background and rationale

One of the features of child poverty in the UK that attracted initial policy concern was the fact that the rates of child poverty are consistently higher in this country than poverty rates in the overall adult population – and that this is not the case in all comparable developed nations (Bradshaw, Ditch, Holmes and Whiteford, 1993). The other feature that stimulated particular concern about the UK scenario was the comparatively very high rates (UNICEF, 2000). In the mid to late 1990s, the UK suffered higher child poverty than nearly all other industrialised nations. The Prime Minister at the time responded to this by making a pledge to eradicate child poverty within a generation in March 1999 (Blair, 1999). This pledge was later supported with challenging Government targets to reduce child poverty by a quarter by 2004/05, to halve it by 2010/11, on the way to eradicating it by 2020.

To date the Government's strategy has focused on increasing employment levels for parents and increasing financial support for families with children, and there have been some successes. It is, however, acknowledged that more needs to be done to address the particular issues facing ethnic minority families with children where rates of child poverty tend to be higher than for comparable white groups (Harker, 2006). This issue was highlighted in the strategy document *'Working for Children'* (DWP, 2007b).

Poverty rates across minority groups are higher than those experienced by the majority. In addition, as in the population as a whole, child poverty rates are higher than the poverty rates of adults of the same ethnic group. Moreover, minority group children are over-represented among children relative to minorities in the

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4   The research focus was shaped by emerging research findings and on-going discussion between the researcher and the Department for Work and Pensions (DWP).

population.[5] Minorities made up 15 per cent of children in Great Britain on average over 2002/03-2005/06, compared to 12 per cent of the overall population. This combination of factors means that while the population share of minority groups remains small, minority group children made up 25 per cent of children in poverty, or nearly 700,000 children (author's own analysis of *Households Below Average Income* (HBAI) figures 2003/04 – 2005/06). And Barnardo's (Sharma, 2007) have projected the increases in the numbers of poor children from certain ethnic groups in poverty in the medium term at around 50,000 more Pakistani, Bangladeshi and black children being in poverty by 2010 on current policies. As these children grow up, if there is intergenerational persistence of poverty, we may see the proportion of those in poverty from minority groups increasing. On the other hand, major investment to reduce child poverty could disproportionately benefit minority group children.

For these reasons, there is a good case to be made that ethnicity should be central to the child poverty agenda. Yet detailed analysis and understanding of the profile of, and influences on, ethnic minority poverty has not followed from this or been actively pursued. Differentials in child poverty by ethnicity are now well known in broad terms; but little detailed contemporary analysis has followed from that. For example, the last detailed study of ethnic variations in incomes and poverty was carried out by Berthoud (1998), and that report did not focus specifically on child poverty. Research is lacking in terms of attention to variation across measures – or the different poverty 'stories' for different groups. Arguably, concern about the ethnic minority dimensions of child poverty is less forceful or cogent than that which the agenda overall commands.

This report, therefore, attempts to provide an evidence base on child poverty and ethnicity and at the same time address the lack of prominence of ethnic minority child poverty within child poverty debates.

1.1.2 Child poverty as an issue

We have a highly detailed understanding of child poverty overall; and there is continuing evidence of the substantial levels of interest it commands. Since the Labour Government's commitment to eradicate child poverty within a generation (Blair, 1999), child poverty has been a high profile policy issue. Interim targets and an annual process of monitoring progress towards those targets (DWP, 2006) have maintained a spotlight on children's economic welfare. The annual publication of the HBAI figures (DWP, 2008) have attracted media and Parliamentary attention. And there have been two Select Committee reports on child poverty in the last four years (House of Commons Work and Pensions Committee, 2004; 2008). The most recent Select Committee Report (House of Commons Work and Pensions Committee, 2008) serves to illustrate the very limited understanding that exists

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[5]   Including white minorities, who made up three per cent of the total population and three per cent of poor children (or about 85,000 children) over this period. These figures are calculated from Households Below Average Income (HBAI) data.

of ethnic differentials, their contours and causes, and the confusion that this can result in: *'We received mixed evidence on the reasons why so many children from certain ethnic minority groups live in poverty'* (paragraph 184).

1.1.3   The existing evidence base

Extensive in-depth analysis of child poverty has both stimulated and followed the growth in interest in child poverty in the UK. And this has taken place across a range of aspects and dimensions, such as a detailed understanding of poverty risks and distributions (Brewer et al., 2008), income sources and the role of income-related benefits, the dynamics of poverty and poverty persistence (Hill and Jenkins, 2001; Jenkins and Rigg, 2001), deprivation approaches to poverty (Gordon et al., 2000; Pantazis et al., 2006), policy application and impact (Piachaud and Sutherland, 2001), cross-national comparisons, both cross-sectional (Vleminckx and Smeeding, 2001) and longitudinal (Bradbury et al., 2001) and the consequences of poverty experienced as a child in adult life (Ermisch et al., 2001).

More recently there has been an interest in severity of poverty (Adelman et al., 2003; House of Commons Work and Pensions Committee, 2004), though severity is not explicitly related to the monitoring of child poverty, unlike persistence and deprivation.

Issues in poverty measurement have also been discussed and debated (Böheim and Jenkins, 2006; McKay, 2004) , including through the consultation on how best to measure and monitor the Government's child poverty targets (DWP, 2003). Emerging academic concerns have paid attention to the meaning of welfare and alternative conceptions of child well-being (Bradshaw and Mayhew, 2005).

Government has also engaged with the research community and the evidence base in reviewing its progress on the child poverty agenda (Harker, 2006; HM Treasury, 2004). Most recently, the cross-departmental statement, *Ending Child Poverty: Everybody's business* (HM Treasury, 2008) outlined the current state of knowledge relating to child poverty risks, the costs and causes of child poverty, the impact of policy up to 2008 and the future policy strategy for moving towards the eradication of child poverty by 2020.

1.2   The case for a focus on ethnicity

1.2.1   What we know about ethnicity and child poverty

While there has, then, been much discussion of issues of definition and measurement, with an extensive consultation on the monitoring apparatus for evaluating progress (DWP, 2003), there has only been limited attention paid to the differential risks of poverty associated with belonging to an ethnic minority group. The excess poverty of minority ethnic groups and the extreme poverty experienced by some groups is not news to researchers or policy makers (Harker, 2006; HM Treasury, 2008) but there has been little detailed research on variation in poverty experience by ethnic group or on comparison of poverty across ethnic groups and it has failed to receive sustained attention.

The few exceptions highlight the overall limitations of our evidence base in this area. For example, Bradshaw *et al.* (2005) explored variation across ethnic groups in terms of parental socio-economic status and Magadi and Middleton (2007) investigated the extra risks of severe poverty faced by certain ethnic groups, while Jayaweera *et al.* (2007) looked at the situation of mothers of young children. Ethnic variation has also been covered in some studies within a more general discussion relating to children and poverty, for example in relation to large families (Iacovou and Berthoud, 2006); and HBAI tables give an overview of differences in poverty risks by ethnic group and the ethnic composition of low income populations (DWP, 2008).

These examples tend to highlight the limitations of our knowledge as much as to increase it and raise as many questions as they answer. Moreover, as the Select Committee quotation cited above revealed, there is no common understanding of the features or causes of ethnic differences in poverty. There is, therefore, a need to amplify our understanding of the poverty of children across and within ethnic groups and this report represents a significant step in that direction.

1.2.2   Bringing ethnic minority employment and child poverty agendas together

Arguably, one reason for the relative lack of attention to ethnic group within the child poverty agenda is that the policy focus relating to ethnic minority disadvantage has been on employment differentials; and that child poverty and employment agendas have not been well-integrated either at national or at European level (Platt, 2007a). At around the same time as the child poverty agenda was taking off, there was also increasing interest in differences in employment rates across ethnic groups. In 2001 the Prime Minister asked the Strategy Unit to investigate this issue. And this interest was also reflected in a DWP Public Service Agreement target on narrowing employment gaps, including the ethnic minority employment gap. A final report from the Strategy Unit in 2003 (Cabinet Office, 2003) included a recommendation for establishing a cross-departmental Ethnic Minority Employment Task Force (EMETF). There is now a very extensive evidence base relating to the employment of men and women from different ethnic groups; and a range of policy initiatives aimed at improving the employment rates of minorities has been implemented. However, the potential impact of employment patterns on child poverty has not been directly evaluated.

While child poverty and (lack of) employment are clearly linked, with high rates of child poverty among workless households, the connection between the ethnic minority employment agenda and the child poverty agenda is not self-evident. Research on employment rates is carried out at the level of the working age individual, which will, thus, tend to imply individual-level solutions and responses. By contrast, poverty, and thus, child poverty, is measured at the level of the household, which implies looking at the overall household composition. Moreover, the working poor are increasingly recognised as an important concern for policy. Thus, there is a lack of coincidence between the ways the problem

and solutions are framed. And while broad differences in poverty rates between ethnic groups are well known, many of the measures that are used for monitoring progress on child poverty are not (and are often not able to be) sensitive to ethnic group differences.

If the child poverty agenda has struggled to incorporate an understanding of ethnic differences, the ethnic minority employment strategy has struggled to get a clear grasp of what the implications might be for child poverty. The difficulty in marrying the two agendas has potentially been exacerbated by the move within the DWP from a focus on disadvantaged groups to an areas focus, and the consequent difficulty for the employment strategy of targeting policy towards minority groups specifically (National Audit Office (NAO), 2008).

Overall, then, there is a strong child poverty agenda, but it is not differentiated by ethnic group, raising the question of whether the impact of policy works in the same way for ethnic minority group children.

In 2006, the EMETF requested a paper on ethnicity and child poverty specifically making the link between the work of the Task Force and the child poverty agenda (Platt, 2006a). This paper was then drawn on in DWP's specially commissioned review of their child poverty strategy (Harker, 2006). The research in this report builds on – and is a response to – some of the gaps highlighted in that initial paper. It aims to contribute an important shift and lay the possible foundations for greater integration of ethnicity and child poverty agendas at a policy level.

1.3   Research questions

Given the paucity of **detailed** evidence on child poverty experience across ethnic groups, it was clear that this study faced a wide range of possible research questions. As discussed in Section 1.2, the gaps in our knowledge in relation to ethnicity span the various aspects of child poverty that have been relatively intensively researched for the population as a whole. The research, therefore, aimed to provide coverage across a wide range of aspects of poverty, establishing a broad evidence base, with a greater level of detailed analysis in specific areas and providing ways of understanding the poverty experience of individual groups. The research was designed to build from the basic facts about poverty rates and poverty risks across groups, to take account of certain aspects of poverty such as poverty persistence and deprivation, and establish a picture of the experience of individual ethnic groups overall, including looking at similarity and difference between those poor and those not poor.

To start with, therefore, there were a set of questions for this research relating specifically to creating robust information on the incidence and risks of child poverty across ethnic minority groups. These key questions for analysis were:

- What is the incidence of child poverty across ethnic group?

- What are the distributions of poverty across different types of family by ethnic group?

- To what extent can we understand differences in poverty in terms of differences in distributions of 'high risk' families across ethnic groups?

- Alternatively, to what extent is there evidence for an ethnic 'poverty penalty'?

These questions are considered in Chapters 2 and 3.

Given the interest in poverty persistence (DWP, 2003; DWP, 2005; DWP, 2008; Hill and Jenkins, 2001) a further set of questions related specifically to issues of duration, and of poverty exit and entry.

- To what extent are some groups more at risk of poverty persistence than others?

- How can we understand such differences?

These questions are considered in Chapter 4.

Understanding duration of poverty gives some insight into the variation in the experience of poverty not captured by cross-sectional measures, including the impact of income on standards of living over time. Another way to explore differences in experience of poverty and to learn something about living standards is to look at deprivation measures. Therefore, a small set of questions aimed to amplify the picture of poverty shown from income poverty measures by asking:

- How does deprivation vary across ethnic groups?

- And how does it vary between income poor and not income poor?

These questions are considered in Chapter 5.

Moreover, to enhance information on duration of disadvantage, and given the close links between worklessness and poverty, medium term persistence in workless households were the focus of a further subset of questions, namely:

- What are the patterns of workless household persistence (or entry and exit) for children across ethnic groups?

- And how has this changed over time?

These questions are considered in Chapter 6.

With the reconfiguration of the DWP's agenda relating to disadvantaged groups around an area focus, there has been increasing interest in understanding the influence of locality on life chances. Further questions which the study aimed to address were:

- What can analysis tell us about differences in poverty risk by locality or region?

- How much does locality contribute to or help explain patterns of poverty?

These questions are considered in Chapters 6 and 7.

Both research and policy have moved away from a consideration of minority groups as homogenous or treating them as a single population for the purposes of policy intervention. The diversity of experience across ethnic groups is continually stressed (Clark and Drinkwater, 2007; Modood et al., 1997; Platt, 2007b). There was, therefore, a need to differentiate groups' experience; and the attempt to understand these different 'stories' in their own terms is a way of recognising diversity both between and within minority groups. Related to this was an interest in the diversity within groups and the extent to which those in poverty were distinct from those not in poverty, or whether there was, instead some sort of continuum of experience. The research therefore set out to explore the following questions:

- What are the sources of income for poor children across ethnic groups?

- How does this differ between poor and not poor children?

- What can be said about the overall patterns of poverty experienced by particular groups?

- What is the composition of poor families by ethnic group?

- How does this compare with those families not poor for each group?

Income sources are explored in Chapter 2, and Chapter 8 considers the cumulative evidence on particular groups.

Recognition of heterogeneity within groups has also brought increasing attention to the relationship between religious affiliation and disadvantage (Brown, 2000; Dobbs et al., 2006; Lindley, 2002; Open Society Institute EU Monitoring and Advocacy Program, 2004). Linked to this are the final set of research questions:

- Is there a poverty penalty related to religious affiliation?

- And how does this intersect with ethnic disadvantage?

These questions are explored in Chapter 9.

In Chapters 2 to 9, the key findings for each chapter are summarised at its conclusion. The key points are additionally brought together in the final Chapter 10 which provides an overview to the research and the responses to the various research questions and their policy implications. Chapter 10 also aims to establish where the evidence provided by this research is partial, and is not adequate to inform policy effectively. It, therefore, aims to answer the questions:

- What are the overarching policy implications of the findings of this report?

- What are the remaining gaps in evidence?

- What do we not understand about ethnic differentials in poverty?

- In what ways might these evidence deficits be addressed?

1.4   Data sources

This section outlines the sources used in the report. Given the range of questions asked of the project, outlined above, this analysis drew on a wide range of large scale data sets and analytical techniques. It is important to note, moreover, that there is no single source that is ideally suited to the analysis of child poverty by ethnic group and that will provide a detailed delineation and comprehensive understanding. Indeed, data constraints are one of the main reasons why the evidence base on ethnicity and child poverty is relatively underdeveloped.

Both the suitability of particular data sources to addressing different questions in relation to child poverty and ethnicity and the appropriate analytic approaches to employ in answering them were initially explored in a feasibility study (Platt, forthcoming). The feasibility study explored sample sizes for different sources and argued that there exist a number of sources that can be used for particular analyses on a range of aspects of child poverty; and that the aim should be to exploit them effectively and in a complementary fashion.

Further details of the particular data sources used and data acknowledgements are supplied in the Appendix. Meanwhile, Table 1.1 provides a schematic outline of their key features, including the geographical coverage and the analysis for which they were used. For clarity, the geographical coverage of each analysis is indicated in the title of all figures and tables throughout the report. The precise geographical coverage depended on the coverage of the survey. For example, the ONS Longitudinal Study (ONS LS) only covers England and Wales. It was also dependent on consistency in measurement of ethnic group and in date of surveying across the countries of the UK. (This led to the exclusion of Northern Ireland from the Family Resources Survey (FRS)/HBAI and Labour Force Survey (LFS) analyses.)

Appropriate survey design weights were used in all analysis with the FRS/HBAI data, the Millennium Cohort Study (MCS) and the LFS, and apply to every table and figure using any of these sources.

Table 1.1   Sources used in analysis and key features

Source	Key features including geographical coverage	Used to
FRS 2002/03-2005/06	Annual cross-sectional survey of about 28,000 households. Focus on detailed information on income, benefits, assets, and pensions. Also other information including demographic data. Now covers UK (previously only Great Britain), but only Great Britain respondents used in analysis.	(1) provide descriptive statistics on rates and risks of poverty by group and by key characteristics across groups (Chapters 2 and 8); (2) examine income composition across and within groups (Chapters 2 and 8); investigate ethnic poverty penalties using decomposition analysis (Chapter 3); (3) construct deprivation scales and describe and model differences in deprivation across ethnic groups (Chapter 5).
HBAI 2002/03-2005/06	Data set derived from the FRS. Contains standard low income measures, income deciles and weights to gross up to population and child population, as well as other variables used in HBAI reports. Great Britain coverage as above.	(1) estimate poverty rates and trends in poverty based on three-year rolling averages, by ethnic group (Chapter 2); (2) provide income poverty measure and grossing factor for FRS analysis as above.
MCS Wave 1 (2001-03) and Wave 2 (around 2003-05)	Cohort of about 18,000 children born in 2000/01 from across UK. First two waves conducted when child was around nine months and around three years old. Interview with main carer. Additional information collected from partner and also from siblings and from direct measures but not used here. Main focus on child development and family relations, but also data on income and work status.	(1) investigate and model poverty transitions and the factors associated with poverty exit and entry among families with young children (Chapter 4); (2) estimate ethnic poverty penalties for young children (Chapter 3); (3) examine differences by religious affiliation (Chapter 9).
ONS LS Extracts of selected sample members from 1991-2001 and 1981-1991	A longitudinal data source that is representative of the population of England and Wales over time, deriving from a one per cent sample of the 1971 Census. The original Longitudinal Study sample included 1971 Census information for people born on one of four selected dates in a calendar year. These four dates were used to update the sample at the 1981, 1991 and 2001 Censuses and to add new members between Censuses. Information is added from each decennial census on sample members and on the members of those in the same household as the sample member at that date. Data include work status, housing tenure and basic demographic data including country of birth. Small area level information was matched into individual observations.[1]	(1) describe ten-year transitions of children between working and workless households (Chapter 6); (2) model workless household exit and entry risks across ethnic groups, and variation in the role of initial household work status (Chapter 6); (3) assess the contribution of area characteristics to transitions (Chapter 7); (5) examine differences by religious affiliation (Chapter 9).

Table 1.1   Continued

Source	Key features including geographical coverage	Used to
LFS 2002-05	A large national survey with a focus on labour market issues. It is carried out quarterly with a sample of around 60,000 interviews every quarter. It has a short panel element so every respondent is interviewed for five successive quarters. At any given point, therefore, some of the 60,000 respondents will be being interviewed for the first time while others will be on their second, third, fourth or fiffth interview. Used for Great Britain analysis.	(1) describe unemployment durations among currently unemployed in families with children; (2) model (short-run) unemployment dynamics using survival analysis techniques (Chapter 6).

1   The results used in this report were cleared for release by ONS with clearance number LS30096A.

As Table 1.1 indicates, a wide range of analytical techniques were used across the chapters in this report. The feasibility study also considered the potential for particular analytical approaches. These included descriptive approaches; methods for understanding the contribution of differences in characteristics to poverty gaps; methods for exploiting longitudinal data; ways of investigating transitions from being poor to not being poor and vice versa, and ways of exploring other changes associated with such transitions. Such approaches are all employed in the research reported in the following chapters. The methods are indicated in the relevant sections of the report, but are not discussed in detail.[6]

The feasibility study also examined the ethnic group categories used across the data sources and the possible – and most appropriate or practical – ways of ascribing ethnicity to a child (or a family or a household) for a given source and analysis. The study was used as a basis for debating and agreeing the direction and coverage of the research and its emphasis, though this was also modified in subsequent discussion in the main analysis stage.

It is worth noting that the unit of analysis (whether child, family or household) varies with the data used and the question being investigated. Similarly, while the report focuses on results relating to a subset of ethnic groups (white (British), Indian, Pakistani, Bangladeshi, black Caribbean and black African, and, in some cases mixed, groups) the categories will sometimes apply to the child, sometimes to the parent(s) and sometimes to the composition of the household, depending on the source and the approach used. The unit being considered (child, family, household) is indicated for each table and figure. Further details of the way that ethnic group was ascribed to the child (or family or household) for any given analysis are included in the Appendix.

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[6]   In addition, key concepts associated with the statistical analysis are briefly described in the Glossary.

2 Understanding child poverty across ethnic groups

This chapter sets out the main findings relating to child income poverty across ethnic groups. It focuses on comparison between groups and differences in risks of poverty, exploring the rates of poverty experienced across ethnic groups, the composition of poor families with children, and variation in income sources.

It uses the Family Resources Survey (FRS) and its derived data set Households Below Average Income (HBAI) for the analysis to demonstrate poverty risks and income sources and their relationship to family characteristics. Box 2.1 illustrates the key features of these data sources that make them suitable for this analysis.

Box 2.1: Key features of the FRS (and derived HBAI)

- Annual repeated cross-sectional survey with relatively large sample sizes (about 25,000 households).

- Ability to combine ('pool') a number of years to increase samples of small sub-populations, such as minority ethnic groups.

- Variables in HBAI include standardised low income measures, as used in annual reported HBAI statistics.

- Detailed information on sources of income.

- Ability to weight to population sizes.

- Ethnic group recorded at individual level.

2.1   Poverty risks by ethnic group and family type

This section uses the FRS/HBAI to explore the variation in child poverty across groups. Since the absolute differences in poverty between groups might be expected to stem, at least in part, from the large differences in distributions of characteristics (such as living in a lone parent family or a large family) that put children at higher risk of poverty, the section also investigates whether there are differences in risks of poverty across ethnic group for different family characteristics. Differences in risks within family types are an indication that simple differences in characteristics are not the whole story, but that there are other additional causes of the wide variations in poverty rates. This may include the fact that single characteristics can imply a cluster of disadvantage that is not captured by a simple comparison. This issue is followed up further in Chapter 3, where the existence of an 'ethnic penalty' in poverty is investigated, by looking at potential sources of poverty disadvantage concurrently.

Box 2.2: Income poverty measures

Standard income poverty thresholds are used to determine whether a child is poor or not poor. That is, a child is considered to be poor if they are living in a household with income adjusted for household size ('equivalised') that is less than 60 per cent of median income.

Income can be measured without taking away housing costs (before housing costs (BHC)) or disposable income after housing costs (AHC). The Government's preferred measure for monitoring child poverty is BHC income; and most of the analysis in this report is based on BHC measures. The exception is in Sections 2.1.2 and 2.1.3 where comparison is made between BHC and AHC poverty rates to illustrate the extent to which the measure might make a difference to the patterns of poverty across ethnic groups.

For robustness of the estimates for minority groups, which can be subject to substantial year-on-year fluctuations due to the small sample sizes, trends are illustrated using three-year rolling averages.

Following the discussion of trends, the remainder of the analysis uses the pooled samples from three years of the FRS: 2003/04, 2004/05 and 2005/06.[7] Again this provides robust estimates for most of the breakdowns.

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[7]   2005/06 data were the most recent available at the time of analysis. During the process of editing the report for publication, 2006/07 data became available. This data has been included in the analysis of trends (in Table 2.1) since it is particularly informative here and it was straightforward to incorporate. However, the remainder of the analysis was carried out on the pooled data from 2003/04-2005/06.

2.1.1 Trends in poverty rates

Table 2.1 shows the short-term trends in children's poverty rates over the last six years, based on three-year rolling averages. Table 2.1 compares poverty rates across children from six ethnic groups.

Table 2.1 Children's poverty rates: rolling averages (BHC), Great Britain

	2001/02-2003/04	2002/03-2004/05	2003/04-2005/06	2004/05-2006/07
White British	20	20	19	20
Indian	28	28	30	27
Pakistani	59	56	53	54
Bangladeshi	72	66	65	58
Black Caribbean	31	27	30	26
Black African	38	38	37	35

Source: HBAI data 2001/02, 2002/03, 2003/04, 2004/05 and 2005/06, 2006/07 weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Bases: 2001/02-2003/04: 26,208; 2002/03-2003/04: 26,897; 2003/04-2005/06: 26,291; 2004/05-2006/07: 25,249.

These rolling averages show little evidence of a trend over the period. However, to the extent that there is a trend, it appears to be most apparent as a decline in poverty rates for the two most disadvantaged groups: Pakistani and Bangladeshi children. This is reassuring in terms of the impact of poverty reduction measures – if they had not managed to reach these groups with the highest risks of poverty to any degree it would have been worrying. Nevertheless, we can see that, at a given point in time, over half of children from these groups can expect to be growing up in poverty. And the rates are also substantial for black African children at around 37 per cent for the average from 2003/04-2005/06. Even if Caribbean and Indian children do not seem to suffer such extreme poverty risks, for both these groups child poverty risks are still substantially higher than for the white majority, and the evidence for decline is much less clear for Indian children than for the other groups.

2.1.2 Comparing poverty rates BHC and AHC

Table 2.2 concentrates on just the rolling averages for 2003/04-2005/06 and shows comparisons between the rates when using the BHC poverty measure compared to the AHC poverty measure (see Box 2.2). This demonstrates the extent to which poverty rates across ethnic groups are sensitive to the measure used.

Table 2.2   Children's poverty rates 2003/04-2005/06 AHC and BHC, by ethnic group; distributions of all children and of poor children BHC and AHC by ethnic group, Great Britain

	Cell percentages		*Column percentages*		
	Poverty rate BHC	**Poverty rate AHC**	**Percentage of all children**	**Percentage of BHC poor**	**Percentage of AHC poor**
White British	19	26	84.8	75.3	75.9
Indian	30	34	2.3	3.2	2.7
Pakistani	53	57	2.3	5.6	4.5
Bangladeshi	65	73	1.0	3.1	2.6
Black Caribbean	30	39	1.4	1.9	1.9
Black African	37	57	1.7	2.9	3.4

Source: HBAI data, 2003/04, 2004/05 and 2005/06. The poverty threshold is defined as 60 per cent of median equivalent income.
Base: 26,291.

Table 2.2 shows that, while the rates AHC are consistently higher for all groups and the ranking of poverty across groups remains the same on either measure, the variation between the measures is greatest for black Africans and is smaller for the three South Asian groups. This is reflected in the different proportions of poor children that these groups make up on the two measures, with the share of black African children increasing by 0.5 per cent and the share of Pakistani children decreasing by 1.1 per cent if an AHC measure is used instead of a BHC measure.

It is clear that the choice of measure does have some impact on poverty differentials across groups and on the corresponding composition of poor children, and this should be borne in mind in the remainder of the analysis.

2.1.3   Child poverty rates compared to all adult poverty rates

In order to understand if child poverty rates are particularly large for some groups or whether they correspond to the overall poverty of the group, Table 2.3 sets these wider differentials in child poverty rates across groups in the context of overall poverty rates and rates for working age adults.

Table 2.3 shows a consistent story in that child poverty rates for all groups were higher not only than those for working age adults but also than those for all individuals (which includes working age adults, pensioners and children). Moreover, the ranking of poverty rates across the groups was consistent whether you look at children, working age adults or all individuals, with white British having the lowest rates followed by Indians, black Caribbeans, black Africans and Pakistanis, and with Bangladeshi children and adults having the highest risks of poverty. However, the final columns of Table 2.3 show that the ratio of child to adult poverty was much lower for Pakistani children and higher for white and Indian working age adults, with an intermediate position for black Caribbean and black African child-adult ratios.

Table 2.3   Child and all individuals' poverty rates 2003/04-2005/06 BHC and AHC, by ethnic group, Great Britain

Ethnic group	Children		Working age adults		All*		Child to adult** gap percentage point gap		Child poverty as percentage of adult**	
	BHC	AHC	BHC	AHC	BHC	AHC	BHC	AHC	AHC	BHC
White British	19	26	13	17	16	19	6	9	146	153
Indian	30	34	20	23	24	26	10	11	150	148
Pakistani	53	57	48	55	49	54	5	2	110	104
Bangladeshi	64	73	54	65	57	66	10	8	119	112
Black Caribbean	30	39	22	29	25	31	8	10	136	134
Black African	37	57	27	43	29	47	10	14	137	133

Source: HBAI data, 2003/04, 2004/05 and 2005/06. The poverty threshold is defined as 60 per cent of median equivalent income. *All individuals includes pensioners. **Adult here refers to working age adults.
Base: 100,453.

We now move on to look at risk factors associated with the poverty of children across ethnic groups.

2.1.4   Poverty rates and risk factors across ethnic groups

The next set of tables explores how these overall poverty rates vary with particular family or household characteristics. There are two questions that are relevant to this analysis: is there variation in how family types more at risk of poverty (for example lone parent families and workless families) are distributed across ethnic groups (and if so, can that help us understand the differences in overall poverty between the ethnic groups)? And are the risks associated with these family characteristics similar across groups or is there variation in the extent to which they affect children's chances of poverty?

To engage with these questions, the tables in this section share a similar format. They give the proportion of children living in the different types of families, in the first column. They then show the percentage poor from that type – or the risks of being poor given the type of family. If these were the same across groups then the differences in poverty between groups might be attributable to the differences in family types in the overall group. If these risks vary across groups, then that tells us that it is not just the distribution of family types that contributes to ethnic differences in poverty.

The third column for each family type combines the information on the proportion of children in the family type with the information on the risk to show the proportion of poor children from that group who belong to a given family type. (For example, as we can see from the top row of Table 2.4, white British children in couple parent families had relatively low risks of poverty; but most white British children were living in couple parent families and so children in couple parent families still made

up more than half of all poor white British children.) All the comparisons of family types are mutually exclusive and exhaustive so that the percentage poor of each type sum to 100 per cent, as do the share of poor associated with each family type. (For example, still looking at the top row of Table 2.4, 75 per cent of white British Children were in couple parent families and the remainder (25 per cent) were in lone parent families. The share of poor children in couple parent families was 55 per cent for white British children and the remainder of poor white British children (45 per cent) were living in lone parent families.)

Table 2.4   Distributions of children and poor children and risks of poverty 2003/04-2005/06, by family type and ethnic group, Great Britain

	Couple parent families			Lone parent families		
	Percentage in type	Risk (percentage poor in type)	Share of poor in type	Percentage in type	Risk (percentage poor in type)	Share of poor in type
White British	75	14	55	25	36	45
Indian	90	28	83	10	48	17
Pakistani	83	55	85	17	49	15
Bangladeshi	87	66	91	13	45	9
Black Caribbean	43	17	24	56	39	74
Black African	53	29	42	47	46	58

Source: HBAI data, 2003/04, 2004/05 and 2005/06.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 26,174.

Table 2.4 shows the differences in distributions of children in couple and lone parent families. We see that living in a couple parent family was very much the norm for Indian, Pakistani and Bangladeshi children, while just over half of black Caribbean and just under half of black African children were found in lone parent families. White British children fell somewhere between these two patterns, with three-quarters in couple parent families.[8]

Given that lone parenthood is associated with additional poverty risks, we might expect that the high rates of lone parenthood among the families of black Caribbean and black African children would lead to those groups having high rates of poverty, even if lone parents from these groups had the same risks of poverty as the average for all lone parents. We see that black Caribbean children

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[8]   As well as the distributions of lone parenthood varying substantially between groups, Lindley *et al.* (2004) have also shown that the types of lone parenthood are also different, with more Pakistani and Bangladeshi lone parents and fewer black Caribbean lone parents having been previously married.

in fact had higher risks than white British children in both lone and couple parent families, but they were not dramatically higher. Thus, their greater than average poverty risks (as shown in Table 2.2) appear at first sight as if they might, to a large extent, be associated with family type differences.

Of course, this does not tell us anything about why lone parents should be more at risk of poverty. Nor is it intended to suggest that differences in poverty rates between groups are acceptable if they can be attributed to particular patterns of family formation. Moreover, it is not informative about the extent to which poverty itself can shape family formation or influence the prevalence of 'risk' characteristics, either lone parenthood as here, or other risks, such as disability (Jenkins and Rigg, 2004). But it is potentially informative about whether policies aimed at groups at risk of poverty could reduce ethnic differences in child poverty.

When, however, we turn to the other ethnic minority groups in Table 2.4, we see that the actual risks associated with particular families types varied greatly, particularly for couple parent families. We cannot even say that living in a lone parent family presented a **greater** risk for children from all groups compared to living in a couple parent family: it did for white British, Indian, black Caribbean and black African children, but not for Pakistani and Bangladeshi children. This meant that, atypically, poor children from these groups were more likely to be in couple parent families than all Pakistani and Bangladeshi children. Black African and Indian children have higher risks of poverty than white British children for both family types; but, because the risks associated with lone parent families are still higher than those associated with being in a couple parent family and because the distributions of family types vary, the net effect (as we saw in Table 2.2) is to leave black African children with substantially higher poverty rates than Indian children. This interaction between poverty risks and risk factors is an issue returned to in Chapter 8, which brings together the experience of particular minority groups across dimensions.

It is clear from Table 2.4 that simple differences in family type across ethnic groups do not 'explain' differences in child poverty rates among children of different ethnicities. However, family is not the only factor of relevance to understanding differences between groups. Berthoud associated lone parenthood with high poverty among black Caribbeans but large families with higher poverty among Pakistanis and Bangladeshis (Berthoud, 2005) (see also Iacovou and Berthoud, 2006). Table 2.5, therefore, goes on to compare shares of children and risks of poverty by number of dependent children in the family.

Table 2.5 shows that around 70 per cent of white British, Indian and black Caribbean children lived in small families, but this dropped to half of black African children, two-fifths of Pakistani children and only a third of Bangladeshi children. Risks of poverty for those living in a larger family compared to living in a smaller family were higher for each ethnic group. But there was great divergence between groups in terms of the risks associated with both small and large families.

Table 2.5   Distributions of children and poor children 2003/04-2005/06 and risks of poverty, by number of children in family and ethnic group, Great Britain

	One or two child families			Three or more child families		
	Percentage in type	Risk (percentage poor in type)	Share of poor in type	Percentage in type	Risk (percentage poor in type)	Share of poor in type
White British	71	17	62	29	25	38
Indian	70	23	54	30	46	46
Pakistani	40	49	36	61	55	64
Bangladeshi	33	41	21	67	75	79
Black Caribbean	69	27	62	31	37	38
Black African	50	26	36	50	47	64

Source: HBAI data, 2003/04, 2004/05 and 2005/06.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 24,116.

Thus, for black Caribbean and black African children living in a small family the risks of poverty were as high for a white British child living in a large family; and for Pakistani children living in a small family the risks of poverty were twice as high as those for white British children living in a large family. We can, therefore, see that large families did not on their own account for the differences in poverty between groups, though they clearly played a substantial role in Bangladeshi children's poverty rates.

For black Caribbean and black African children there is likely to be some intersection between family type and size of family, given that lone parent families tend to be smaller on average than couple parent families and there are relatively large proportions of lone parents in these groups. Similarly it is the ways in which size of family intersects with economic position and other characteristics that is relevant to understanding the complexity of different risks across characteristics: an issue that we pursue in Chapter 4. Nevertheless, these simple breakdowns are illuminating in revealing just how much particular 'risk' factors can vary in terms of the specific risks of poverty they bring with them once we look across groups. We can calculate that if the risks associated with large and small families were the same for Bangladeshi children as they were for white British children, the poverty rates of Bangladeshi children stemming from their higher proportion of large families would be only three percentage points higher than those for white British children – instead of the 45 percentage points that we saw in Table 2.2.

Work status of family members is clearly crucial for family incomes and for avoiding poverty. Table 2.6 illustrates the proportions of children across groups living in workless households compared to living in households with at least one worker (which can include someone in part-time paid work).

Table 2.6   Distributions of children and poor children 2003/04-2005/06 and risks of poverty, by worker status of household and ethnic group, Great Britain

	No worker			One or more workers		
	Percentage in type	Risk (percentage poor in type)	Share of poor in type	Percentage in type	Risk (percentage poor in type)	Share of poor in type
White British	15	60	48	85	12	52
Indian	12	70	29	88	24	71
Pakistani	27	77	39	73	44	61
Bangladeshi	27	72	30	73	61	70
Black Caribbean	25	71	59	75	16	41
Black African	37	62	63	63	21	37

Source: HBAI data, 2003/04, 2004/05 and 2005/06.
Notes: The poverty threshold is defined as 60 per cent of median equivalent income BHC. For the purposes of this table a 'worker' can be in full-time or part-time work.
Base: 24,116.

Table 2.6 shows that the story of differences in poverty rates is clearly not simply one of differential employment rates. While the risks of poverty were lower where there was a worker in the household they still reached 61 per cent for children in Bangladeshi families where someone was in work, which was the same as the risk of poverty for white British households with no worker. The combination of shares of households with someone in paid work and the different risks associated with working households means that the proportion of poor children who are living in a household with – or without – a worker varies greatly by group. We can see from the final column of Table 2.6 that fewer than 40 per cent of poor black African children were living with someone in paid work; around half of poor white British children were living in a household where someone is in paid work; and around 70 per cent of poor Indian and Bangladeshi children were poor despite the presence of a paid worker in their household.

In relation to such differences it should be noted that numbers of workers, hours of work, in particular, whether the work is part-time or full-time, and rates of pay all affect the total income from work coming into the family, and therefore, risks of poverty in working households.[9] Lone parent families clearly have greater constraints in relation to paid work. On the other hand, though it may be easier for couple parent families to have at least one member in paid work, such families need the income from employment (and tax credits if applicable) to support two rather than one adult. In addition, some households will have additional adults who need to be supported by total household income.

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[9]   On pay differentials see: Platt, L. (2006) *Pay Gaps: The position of ethnic minority men and women*. Manchester: Equal Opportunities Commission.

The number of adults within the household is a further source of variation between ethnic groups. More adults can mean more income from earnings or pensions, but they also mean more demands on total household income. Economies of scale may make such adults better off than they would be if they were living on their own, and such economies are incorporated into the way that household income is equivalised, or adjusted to take account of household size and composition for the purposes of poverty measurement. On the other hand, additional adults may reduce the income available to provide for other household members, depending on the resources they bring with them. They, thus, have the potential to reduce and to increase poverty risks, depending on the circumstances.

Table 2.7 illustrates the variations in numbers of adults within the households that children from different ethnic groups live in, and the associated poverty risks. It distinguishes one adult households, which will be primarily lone parent households; two adult households, which will be primarily couple parent households, but may also include some lone parents who are living with another adult, for example, their own parent or grown-up child; and three adult households which will primarily comprise a couple and an additional adult, but may also include lone parents living with two additional adults.

Table 2.7 clearly shows that households with three or more adults were much more common among the three South Asian groups: 25 per cent of Indian children, 30 per cent of Pakistani children and 32 per cent of Bangladeshi children lived in households with three or more adults. This compares with only around ten per cent of white British, black Caribbean and black African children. Conversely (and as we would expect from the figures on family type), single adult households were much more common among black Caribbean and black African families. Given the balancing of extra needs with potential extra incomes, larger numbers of adults did not necessarily increase children's poverty risks, though the risks for three-adult households were clearly higher than those for two adult households for Indian, black African and, to a lesser extent, black Caribbean children. The combination of prevalence and risk meant that 29 per cent of poor Indian and Bangladeshi children lived in households with three or more adults, whereas only seven or eight per cent of poor white British and Caribbean children lived in such households.

Table 2.7 Distributions of children and poor children 2003/04-2005/06 and risks of poverty, by number of adults in household and ethnic group, Great Britain

	Households with one adult			Households with two adults			Households with three plus adults		
	Percentage in type	Risk (percentage poor in type)	Share of poor in type	Percentage in type	Risk (percentage poor in type)	Share of poor in type	Percentage in type	Risk (percentage poor in type)	Share of poor in type
White British	20	37	40	70	14	53	10	15	7
Indian	8	44	11	67	27	60	25	34	29
Pakistani	10	47	9	60	57	65	30	46	26
Bangladeshi	6	38	3	62	70	68	32	57	29
Black Caribbean	44	37	55	47	23	37	9	26	8
Black African	40	44	49	49	30	40	11	38	11

Source: HBAI data, 2003/04, 2004/05 and 2005/06. The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 24,116.

Finally in this section, we explore variation by the health status of the household. That is, Table 2.8 illustrates the proportions of children living in households containing someone (adult or child) with a longstanding illness that limits daily activity. Having an activity-limiting illness can severely constrain someone's ability to engage in paid work. It can also have an impact on the labour supply of (other) adults within the household (Salway et al., 2007). Disability is also frequently associated with extra costs that impinge on available income and reduce standards of living at the same income level for disabled compared to non-disabled households (Burchardt and Zaidi, 2005), though these extra costs are not taken account of in equivalent income measurement. On the other hand long-term sickness can bring with it additional or alternative benefit income. Table 2.8, therefore, shows the particular risks of poverty for children of different ethnic groups in households containing a member with a long-term illness.

Table 2.8   Distributions of children and poor children 2003/04-2005/06 and risks of poverty, by health/disability status of household and ethnic group, Great Britain

	No household member with activity limiting ill-health or disability			Household member with activity limiting ill-health or disability		
	Percentage in type	Risk (percentage poor in type)	Share of poor in type	Percentage in type	Risk (percentage poor in type)	Share of poor in type
White British	82	17	74	18	28	26
Indian	76	28	71	24	37	29
Pakistani	66	51	64	34	57	36
Bangladeshi	63	63	62	37	66	38
Black Caribbean	84	27	77	16	42	23
Black African	86	36	83	14	44	17

Source: HBAI data, 2003/04, 2004/05 and 2005/06. The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 24,116.

Table 2.8 shows the different chances of living in a household with a disabled member by ethnic group, ranging from 14 per cent of black African children to 37 per cent of Bangladeshi children. Table 2.8 also clearly illustrates how the risks of poverty are greater for children in households with someone with a long-term illness; and that this is true across all groups. For most groups, risks of poverty are around ten percentage points higher in families with a long-term sick or disabled member than in those without. However, the differential is smaller for Pakistani and Bangladeshi children. The result is that the range of poverty risks between children by ethnic group where someone is long-term sick is narrower, though still substantial (38 percentage points, or a range from 28 to 66 per cent), than

the range among those families without a long-term sick member (46 percentage points or a range from 17 to 63 per cent).

Box 2.3: Summary of poverty rates and risk factors by ethnic group

Overall, this section has illustrated the large differences in rates of child poverty across ethnic groups. With a fifth of children in poverty overall, black Caribbean and Indian children had rates of poverty of 26 and 27 per cent rising to 35 per cent for black African children. Over half of Pakistani and Bangladeshi children were in poverty according to most recent figures.

This section has shown that these children were growing up in families and households that differed from each other on many dimensions. But it has also shown that family and household characteristics bring with them different risks of poverty depending on the group concerned. This tends to suggest that we cannot understand ethnic group differences in child poverty in terms of variations in particular family and household characteristics alone; and that simply targeting household or family types, such as lone parent families or workless households, will not remove the differences, though it may (and probably has) reduced them for some groups.

To understand differences in poverty, it is not sufficient to consider potential risk factors one by one as they may be bound up in each other or hide other sources of variation. To identify the net effect on poverty risks of different family backgrounds and of ethnic group we need to examine different aspects of family context together. This is the aim of Chapter 3, where we use multivariate analysis to look at the simultaneous impact of risk factors.

First, however, in the remainder of this chapter we look at the sources of income for households with children, both those below and those above the poverty threshold, and how these vary by ethnic group.

2.2   Income sources across poor families

As discussed, income poverty is defined as the situation in which total household income adjusted for household size and composition falls below 60 per cent of median equivalised income. Total household income comprises income from all reported sources, such as earnings, benefits, pensions, interest from savings, income from lodgers, etc., and received by all members of the household. In this section we look at income sources among families with children, their contribution to total household income, and whether there is variation across ethnic groups. Little is known about what incomes of minority groups, specifically families with minority group children, actually comprise. Berthoud (1997; 1998) illustrated variation in income sources across ethnic groups looking at all types of household, but this analysis is now over a decade old, and there has been no comparable

analysis since. This is despite the fact that the policy and economic context has changed substantially (for example, with the introduction of tax credits) and that ethnic groups themselves have changed in terms of their composition and profile, which is likely to affect their income sources.

The descriptive analysis that follows is, then, intended to be informative about the ways in which packages of income are similar or different across households with children from different ethnic groups. It also illustrates income sources across poor and not poor families with children separately. This gives us some insight into the role of benefits within poor households; and the extent to which even poor households with children obtain income from earnings, and whether there is variation across ethnic groups.

2.2.1   Overall income composition

We start by looking at the composition of income by group across all households with children (poor and not poor) and by looking at the absolute amounts going into these households. Figure 2.1, therefore, shows us, in the heights of the bars, the differences in average household incomes across the groups for households containing dependent children. In this and subsequent figures income from the different sources is given as gross rather than adjusted for household size, so that we can see how the relative proportions of actual income vary, on average, across households of different types. Subsequent subsections illustrate how income sources vary with the family type and composition.

Figure 2.1   Composition of non-equivalised income averaged across households with children, by ethnic group (weekly amounts), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: 21,274.
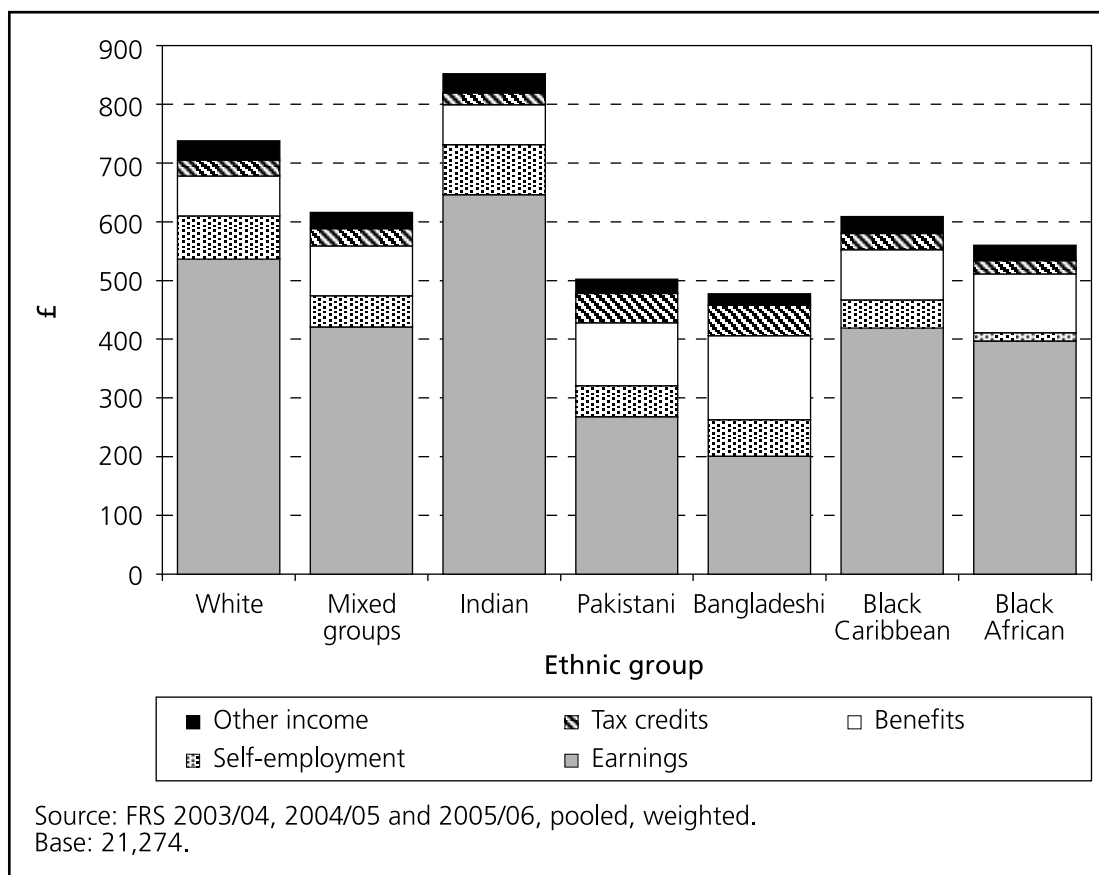
Figure 2.1 shows that there was clearly substantial variation in the overall amounts coming into households: Indian households with children had the highest average amounts overall and Pakistani and Bangladeshi families had the smallest amounts. There were also evident differences in the relative importance of different sources; but these are best illustrated by looking at proportions rather than absolute amounts. Proportions are, therefore illustrated, in Figure 2.2. It is worth emphasising that in all these illustrations, the amounts have not been equivalised to take account of household size and composition. We would, therefore, expect larger households to have higher incomes and some differences in components of income will derive from average differences in household composition across groups.

Figure 2.2   Composition of non-equivalised weekly income averaged across households with children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: 21,274.
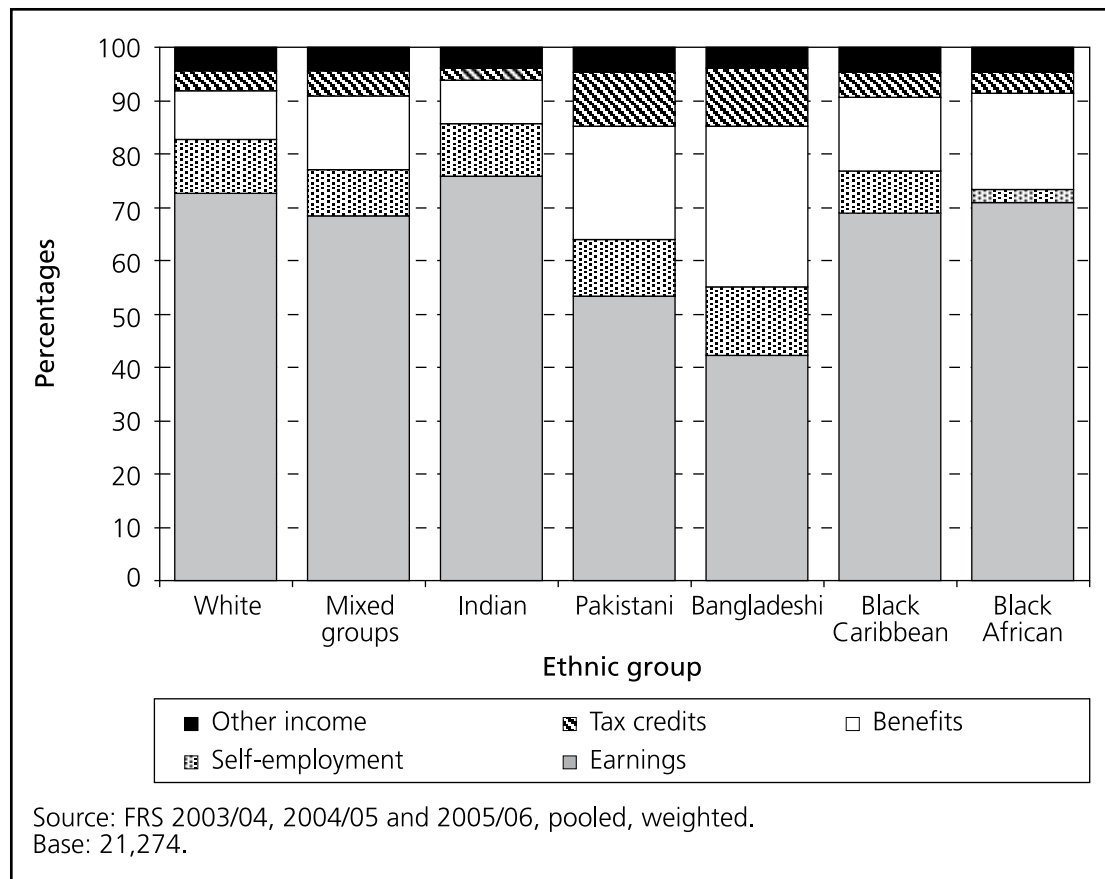
Figure 2.2 illustrates the importance of paid work to the incomes of all households with children. Earnings and self-employment income made up over 50 per cent of household incomes for all groups, though these reached 85 per cent of the income coming into Indian households with children. Conversely, benefit income had a role to play in incomes for all groups, but it was much more important for Pakistani and Bangladeshi households with children, where similarly, tax credits also played a more important role.

Given that we have already established the wide variation in poverty rates across the children from different ethnic groups, these differences are not altogether surprising. However, the fact that Indian incomes were higher on average and were dominated by income from earnings might be considered surprising given their higher than average child poverty rates. One factor here might be that within-group differences between poor and not poor households may be greater for some groups than others, an issue we return to in Chapter 9.

2.2.2 Income sources across poor and not poor households

Here, we consider the variation within poor and not poor households where it might be expected that differences by ethnic group between households would be smaller. For example, we would expect earnings to make up a lower proportion of income for all poor households. Figure 2.3 shows the sources of income among poor households with children.

Figure 2.3 Composition of non-equivalised weekly income averaged across poor households with children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 4,005.
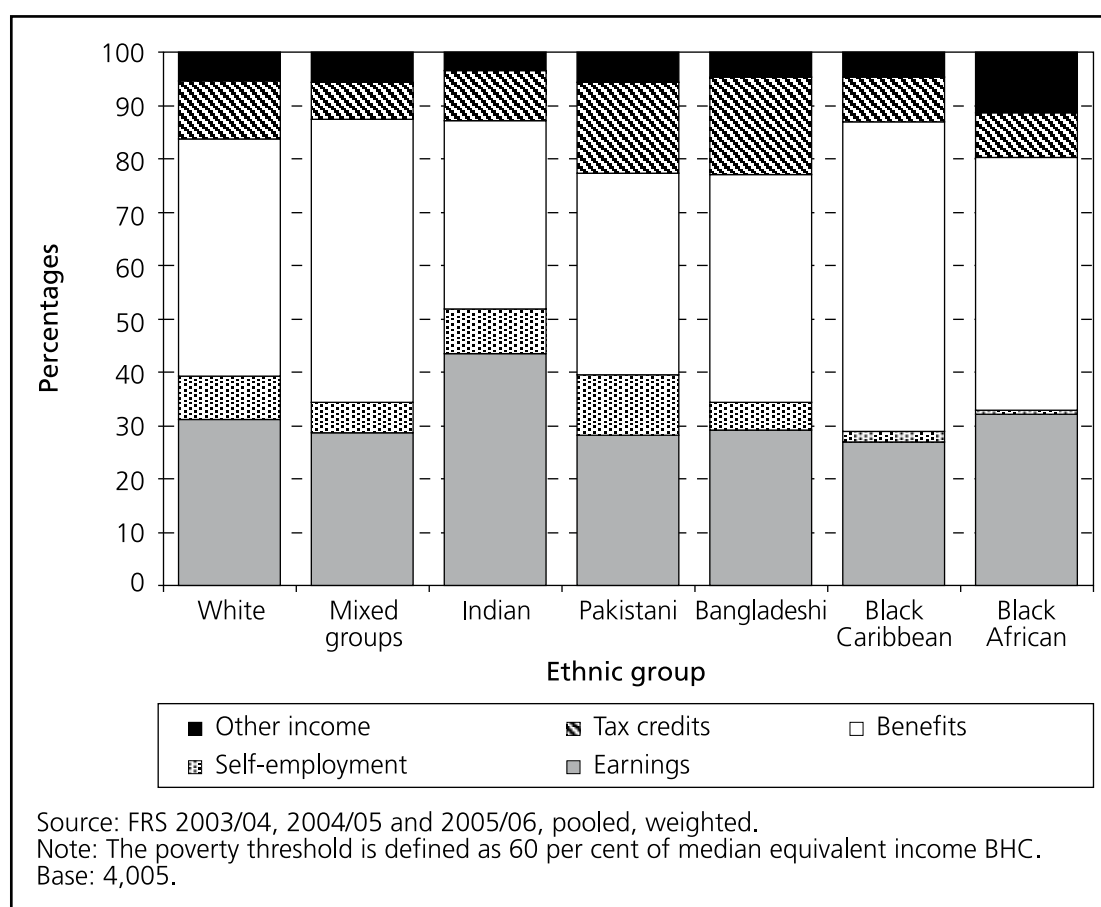
As expected, Figure 2.3 shows that the variation across groups in terms of proportions of income sources was much smaller than in the overall incomes of households with children. Benefit income played a substantial role for all groups and the significance of tax credit income was proportionately greater among poor households.

Nevertheless, differences between groups remained. Poor Indian households had a higher proportion of their income from earnings than other groups and poor black Caribbean households had the smallest proportion from earnings. Comparably, black Caribbean households and also those from the mixed groups had the highest proportion from benefits; while tax credits were most important for the incomes of poor Bangladeshi and Pakistani households with children. The relative importance of tax credits will partly be driven by differences in working

patterns and in the numbers of children for whom credits are payable; we saw in Section 2.1, that poor Indian and Bangladeshi children were much more likely to live in working households than poor black Caribbean and black African children, and that living in large families was much more common for poor Pakistani and Bangladeshi children than for other groups.

The findings of the major role played by earnings for the incomes of poor Indian households with children might be attributable to numbers of households with low earnings which take them over the benefit threshold but not over the poverty threshold. However, this does not accord with what we know about average earnings across ethnic groups (Longhi and Platt, 2008), where earnings for Indians are high on average. Alternatively, it might relate to relatively higher needs in this group, that is, more people to support on a given level of earnings. We know that household sizes for Indians are higher than average. Additionally, given that these are averages across groups, it may reflect more households with some earnings and fewer with none among this group compared to other ethnic groups. Conversely, the more minor role played by earnings among poor black Caribbean households can probably in part be explained by the fact that Caribbean households with children are more likely to be lone parent households and if lone parent households are in work above the tax credit threshold cut-off of 16 hours a week, then they face a lower risk of being in the 'poor households' group for the analysis (though they may still face hardship, as Brewer *et al.* (2008) have pointed out). This might leave the 'poor households' group with a higher proportion of those lone parent households who are not in work – and are, therefore, on benefits – who face a much higher risk of being in poverty. By contrast, we know that, although working households have much lower risks of poverty in general than non-working households, couple parent households can have a worker working above the tax credit threshold and yet still face poverty, given the need for income also to support a second adult. The particularity of experience within ethnic groups is explored further in Chapter 8.

Turning to the composition of those households with children which do not fall below the poverty threshold, in Figure 2.4 we can again see some convergence in the patterns across groups.

Earnings and self-employment income made up at least 80 per cent of incomes for all non-poor households with children except Pakistani and Bangladeshi households, where tax credits as well as benefits appeared to be contributing to rendering them not poor. This suggests the important role that the state is playing in ameliorating poverty, even where earnings on their own are not sufficient, and accords with the downward trend in poverty observed in Table 2.1.

Figure 2.4   Composition of non-equivalised weekly income averaged across non-poor households with children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 17,269.
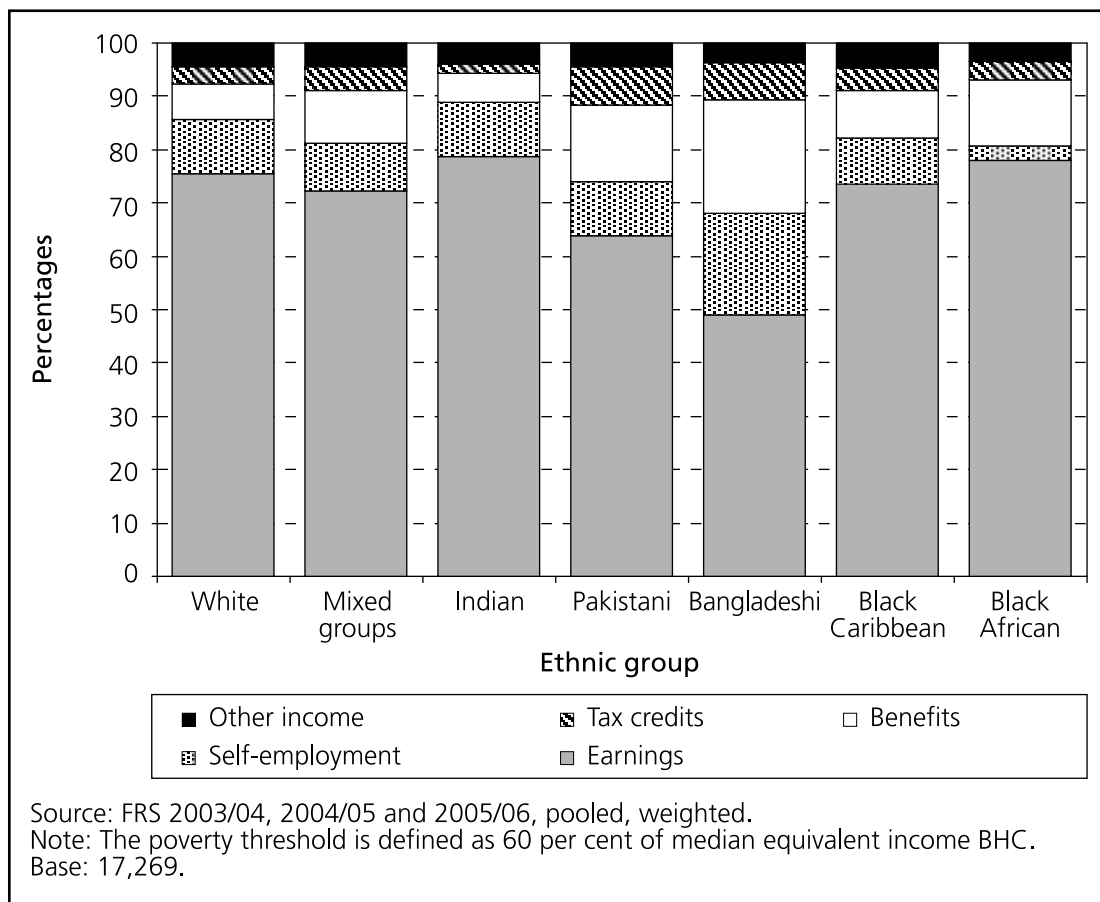
2.2.3   Income composition by household type

The above discussion has pointed towards the potential relevance of differences in family type and structure in explaining the differences in income sources in poor families in particular. The next set of figures, therefore, illustrates composition of incomes across family and household types, looking at some of the characteristics explored in Section 2.1.

First we look at the incomes of lone and couple families with children overall and then at poor lone and couple families. The analysis then moves to size of family and work status of the family. When looking at the composition of poor families by type only those groups where the subsample comprised at least 50 households were included, and in all cases there will be some error around the estimates due to small sample sizes. It is the general pattern of the distributions of income sources that is of interest here rather than the precise proportions from any single source. Figures 2.5 and 2.6 show composition for couple and lone parent families and reveal, as anticipated, that within family types income sources are more similar across ethnic groups than they were in Figure 2.2 where family types were combined. Nevertheless, some clear differences remain.

Figure 2.5   Composition of non-equivalised weekly income averaged across couple families with children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: Unweighted: 16,772.
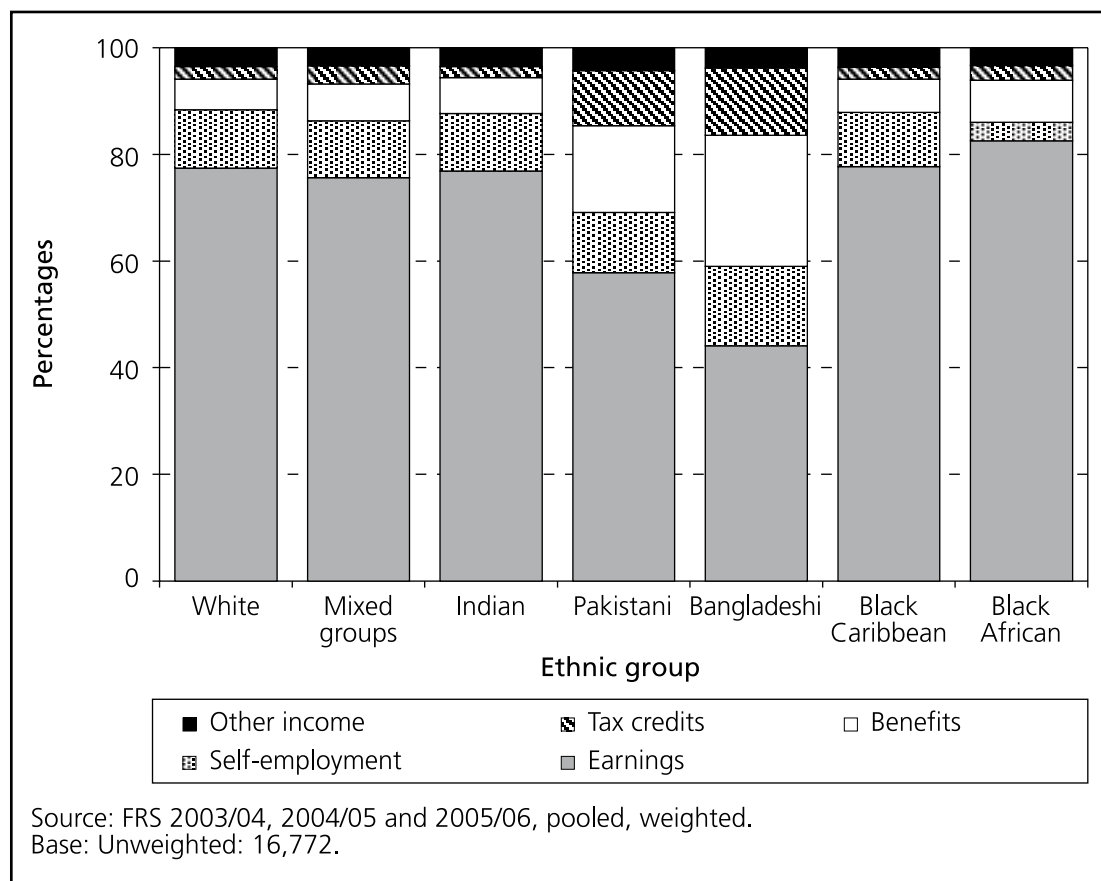
Figure 2.5 shows that, among couple parent families, earnings and self-employment income were the primary sources of income. However, there were some clear differences between groups, with benefits and tax credits playing a much greater role in the incomes of Pakistani and Bangladeshi families on average. Given their greater risks of worklessness, illustrated in Section 2.1, these differences are not very surprising.

Figure 2.6   Composition of non-equivalised weekly income averaged across lone parent families with children, by ethnic group (proportions), Great Britain


Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: Unweighted: 6,524.
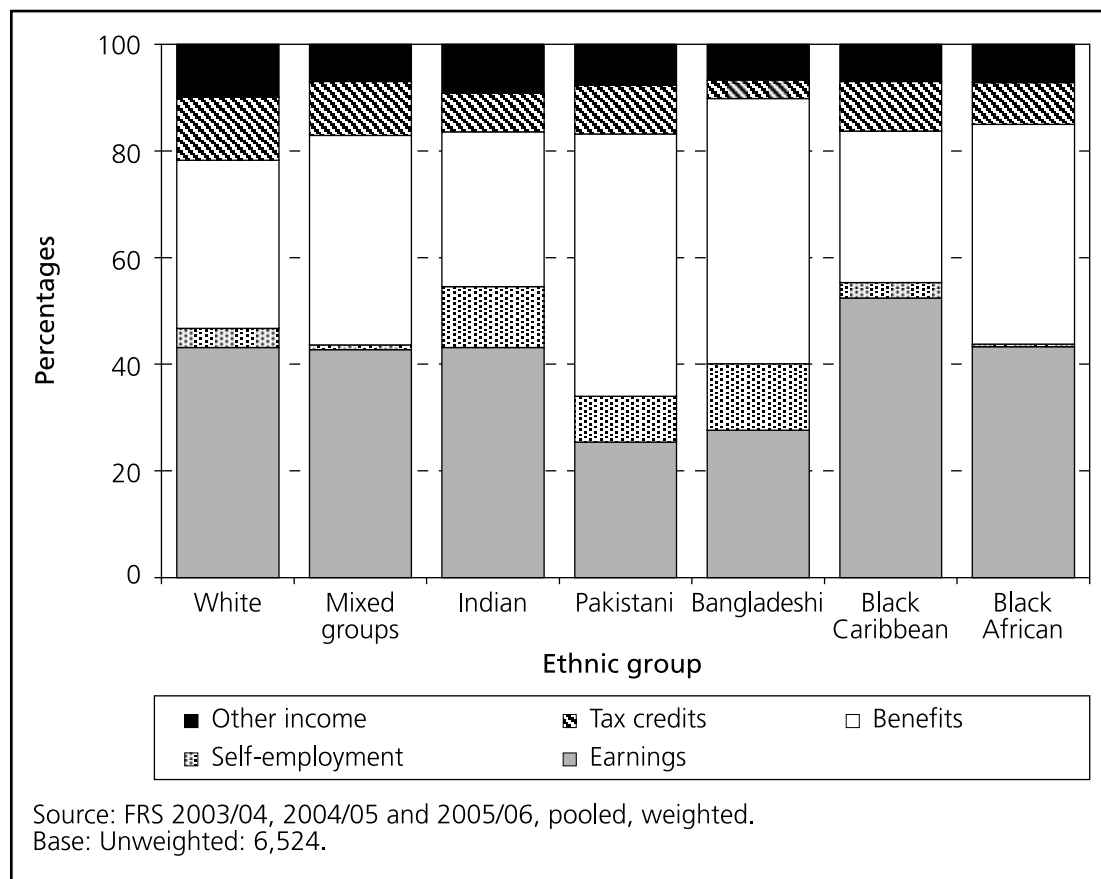
When we turn to look at lone parent families in Figure 2.6, we see a high degree of similarity across the groups. Earnings and self-employment income generally made up under half the total, while, as might be expected, income from benefits and tax credits made up a larger share of income, especially for Bangladeshi and Pakistani households. Nevertheless, among Indian lone parents we still see, as for the patterns with Indian households generally, that income from paid work played a bigger role, on average, than it did for most of the other groups. Earnings were also a large component of income for black Caribbean lone parent families. This fits with what we know about the greater probability of black Caribbean lone mothers being in paid work – and that they are more likely to work full-time when they are (Lindley *et al.*, 2004).

We would expect the differences between family types to be smaller when we look at the incomes of those from these family types where they fall below the poverty threshold. And that is what Figures 2.7 and 2.8 show us.[10] The differences

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[10]   We only illustrate certain groups in these tables given the small number of households that meet all of the criteria and given the restriction to subsamples that comprise at least 50 households, as noted at the beginning of Section 2.2.3.

between the income sources of poor lone and couple parent families are still distinctive, however. Employment income made up a larger share, on average, of couple parent incomes at around 50 per cent of total income. By contrast, earnings played only a marginal role on average in the overall incomes of lone parent families that were poor.

Figure 2.7 Composition of non-equivalised weekly income averaged across poor couple parent families with children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Only those groups where the numbers of cases are greater than 50 are shown.
Base: Unweighted: 2,366.
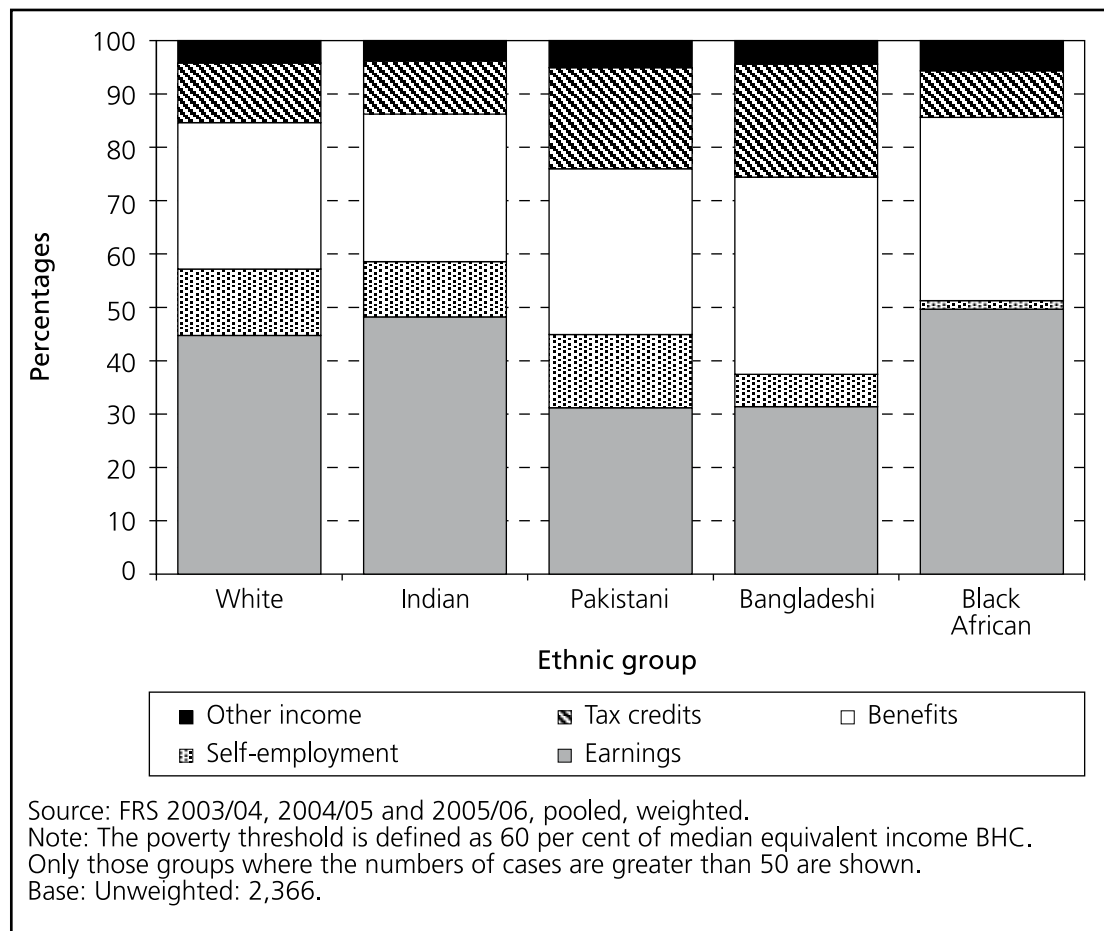
Figure 2.8 Composition of non-equivalised weekly income averaged across poor lone parent families with children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Only those groups where the numbers of cases are greater than 50 are shown.
Base: Unweighted: 2,179.
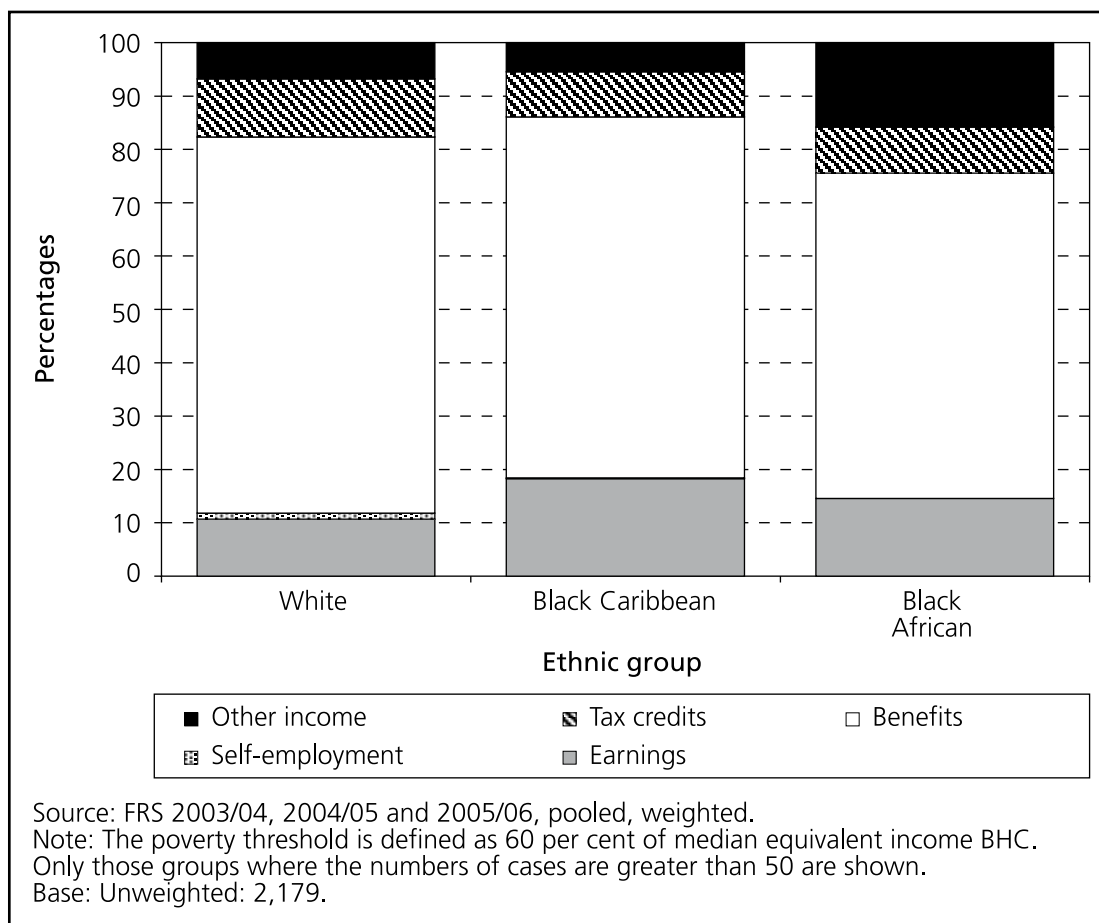
Despite the similarities in overall income composition for these poor couple parent and lone parent families there are still differences by ethnic group. Figure 2.8 shows that income from employment appeared to play a slightly bigger role in the average incomes of black Caribbean lone parent families; while Figure 2.7 revealed earnings as a smaller proportion of poor couple parent Pakistani and Bangladeshi families compared to other groups.

We go on to look at household work status in Figure 2.9, as this would be expected to crucially affect the role of earnings in family incomes.

Figure 2.9 Composition of non-equivalised weekly income averaged across households with children with at least one worker, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: Unweighted: 19,528.
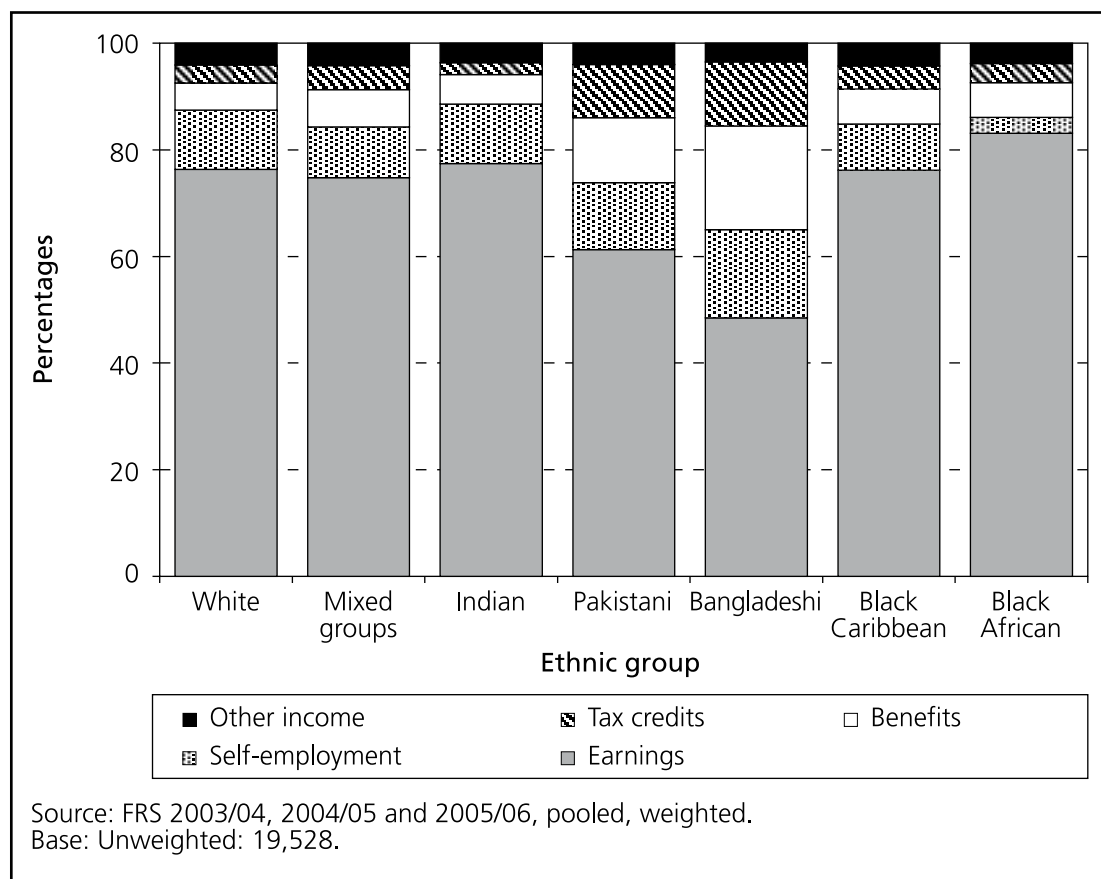
Figure 2.9 shows that households with at least one paid worker received the overwhelming majority of their income from paid work. As it is proportions of total income that are illustrated, we cannot see the differences in average income from employment, across the different groups, or the differences in total income among households with a worker. Though, this was partly indicated in Figure 2.1, which showed overall household incomes.

Despite similarities, we see that even conditioning on household work status reveals that a substantial share of Bangladeshi and Pakistani incomes derives from sources other than earnings and self-employment income, relative to other groups. An important issue here is whether the worker is part-time or full-time and the number of (full- and part-) time workers. The average number of workers is shown in Table 2.9, and Figure 2.10 summarises patterns of part-time and full-time working across the ethnic groups.

Table 2.9   Average number of workers among all and working households, by ethnic group, Great Britain

Ethnic group	Average workers (full-time or part-time) per household	Average workers (full-time or part-time) per household in households with at least one full-time or part-time worker
White	1.5	1.7
Mixed groups	1.3	1.7
Indian	1.6	1.7
Pakistani	1.1	1.5
Bangladeshi	1.1	1.4
Black Caribbean	1.2	1.6
Black African	1.1	1.5

Source: FRS 2003/04, 2004/05 2005/06, pooled, weighted.
Base (unweighted): 23,448.

Figure 2.10 Household work status of households with children, by ethnic group, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: Unweighted: 23,448.
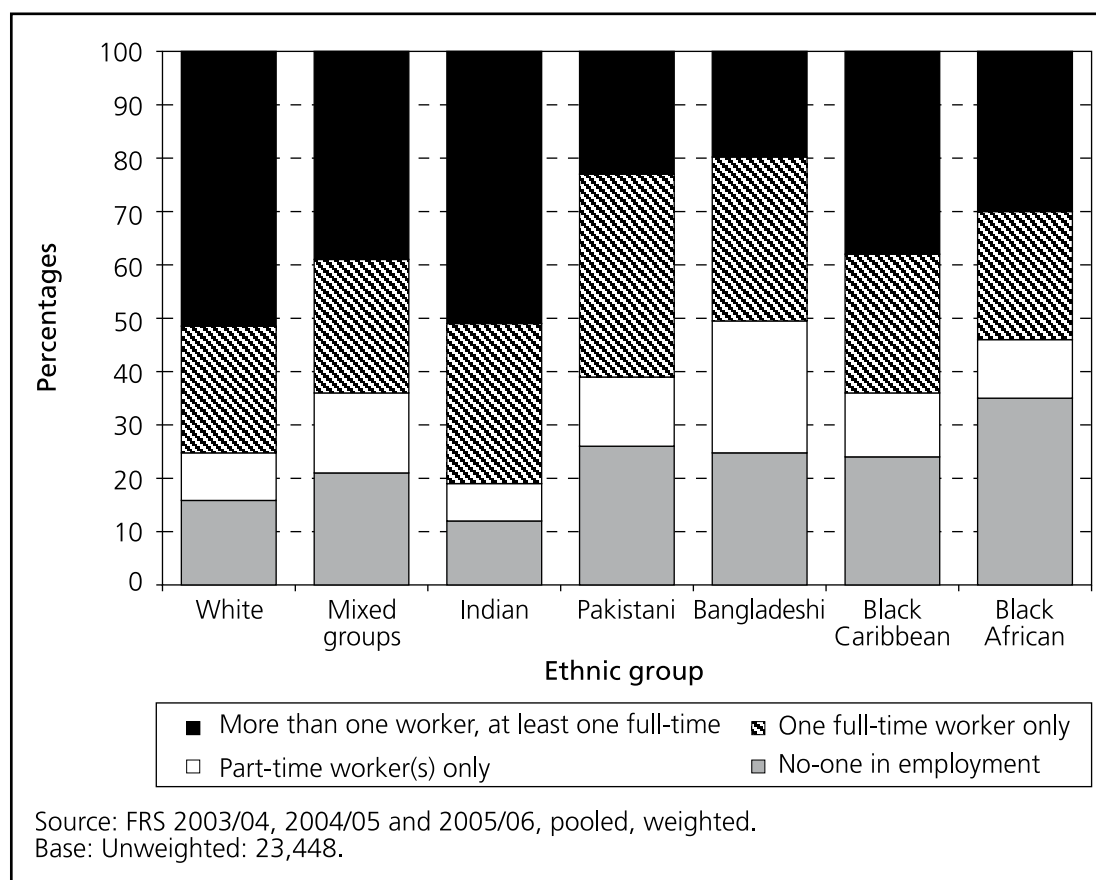
Table 2.9 shows that all of the minority ethnic groups except Indians had a lower average number of workers per household with children than did the white majority. However, when we focus just on households with at least one person in paid work, the differences were less marked. The average was still lower for the Pakistani and Bangladeshi households than for most other groups, which fits the pattern in Figure 2.9, but the high proportion of black African household income from earnings is less easily understood, given the average number of workers. Variations in household size clearly interact with the number of earners to create particular patterns of income composition, but it is then surprising that such a high share of Indian incomes in Figure 2.9 came from earnings given relatively large household size and yet numbers of workers (from Table 2.9) that were not above the average.

Figure 2.10 allows some closer scrutiny of differences in working households by looking at different combinations of part-time and full-time work. A quarter of Bangladeshi families had only a part-time worker, despite the fact that they are very unlikely to be lone parent families, where a single, part-time worker might be more comprehensible. Interestingly, despite relatively high proportions of lone parent families, only around ten per cent of black African and black Caribbean families with children had just one, part-time worker. On the other hand, a substantial share of black African households with children had no worker, which may be understood partly in terms of the difficulty of combining paid work and parenting for lone parents. Indian and white families were most likely to have more than one earner and a majority of households with children from these groups were in that position.

When we turn to looking at the income composition of poor households with at least one worker (Figure 2.11), we see comparable differences to those found in Figure 2.9. These can perhaps be associated with the variation in proportions of part-time and full-time workers and average number of workers shown in Figure 2.10 and Table 2.9.

Figure 2.11 Composition of non-equivalised weekly income averaged across poor households with children with at least one worker, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Only those groups where the numbers of cases are greater than 50 are shown.
Base: Unweighted: 2,200.
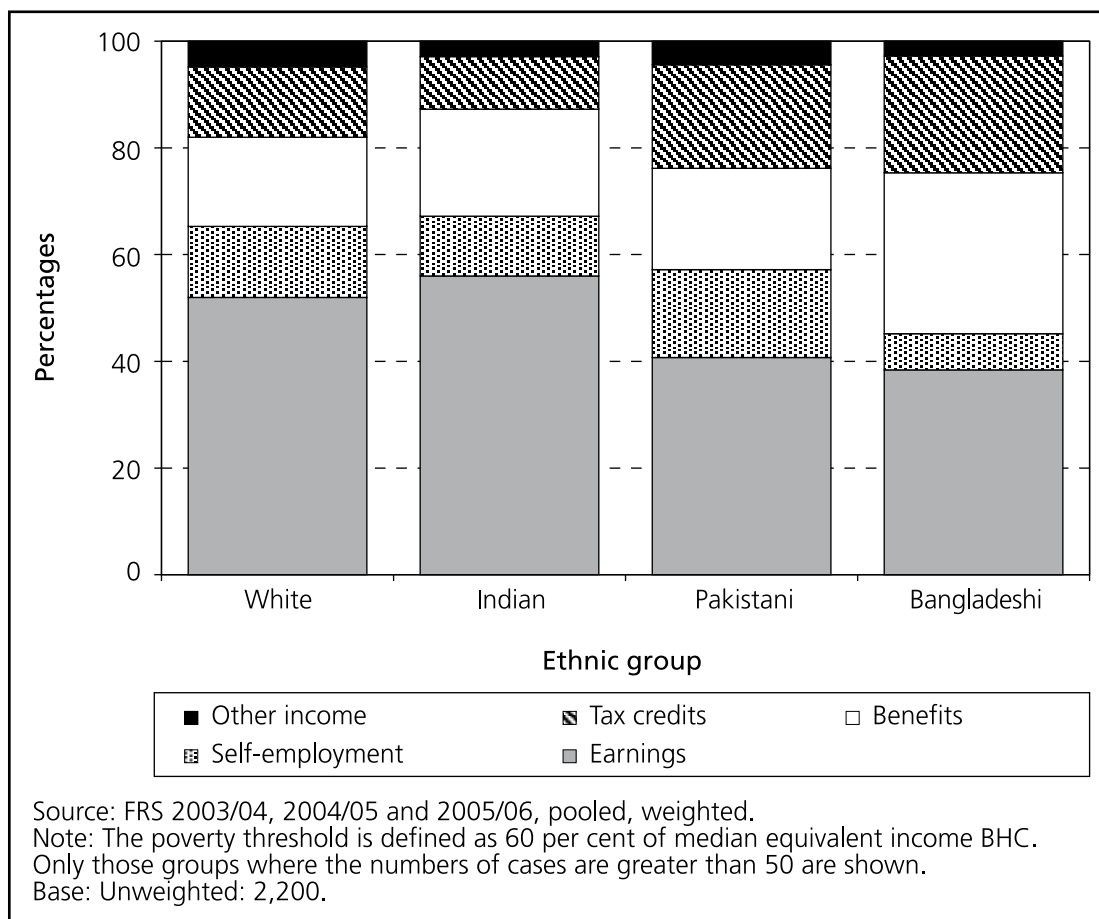
Finally, we turn to family size. Here we are particularly interested in examining whether the role that tax credits play is partly dependent on differences in family size; and also whether the differences in the average role that earnings play within poor families by group are still observed when we compare only those families with one or two children. Figure 2.12 shows the income compositions by group for all those with only one or two children; and, similarly, Figure 2.13 shows the income compositions among poor families with one or two children.[11]

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[11]   Again, the number of groups illustrated is restricted to those where there were at least 50 households in the subsample.

Figure 2.12 Composition of non-equivalised weekly income averaged across households with one or two dependent children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Base: Unweighted: 19,351.
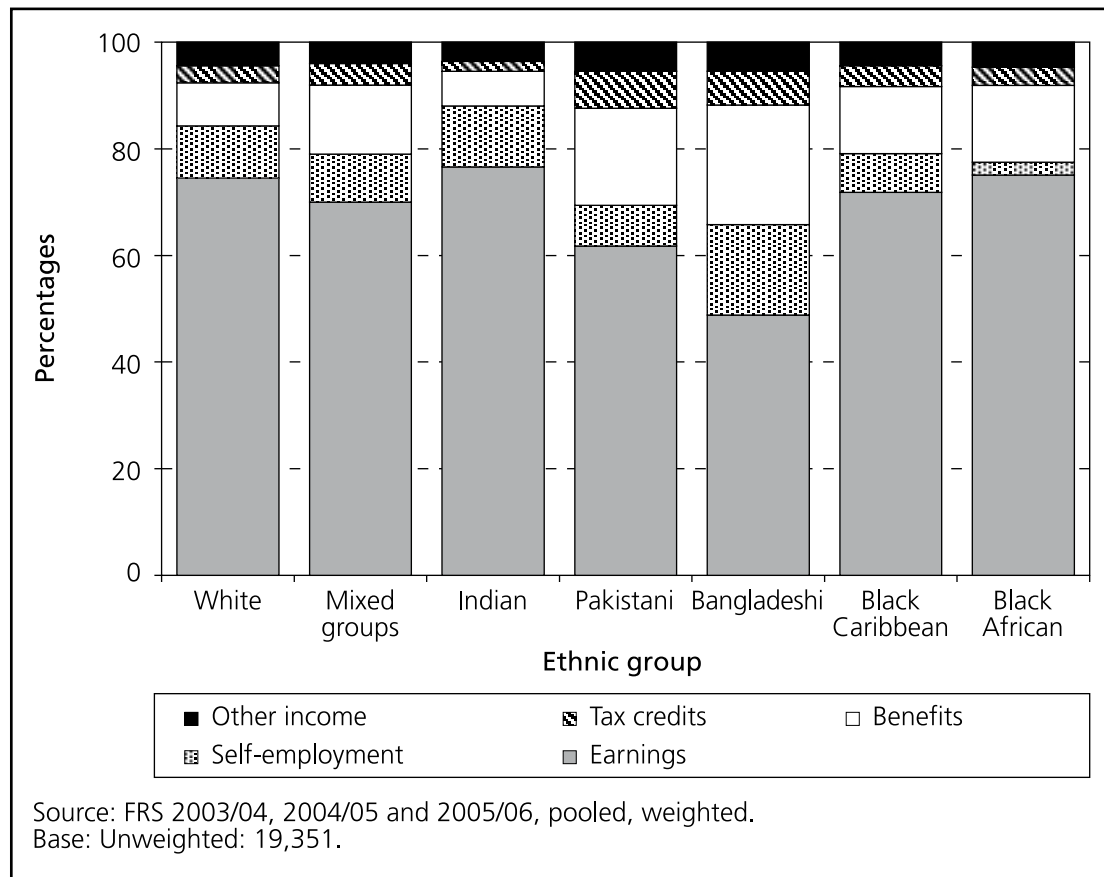
As Figures 2.12 and 2.13 show, it is not simply the size of family that can account for the differences in the role that earnings play in both poor and non-poor Indian families on average relative to other ethnic groups, since we would then expect to see greater similarity when conditioning on size of family. On the other hand, the income composition for Pakistani families becomes much closer to those for other groups, when we focus on small families, though tax credits would appear still to be disproportionately important for this group even when there are small numbers of children. This is presumably attributable to relatively low pay amongst these groups (Longhi and Platt, 2008), and to differences in numbers of (full-time) workers as discussed above. Comparing Figure 2.3 with Figure 2.13, we can see that it is only for Pakistani households that the proportion of income from earnings in poor households is noticeably higher among small than among all households.

Figure 2.13 Composition of non-equivalised weekly income averaged across poor households with one or two dependent children, by ethnic group (proportions), Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC. Only those groups with at least 50 cases are included.
Base: Unweighted: 3,528.
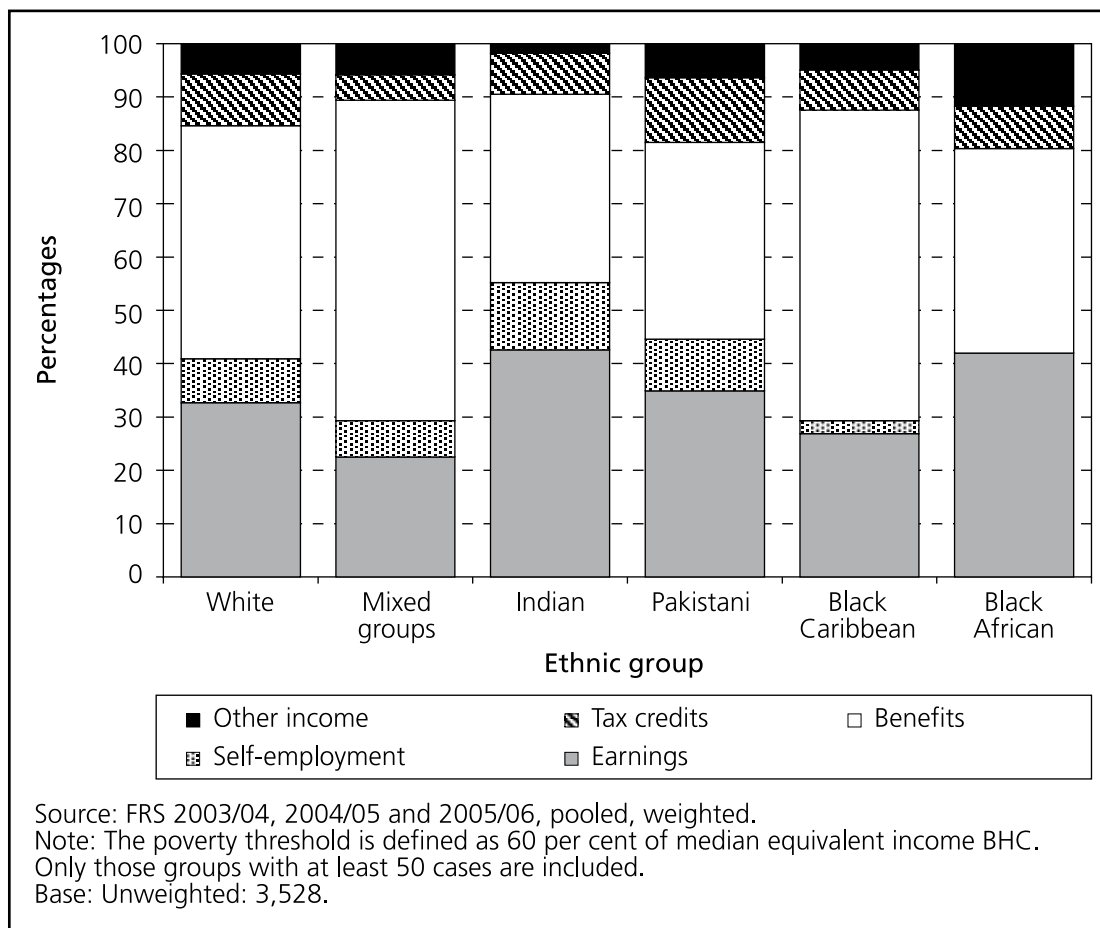
> ### Box 2.4: Summary of income sources across ethnic groups
>
> There is, then, substantial variation in components of income across groups. Average household incomes amongst households with children are highest for Indian households and lowest for Bangladeshi households. There are also clear differences between families that are and are not living in poverty, with earnings accounting for a much greater share of income among those families that are not poor, and benefits forming a much more substantial share among those that are poor.
>
> But among poor families, there are also differences across ethnic groups. Thus, poor Indian families still have a relatively large share of their income coming from earnings and a correspondingly smaller share coming from benefits. There are also differences among families above the poverty threshold. For example, benefits and tax credits make up a substantial share of the incomes of Pakistani and Bangladeshi households with children that are not in poverty, indicating the role that these income sources can play in helping families avoid poverty.
>
> In some cases the variation in income sources would seem to reflect the importance of policies such as tax credits in keeping those more at risk of poverty out of poverty. However, the proportion of income coming on average from earnings does not necessarily translate into high average incomes: pay may be the main source of income, but still relatively low. Many of the differences in composition of income are related to differences in family types. Claims on income vary in different types of family as do the range of available sources of income. For example, lone parent households have fewer adults to support from given income, but can experience constraints on participating in (full-time) paid work, especially when children are young. Families where a member has a health problem may receive health-related benefits but adults in the family may have more limited opportunities for labour market participation given ill-health or (multiple) caring responsibilities. Those families with more children attract a greater amount of child-related support, including tax credits, but still have more mouths to feed. Numbers of potential earners, but also recipients of other forms of income vary by family and household type and influence the composition of income in households.
>
> However, as when looking at poverty risks in Section 2.1, the differences in household and family type that were illustrated do not seem fully able to account for the different income sources available to households from different ethnic groups and the ways in which these income sources are combined.

Chapter 2 has illustrated the various ways in which family and household composition vary across ethnic groups and the implications of that for poverty risks and for composition of income. It has also shown that there are differences

in poverty risks with family types when looked at in turn. However, risk factors may cluster, and by looking at each individually we cannot ascertain the extent to which differences in risks are linked to such clustering. It is important, then, to consider whether there is an impact of ethnic group on poverty risks net of distributions of characteristics – or comparing 'like with like'. How much can differences in characteristics collectively explain the striking differences in poverty between groups and to what extent do differences between groups persist even when comparing otherwise similar families? To answer this question, we turn, in Chapter 3 to multivariate regression approaches to estimate the net contribution of ethnicity to poverty risks controlling simultaneously for key characteristics associated with differences in poverty chances. Chapter 3 draws on different data sources and different analytical methods to consider the question of whether there is an 'ethnic penalty' in poverty and whether the answer is consistent across sources and approaches.

3 Is there an 'ethnic penalty' in poverty?

This chapter further considers the role of the characteristics considered in Chapter 2, as well as some other key sources of variation across groups, and asks whether the minority groups considered experience an 'ethnic poverty penalty'. That is, if we control for measurable factors which we know are linked to differences in poverty risks – such as employment status and family structure – can we explain ethnic differences in poverty in terms of those risks, or are there additional, 'unexplained' differences? These differences will represent both unmeasured and unmeasurable characteristics that contribute to differences in poverty among otherwise similar families. Box 3.1 describes in more detail the concept of an ethnic poverty penalty.

The extent to which differences in poverty risks can be explained by differences in group characteristics does not make absolute differences in poverty any less of a concern. Rather, if we can explain overall differences in poverty in terms of particular group characteristics, this makes it clearer how policy might address the excess poverty of minority groups.

If, however, there **are** ethnic poverty penalties, that is, if there are unexplained differences in poverty risks between different ethnic groups, this indicates a gap in our understanding about how poverty occurs for these groups. The finding of ethnic poverty penalities draws attention to the fact that certain ethnic differences in poverty cannot simply be understood in terms of differences in risk factors which are, to a greater or lesser extent, already a focus of policy. Instead they demand further investigation and may suggest that specific tailored policies may be appropriate in certain circumstances. In the case of minority ethnic groups, we might need to understand more about, for instance, how different levels of income or different income streams are associated with comparable family and household situations depending on the ethnic group of the family, and how these differences would be best addressed.

Box 3.1: What is an ethnic poverty penalty?

This chapter defines an ethnic poverty penalty as an unexplained difference in poverty risk between otherwise similar families or children from different ethnic groups.

The term 'ethnic penalty' was used by Heath and McMahon (1997) in a labour market context. They described the expression as referring to *'all the sources of disadvantage that might lead an ethnic group to fare less well in the labour market than do similarly qualified whites'* (p.91). The authors explained the penalty as representing unobserved or unobservable differences between and within the experience of groups, which would be likely to include discrimination, but might also include other factors, such as skills, work experience and so on. They applied the concept in their analysis when identifying certain groups' higher chances of unemployment risks or lower chances of reaching professional class positions after age and qualifications had been taken account of or 'controlled' in regression analysis.

Since then, the term has been widely used in labour market analysis (Berthoud, 2000; Berthoud and Blekesaune, 2006; Blackaby et al., 2002; Heath and Cheung, 2006; Heath and Cheung, 2007). It has in some contexts been interpreted as straightforwardly representing discrimination. However, it is unlikely that such a simple extrapolation can be made, since there may be additional differences between groups that have not been adequately controlled. On the other hand to assume that if all relevant variables can be controlled there would be no ethnic penalty, and that the problem is the unobserved or unobservable measures that are not included in the models is also likely to be an oversimplification, and ultimately unhelpful. (See, for example, the discussion of this point in Heath and Yu (2005).)

The term 'poverty penalty' as used here refers to 'unexplained' differences in poverty risks and does not directly imply discrimination, since discrimination is experienced at the level of the (adult) individual and the unit of analysis for poverty is the household. Indeed, as the introduction made clear, one of the arguments for focusing on ethnic differences in child poverty rather than simply ethnic minorities in the labour market, is to acknowledge how incomes (and disadvantage) are experienced at the household level. Nevertheless, it is likely that discrimination may contribute indirectly to ethnic poverty penalties through impacting on pay, household level labour market probabilities and so on.

The value of extrapolating the concept of ethnic penalties in the labour market to ethnic poverty penalties is that it provides a way of summarising the combined effect of unobserved differences between groups without assuming particular causes. The presence of an ethnic penalty is itself an invitation to further investigation and explanation and also indicates that there is a reason for targeting policy remedies towards particular groups (for example, to increase pay or benefit take-up), as well as using policy monitoring of the overall poverty of different ethnic groups to evaluate the effectiveness of mainstream measures.

The differences summarised by the ethnic penalty might include differences in: the pay the children's parents and family receive for their work; the benefits they are eligible for or take up; additional sources of income available to the family and the ways in which these intersect in potentially complex ways.

3.1   Estimating ethnic poverty penalties

This chapter uses two approaches and two data sources to investigate what evidence there is for the existence of ethnic poverty penalties. In Section 3.2, a form of analysis is used to investigate whether a group has a higher poverty rate simply because it has more characteristics that put it at risk of poverty or whether there is an additional risk of poverty associated with being in that group. It is possible then to attribute a share of the poverty difference to the characteristics and the remainder is 'unexplained'. Such analysis is known as decomposition analysis and has on occasion been used to investigate ethnic penalties in the labour market (Blackaby et al., 2005). The advantage is that it is possible to see which characteristics are important – or irrelevant – to a given group's increased risk of poverty. The 'unexplained' penalty indicates that otherwise similar families have different chances of poverty; but if the 'explained' part contributes substantially to minority ethnic groups' poverty, then it can indicate areas that policy, as a start, could target to ameliorate ethnic minority poverty. This analysis uses the Family Resources Survey (FRS), extending the analysis in Chapter 2.

In Section 3.3, we turn to a fresh data source, the Millennium Cohort Study (MCS). This allows us to explore whether there are penalties across a particular cohort of young children, and whether the findings support those in Section 3.2. In addition, since the MCS returns to the same child (and their family) every few years, it is possible to make use of the multiple measures on the same family to take account of 'family specific effects' and unmeasured variation between families in their risks of poverty – variation that is not captured by the characteristics we control for in the analysis. In this way, we can in part address the argument – discussed in Box 3.1 – that it is unobservable differences across individuals according to their ethnic group that result in the poverty differences when core characteristics are held constant.

3.2 Ethnic poverty penalties across children of all ages

Here we use the FRS (see Box 3.2) to identify the proportion of the poverty gap between ethnic minority and white majority children that is attributable to the characteristics we investigate and the proportion that remains unexplained. For this we use decomposition analysis, as noted in Section 3.1. The key stages of decomposing poverty differences are outlined in Box 3.3.

Box 3.2: Key features of the FRS

- Large sample sizes with about 25,000 households surveyed each year.

- Full population and geographical coverage.

- Possibility to pool annual samples to increase numbers from minority ethnic groups. Three years have been pooled here, 2003/04 2004/05, 2005/06, as in Chapter 2.

- Standard measures of poverty to distinguish poor from non-poor and to calculate poverty rates by group.

- Weights to gross up to population levels and to provide raw differences in poverty between groups.

- A range of explanatory variables that can be incorporated into statistical models.

The family characteristics that were used in this analysis included the characteristics associated with increased poverty risks as discussed in Chapter 2, that is: family type, family and household size; disability within the household; work status of the household. Additional controls were: age of child; housing tenure; and region. Housing tenure and region were included as, even if they may not seem directly related to poverty risks, they can capture unmeasured factors that are associated with disadvantage, and typically add explanatory power to models of various forms of disadvantage. The range of variables, then, encompasses relevant, known characteristics where differences in distribution across ethnic groups may be expected to lead to differences in poverty, leaving any remaining ethnicity effects as unexplained or 'ethnic penalties'.

Box 3.3: Decomposition analysis

Decomposition of the poverty gap[12] involves a series of stages, as follows: (1) The entire sample was first used to calculate predicted probabilities of poverty for each of the observations in the sample. (2) The difference in the average probabilities between the group of interest (the minority group) and the comparison group (the white majority) was the total poverty gap. (3) A subsample of the white comparison group was then matched – on the basis of their poverty probabilities – to each of the minority group samples in turn.[13] (4) By replacing the distribution on a particular characteristic for the minority group with the white majority distribution of that characteristic, while holding the other characteristics constant, we can calculate the contribution of each characteristic to the poverty gap.[14] (5) The contribution to the poverty gap of the various variables is then summed; and the proportion of the overall gap that is thereby explained can then be calculated as the total contribution divided by the total gap.

The remainder of the gap is unexplained: that is, it can be attributed to different chances of poverty associated with a given characteristic (differences in coefficients), holding other characteristics constant, or to unobservable differences between the groups, rather than to the distribution of characteristics. This unobserved component is therefore treated as an ethnic poverty penalty and we can inspect how it varies across the minority groups.

Decompositions were estimated for mixed groups compared to white; Indian compared to white; Pakistani compared to white; Bangladeshi compared to white; black Caribbean compared to white; and black African compared to white.

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[12]   The approach was originally developed for continuous (numeric) variables such as pay or income. The extension of the Blinder-Oaxaca decomposition technique to binary response models was developed by Robert Fairlie (Fairlie, 2006; Fairlie and Meyer, 1996), building on an earlier application for linear response variables. Jann (2006) has written the program to implement it in Stata software. The program enables the user to specify number of replications, includes the calculation of standard errors for the contributions of characteristics and allows for the use of weighted data.

[13]   A series of random subsamples is successively drawn and the results averaged across them to replicate the effect of matching the whole of the white comparison sample to each of the minority group subsamples. In this case, 500 replications were carried out. The values from the replications are averaged.

[14]   As the ordering of the variables within the regression and thus, the order of the switching of the distributions can make a difference to the result, the orderings were randomised.

Table 3.1 summarises the results. The first row summarises the raw difference in poverty between the white majority and each of the minority groups.[15] The second row shows how much of that gap can be attributed to the differences in characteristics between the group and the white majority and the corresponding differences in average poverty risks associated with those characteristics. For example, the mixed groups have a poverty rate that is five per cent higher than the white majority. Four of this five per cent can be associated with higher risk characteristics. That is, if the mixed groups had the same distribution of characteristics as the white children's families, then they could expect to have a poverty rate four per cent lower than it actually is. In the third row this explained share is expressed as a proportion. Four per cent of a five per cent gap amounts to 80 per cent of that gap that is 'explained'. The final row gives the corresponding proportion that is unexplained. In this example, the remaining 20 per cent (or one percentage point) of the gap is left 'unexplained'.

Table 3.1   Ethnic poverty penalties: results from decomposition analysis for six minority groups compared to white majority, Great Britain

	Mixed groups	Indian	Pakistani	Bangladeshi	Black Caribbean	Black African
	%	%	%	%	%	%
Poverty gap: compared to white majority	5	9	33	44	8	16
Amount of gap (percentage points) 'explained'	4	-2	9	12	3	11
Proportion of gap explained	80	-20	27	27	38	69
Proportion unexplained: penalty	20	120	73	73	62	31
N	*346*	*513*	*391*	*165*	*399*	*382*

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income before housing costs (BHC).
Base (unweighted); all groups = 24,116.

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[15]   These gaps are largely consistent with those in Section 2.1; slight differences arise because of differences in calculating ethnic group across the sources. Specifically, the figures in Chapter 2 used the approach of the published Households Below Average Income (HBAI) for consistency, here a preferred method drawing on the ethnic group of all household members is employed. Slight differences also arise because of the cases included in the particular estimation samples.

Table 3.1 shows first the substantial differences in poverty gaps between the minorities and the majority. The gap was smallest for the mixed groups at five per cent and increased to 44 per cent for the Bangladeshi group. Given the differences in gaps the amount that could be explained in terms of percentage points was very different. Differences in characteristics accounted for 12 percentage points of the Bangladeshi gap and 11 percentage points of the black African gap. Contrasted with this, characteristics accounted for only three percentage points of the black Caribbean gap and the contribution of characteristics was negative for the Indian gap. The Indian poverty penalty is, uniquely across the minority groups, larger than their original poverty gap. Their characteristics are associated with lower than average poverty rates rather than higher than average poverty rates. That is, if Indian children had the same distribution of family characteristics as the white majority, they would have a higher poverty rate than they currently do. Their characteristics overall are more 'favourable' in terms of poverty risks than those of the majority. So the poverty of the Indian children was despite, rather than partly consequent on, their characteristics.

Turning to row three of Table 3.1, we see that for no group did characteristics explain 100 per cent of the different in poverty risks. Nevertheless, there are clear differences between the groups in the proportionate contribution of characteristics. For the mixed groups 80 per cent was explained by differences in the distribution of characteristics compared to the white children; and for black African children 69 per cent was explained. This means that these groups have relatively small poverty penalties, even though the black African children face a substantial absolute difference in poverty risks of 16 per cent.

For black Caribbean, Bangladeshi and Pakistani children the proportion explained was much smaller and the consequent penalty was much greater. This finding is particularly striking for the Pakistani and Bangladeshi children given their very high initial poverty gaps. One might expect that very high gaps would be, to a large extent, driven by very different characteristics and the distinctiveness of family and household patterns. However, though a large amount in percentage point terms can be explained for the Bangladeshi children (12 percentage points) this still leaves 32 percentage points, or 73 per cent of the gap, unexplained. On the other hand, these 12 percentage points explained are more than the overall gap for black Caribbean and Indian children.

The analysis also enabled us to interrogate the contribution of specific characteristics to the 'explained' part of the poverty gap, and the contribution of selected characteristics in terms of percentage points is illustrated in Table 3.2. This enabled us to see certain areas where differences in distributions of 'risk' characteristics are particularly important. Differences in household work status were found to be particularly important for Pakistani, Bangladeshi, and, especially black African child poverty gaps. These differences also 'explained' a substantial proportion of the poverty gaps of mixed groups and black Caribbean children. For these children, 100 per cent or more of the total 'explained' element of the gap could be attributed to differences in household work status – though the overall explained amount of poverty was rather small. This gives some support for the

potential of an employment agenda to reduce poverty in these cases.

For Indian children, however, their household work status would imply lower child poverty rates – a poverty advantage rather than a poverty gap. In fact most of their characteristics were negatively associated with poverty on average, suggesting they should have a lower poverty rate than their white comparators rather than a higher poverty rate. Family size contributed to the poverty gap for Pakistani, Bangladeshi and black African children but not to children from other groups. Even for Pakistani, Bangladeshi and black African children, the marginal impact of larger family sizes did relatively little to explain the overall poverty gaps.

Table 3.2   Contribution of selected characteristics to 'explained' share of poverty gap in percentage points, by ethnic group, GB

	Mixed groups	Indian	Pakistani	Bangladeshi	Black Caribbean	Black African
Total 'explained' poverty gap	4%	-2%	9%	12%	3%	11%
Characteristics' contribution to amount explained						
Family type	0.2	0.8	0.9	1.2	ns	ns
Work status	4.0	-1.7	6.6	8.7	4.5	10.3
Housing tenure	1.5	-1.7	-1.5	1.1	1.4	3.1
Region	-0.9	-1.2	0.9	-1.4	-1.5	-2.6
Number of children	ns	0.1	1.4	1.8	-0.3	0.8
Presence of a sick child	ns	0.5	1.5	1.6	ns	1.1
N	*346*	*513*	*391*	*165*	*399*	*382*

Source: FRS 2003/04, 2004/05 and 2005/06, pooled, weighted.
Notes: ns = not statistically significant; the contribution of the specified characteristics do not necessarily add up to the total 'explained' share as only the most pertinent variables in the models are included here. The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base (unweighted): all groups = 24,116.

The differences in the 'explicability' of poverty across groups are also picked up in subsequent analyses and are summarised in the discussion of individual group experiences in Chapter 9. First, Section 3.3 moves on to examine poverty penalties using a different data source and a different approach. By exploring the results across both sources, we hope to see the extent to which a robust story of penalties and different groups' experience can be built up, including the extent to which a recent cohort of children appears to have the same or different outcomes to the children of all ages from across the different groups. It is also intended that these complementary analysis should together help to indicate areas that deserve further attention.

3.3   Ethnic poverty penalties across families with young children

This analysis explores the question of an ethnic poverty penalty from an alternative perspective and with different data, the MCS. Box 3.5 summarises the key features of the MCS for the purposes of the analysis carried out here.

Box 3.4: Key features of the MCS

- A cohort of about 18,000 children born in 2000/01 who are followed over time.

- Includes oversamples of areas containing high proportions from minority ethnic groups, so can be used for analysis of ethnic group differences.

- Covers whole of UK.

- Analysis uses first two waves conducted when children were aged about nine months and about three years.

- Questions on income sources in each wave, and derived low income measure based on 60 per cent of median household income covering two-thirds of families supplied for Waves 1 and 2.[16]

- Repeated observations on same family over more than one time point allows estimation to take account of unobserved differences between families, not captured by observed characteristics, but which may influence poverty outcomes.

- Interviews with main carer used to give information about the family the child is growing up in.

In this analysis, chances of being in poverty were estimated using a model that took account of the fact that there were two observations for each family, so that we could take account of family specific effects in the analysis and of unobserved variation between families (see Box 3.5). As before, the analysis controlled simultaneously for all the major risk factors considered in Chapter 2 (family type

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[16]   The fact that the families are those with young children, means that we would not expect the distributions of income and poverty to be the same as those for all children in the FRS. However, we should still note that the less detailed household income data from which the poverty estimates are derived and the fact that equivalised income – and consequently poverty status – cannot be constructed for the whole of the sample, makes the poverty information potentially less robust than that in the FRS/HBAI. But since the focus is on relative poverty risks rather than population totals, the data are still potentially highly informative about differences in ethnic group poverty risks and about ethnic poverty penalties.

and size; work status of family and disability status of family). In addition, as before, housing tenure was included, and additional variables relating to parental social class were also included (these were also used in subsequent analysis using the MCS, so providing consistency across the analyses). The design of the MCS means that area is incorporated into the weights to adjust for design effects and these were used in the modelling. As with the FRS analysis, any remaining ethnicity effects over and above differences between groups associated with different distributions of these 'risk' characteristics would then imply unexplained differences between the groups or 'ethnic penalties'.

Probabilities (risks) of poverty were estimated from the model at average[17] values of the characteristics controlled for. This makes it possible to see the impact of ethnic group over and above family characteristics, but also to compare that impact of ethnic group with differences in family type and employment status.

Box 3.5: Estimating poverty penalties: analysis using panel data

To investigate poverty penalties a model for being in poverty compared to not being in poverty was estimated. The model controlled for a range of variables and focused on whether there remained measurable ethnic group differences in chances of poverty. The model used the two waves of information on the same family to estimate whether there were family specific effects associated with the poverty outcomes.[18] It, thereby, took account of unobserved heterogeneity, that is, variation between families in ways that could not be directly included in the model as explanatory variables. The model tests whether these family differences are associated with the outcome – poverty; and assumes that they are not correlated with any of the explanatory variables, including ethnic group.[19] Estimation of the model indicated that unobserved heterogeneity did indeed play a part in families' risks of poverty. That is, the model indicated that a substantial proportion of the variance could be attributed to the individual family component. Reported effects are then reported net of these unobserved influences.

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[17]   'Average' is used here to refer to either the mean value (of age, for example) or the most common value (of marital status, for example) or the middle value (of social class, for example).

[18]   Specifically, a random effects probit was used (Conway, 1990), and standard tests were employed to check its robustness for the analysis.

[19]   This is quite a strong assumption but the advantages of this approach in exploiting these particular data, in providing additional information and complementing the previous analysis was felt to justify it.

3.3.1   Results from the estimation of poverty: ethnic poverty penalties for young children

The model results indicated that, after the various variables included in the model were held constant, statistically significantly greater chances of poverty were still found for young children in:

• mixed ethnicity;

• Indian;

• Pakistani; and

• Bangladeshi families

compared to white families.

In the terms of this chapter, then, all these minority groups faced an 'ethnic penalty' in poverty. There was, however, no statistically significantly increased chance of poverty for young black Caribbean or black African children, once family characteristics were held constant.

Figure 3.1 uses the model results to estimate the predicted chances of poverty for two different family types, holding all the other family characteristics fixed at average values. The estimated probabilities of poverty are given for white children and for children in mixed ethnicity, Indian, Pakistani and Bangladeshi families, where chances of poverty were statistically significantly different from those of white families. The two family types were chosen as, first, families where poverty risks are generally low (couples with one person in work in a reasonably good job); and second, families where poverty risks are high (lone parent families not in employment). Note that these are illustrative estimates constrained to the average values of all the other variables and do not represent actual chances of poverty for particular individuals. Moreover, the estimates are net of the contribution of unobserved factors, the poverty risks. The illustrations do, though, enable us to see the impact of the ethnic poverty penalties in terms of the variation across ethnic groups, and also the scale of those penalties relative to other factors associated with poverty risks: household work status and family type.

Figure 3.1 clearly reveals the scale of the ethnic penalties across the different family types. The first section of Figure 3.1 shows how for young white children living in a couple parent family with a partner in work and other characteristics at average values, poverty risks are estimated as low: six per cent. By contrast, Bangladeshi children living in such families have an estimated 45 per cent chance of being poor. The risks for Pakistani children are also high compared to white children: a quarter of them are predicted to be in poverty. The risks for Indian and mixed children are double those of comparable white children and would, therefore, seem high if they were not dwarfed by the risks of young Bangladeshi children.

Figure 3.1   Predicted poverty risks across two family types, by ethnic group at average values of all other characteristics, UK

Source: MCS, Waves 1 and 2.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base: 21,622 observations over 11,953 cases.
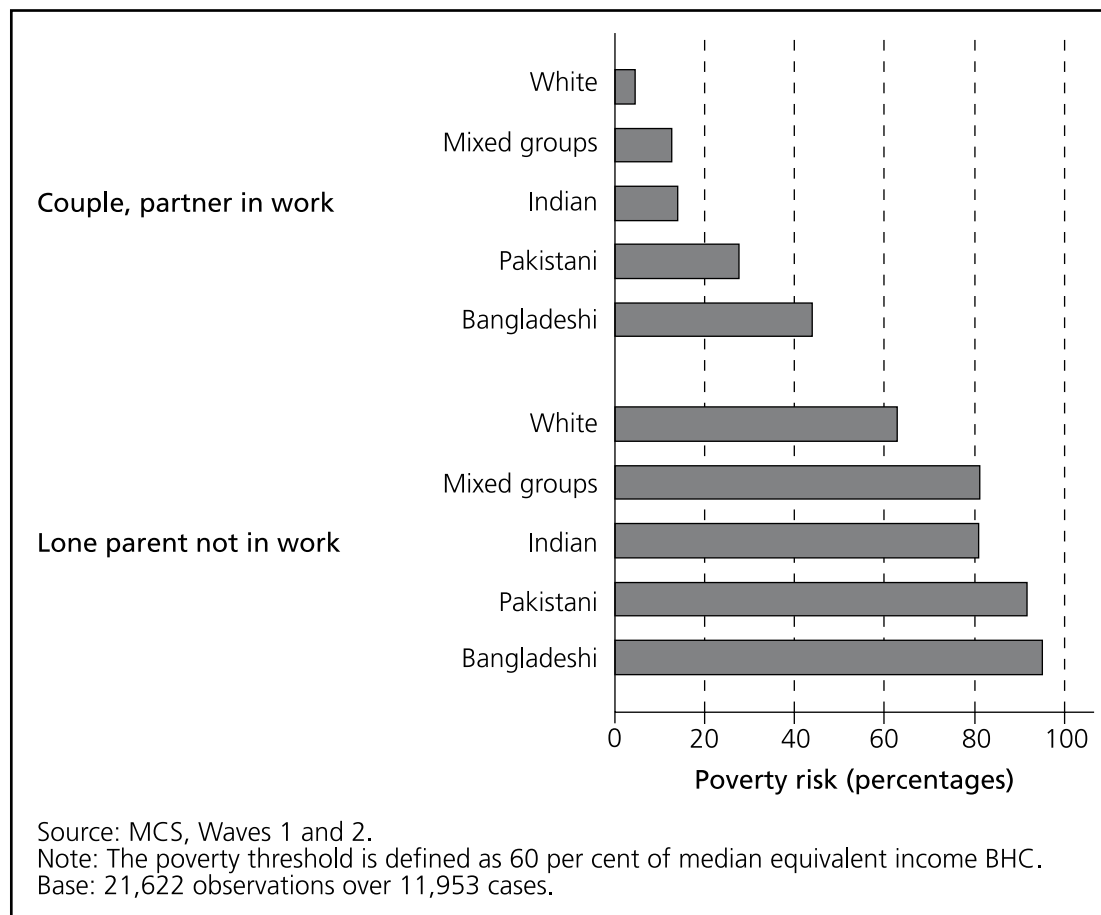
The second section of Figure 3.1 shows the very high poverty risks of lone parent families with young children where the parent is not in work. Over 60 per cent of white children in this situation can expect to be poor for a given set of characteristics. However, this rises to 80 per cent for mixed and Indian children in this situation and to over 90 per cent for Pakistani and Bangladeshi children.[20] Given that risks cannot be higher than 100 per cent for any group, the impact of ethnicity appears less dramatic where, as here, the baseline risks are high.

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[20]   It should be noted that these estimates do not precisely reflect the actual level of poverty among lone parents within the sample, since the estimates are created for hypothetical cases. Moreover, poverty among lone parents in the MCS appears to be somewhat higher than in other sources. The key point that the figure is illustrating, however, is the differences between ethnic groups, and that the higher the overall risks of poverty are, the less dramatic differences between groups appear. The fact that there is differentiation between groups remains of interest.

Overall, the particularly disadvantaged situation – and the large ethnic penalties – of Bangladeshi children relative to white children stands out. However, we can see that these risks are still lower than for a lone parent not in work from any group.

Box 3.6: Summary of ethnic poverty penalties

This analysis amplifies the description of poverty rates according to individual characteristics in Chapter 2, revealing the extent to which we can make sense of poverty differences between ethnic groups in terms of differences in known family and household characteristics. There is clear evidence that different risks of poverty across groups cannot be straightforwardly understood in terms of family composition and other family characteristics. There is instead evidence of ethnic poverty penalties: greater risks of poverty for children from minority groups than for apparently similar children from the white majority. Overall, we see that the different profiles of groups can go some way, for most groups, to explaining their differences in poverty. Nevertheless, when we simultaneously model a range of factors which can potentially contribute to higher poverty rates we still find particularly striking penalties.

The scale of the penalty varies across groups, however, just as there we saw in Chapter 2 that there was variation in the absolute poverty risks. All groups, except Indian children, have family characteristics that put them at higher risk of poverty and therefore explain some part of their poverty. However, the unexplained component of high poverty rates is larger for Pakistani and Bangladeshi children than for black African, black Caribbean and mixed ethnicity children. For Pakistani and Bangladeshi children there seems much left to explain about their poverty risks. While black African and black Caribbean children are vulnerable to poverty through their family circumstances – circumstances which are potentially amenable to policy. Indian children face relatively low poverty risks among the minority groups; but, according to their characteristics, their poverty 'gap' should be a poverty 'advantage'. That is, rather than explaining some part of their above average poverty rates, their characteristics would lead to expectations of lower poverty than the white majority. The fact that they have higher poverty, then, constitutes a penalty that is larger than their overall gap.

One way of thinking about the poverty experience of minority groups is in terms of the cumulative impact of being economically marginalised, which limits opportunities for saving or to develop resources for more stable or higher paid employment. The analysis up to this point has only explored poverty at a point in time. Chapter 4 continues to use the MCS to explore poverty persistence and movements into and out of poverty among young children.

4   Poverty persistence and transitions

Over the last few decades or so there has been substantial interest in the extent to which poverty is a dynamic state, or conversely persists over time (Cappellari and Jenkins, 2004; Hills, 1995; Jarvis and Jenkins, 1997; Jenkins and Rigg, 2001; Walker and Ashworth, 1994). In addition there has been interest in the events associated with entry into, or exit from, poverty and 'welfare' (that is, the use of social assistance) (Bane and Ellwood, 1986; Jenkins, 2000). Measures of poverty persistence derived from the British Household Panel Survey (BHPS) are now routinely included in the annual publications of *Households Below Average Income*, and are incorporated into Opportunity for All indicators (Department for Work and Pensions (DWP), 2007a).

There has, however, been practically no investigation of poverty dynamics across ethnic groups in the UK. This is largely a matter of lack of suitable data since the BHPS, for example, does not have large enough sample sizes to facilitate analysis by ethnic group. The Millennium Cohort Study (MCS), by including both an ethnic minority boost and income questions enables initial exploration of poverty transitions among young children by ethnic group and across two time points (see Box 4.1).[21]

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[21]   At least for the two-thirds of the sample in either wave for whom there are derived variables on equivalised income and poverty measured as below 60 per cent of median equivalised household income.

> **Box 4.1: Key features of the MCS for transitions analysis**
>
> - A cohort of about 18,000 children born in 2000/01.
>
> - Follows the same children over time, so can track their poverty status at successive time points.
>
> - Includes oversamples of areas containing high proportions from minority ethnic groups, so can be used for analysis of ethnic group differences.
>
> - Covers whole of UK.
>
> - This analysis uses first two waves conducted when children were aged about nine months and about three years.
>
> - Questions on income sources in each wave, and derived low income measure based on 60 per cent of median household income covering two-thirds of families supplied for Waves 1 and 2.
>
> - Interviews with main carer used to give information about the family the child is growing up in.

The analysis starts by describing the poverty rates for the groups at the different time points in Section 4.1. Knowing the poverty status for the same children at two different time points allows description of poverty persistence (being poor at both time points), exits (being not poor at the second time point given poverty at the first time point) and entries (being poor at the second time point having not been poor at the first time point). Children who experience none of these situations are not touched by poverty at either time point.

Section 4.2 investigates the events associated with moves into and out of poverty. Section 4.3 estimates chances of entry and exit for ethnic group controlling for family characteristics.

4. 1   Income and poverty transitions between Wave 1 and Wave 2

Figure 4.1 illustrates the simple plotting of equivalised income for the first two waves of the MCS. If incomes were consistent across the two time points the result would be a straight line, with higher incomes in Wave 1 directly corresponding to higher incomes in Wave 2.

Figure 4.1 The relationship between incomes at Wave 1 and those at Wave 2 for the families of young children, by ethnic group, UK

Sample sizes: 100; 247; 385; 111; 129; 166.

Source: MCS, Waves 1 and 2, weighted.
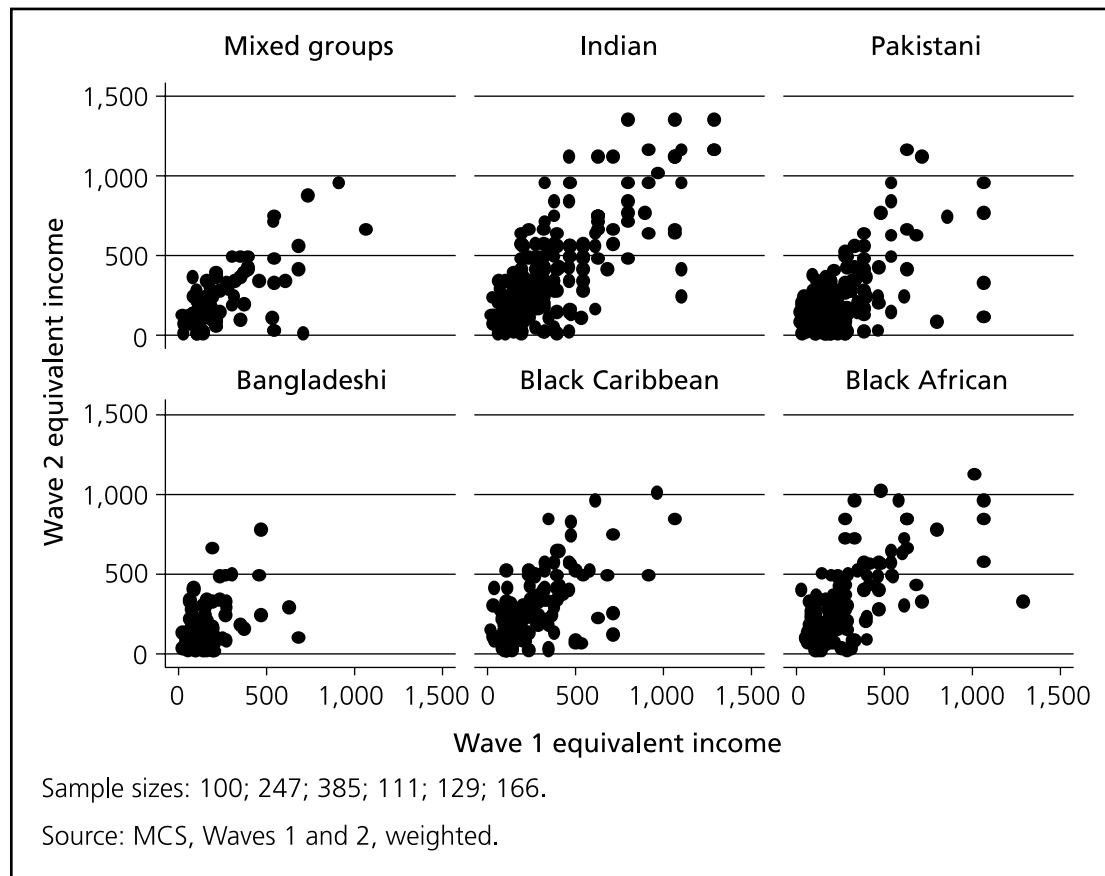
Figure 4.1 shows that for most groups there is a tendency to cluster round the diagonal, suggesting that to a large extent families' incomes remain similar across the two time points. However, there is a lot of movement either side of that line with increases and decreases in income between the two time points. This illustration covers the whole distribution and we are more concerned with what is happening at the bottom for those who are below 60 per cent of the median equivalised income at either time point.

Table 4.1 illustrates the proportions poor from each group at either time point. This gives the basic rates and allow comparison with the figures from the Family Resources Survey (FRS) in Chapter 2.

Table 4.1   Poverty rates at Waves 1 and 2, by ethnic group, UK

	Wave 1 poverty rate %	Wave 2 poverty rate %
White	22	23
Mixed	37	49
Indian	20	23
Pakistani	58	76
Bangladeshi	65	67
Black Caribbean	39	43
Black African	39	39

Source: MCS, Waves 1 and 2, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income before housing costs (BHC).
Bases (unweighted): Wave 1 = 16,941; Wave 2 = 13,024.

Table 4.1 gives a similar picture – and ranking – of child poverty as that found in the Households Below Average Income (HBAI) data which form the basis of official estimates. In some cases the actual rates are somewhat higher – for example, black Caribbean poverty rates and the rates for Pakistani children in Wave 2. However, it should be noted that this survey only covers families with young children, and so we would expect some differences. Moreover, this survey was not designed specifically to collect income data and to provide measures of poverty, so the figures may not be as robust as those in the FRS/HBAI. Nevertheless, the high degree of congruence between the poverty rankings and even many of the rates and those illustrated in Chapter 2, lends confidence to using them to explore the relative patterns of poverty entry and exit between groups.

Table 4.2 focuses on the different patterns of poverty transitions across the groups, describing the proportions of those who were not below the poverty threshold at either time point, those who entered poverty, those who exited poverty and those who were in poverty at both waves.[22] Proportions for the minority groups which are significantly different from the shares of the white majority are indicated in **bold**.

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[22]   For the latter group, we cannot assume that they were poor continuously over the period (Hills et al., 2006), but those who were and those whose incomes fluctuated close to the poverty threshold will dominate this group.

Table 4.2   Poverty transitions, by ethnic group, UK, row percentages (confidence intervals)

Ethnic group	Not poor in both waves	Not poor Wave 1, poor Wave 2 ('entries')	Poor Wave 1, not poor Wave 2 ('exits')	Poor in both waves
White	70 (68-72)	8 (7-8)	7 (7-8)	15 (14-16)
Mixed	**42** (30-55)	**21** (13-34)	9 (4-16)	**28** (20-38)
Indian	69 (59-77)	12 (7-19)	9 (5-15)	11 (7-17)
Pakistani	**24** (17-32)	**18** (13-23)	10 (7-14)	**48** (39-57)
Bangladeshi	**20** (9-38)	15 (8-25)	13 (8-21)	**52** (39-65)
Caribbean	**47** (35-60)	**14** (9-21)	10 (5-18)	**29** (20-40)
Black African	53 (36-70)	8 (3-17)	8 (4-13)	**31** (21-44)

Source: MCS, Waves 1 and 2, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Base (unweighted): 11,696.

As the top row of Table 4.2 shows, for the white children making up the majority of all children, 70 per cent were not in poverty at either wave. The patterns for the minority groups are clearly rather different. We can see that there were significant differences from the white majority in poverty persistence (final column) for all minority groups apart from the Indian children. Around half of Pakistani and Bangladeshi children were poor at both waves.

Also of concern are the statistically greater chances of entry into poverty, compared to the white majority, for children from mixed groups, Pakistani children and Caribbean children. Entries into poverty indicate that the protective aspect of being out of poverty at one time point is weaker for these groups than overall. Even if children manage to be born into a family that is not in poverty, they may yet be poor two or three years later. And the chances of this, while relatively small on average, are relatively high for Pakistani children and children from mixed groups where around a fifth of them are in this position.

4.2   Poverty transitions and events

Following the approach pioneered by Bane and Ellwood (Bane and Ellwood, 1986), and pursued by Jenkins (Jenkins, 2000; Jenkins and Rigg, 2001) in the UK context, we move on to look at the events associated with poverty transitions. The aim was to identify a mutually exclusive list of demographic and work-related events (see Box 4.2) and the extent to which they occur in the same period as the moves into or out of poverty and could therefore be associated with them.

Box 4.2: Events associated with poverty transitions

Demographic events identified that could relate to an exit from poverty were: moves between lone and couple parent status, a decrease in the number of children (and, therefore, a decrease in needs), an increase in the number of other adults (and, therefore, potential sources of income), a decrease in the number of other adults (and, therefore, needs). Work-related events considered were: a move into work by the main carer; a move into work by the partner; a change in classification of job for main carer; a change in job classification for partner; an increase in hours for main carer or for partner. Other events, not separately classified, could include increases in pay within the same job or increases in partner's pay.

A similar set of events was also constructed that could be associated with an entry into poverty. These were: moves between couple and lone parent status; an increase in the number of children; a decrease in the number of adults; an increase in the number of adults; a move out of work by the main carer or partner; a change in job classification for main carer or partner; and a decrease in hours for main carer or partner.

A demographic event may also entail a work-related event, but the logic in this ordering is that the work-related event would then be dependent on that change rather than distinguishable from it. The work-related events are considered only where the family has remained constant in terms of composition. The events are mutually exclusive and organised hierarchically.

Table 4.3 shows the share of exits associated with each event across young children from all ethnic groups. It illustrates what share of all exits are associated with a range of demographic and employment-based events for couple parent families at Wave 1 and for lone parent families at Wave 1. Changes relating to a partner's work clearly only apply to couple parent families.

Table 4.3   Demographic and work events associated with exit from poverty, by family type, UK, column percentages

Event associated with exit from poverty	Couple parents at Wave 1	Lone parents at Wave 1
Lone to couple parent	--	53
Couple to lone parent	6	--
Decrease in number of children	3	2
Increase in household size	22	7
Decrease in household size	4	8
Move of main carer into work	15	10
Move of partner into work	6	--
Change of job type (social class category) of main carer	7	4
Change of job type (social class category) of partner	11	--
Increase in main carer's working hours	2	1
Increase in partner's working hours	3	--
Other	21	16
All events	100	100

Source: MCS Waves 1 and 2, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Bases (unweighted): couple parents = 735; lone parents = 305.

We can see from Table 4.3 that both demographic and work-related events are associated with exits. However, changes in household composition appear to be particularly important for these families with young children. For lone parents, over 50 per cent of exits are associated with becoming a couple, while for a quarter of couple parents, a change in household size is associated with exiting poverty. Moves of the main carer into work account for 15 per cent of exits for couple parents and ten per cent of poverty exits for lone parents.

The importance of demographic events relative to employment-related events is perhaps surprising. They may, of course, as noted, be associated with work-related events in terms of enabling the parent to take up work or stemming from a move into work. For example, Paull (2007) has shown the interconnectedness of work and (re)partnership for lone parents. In addition, those carers who are already working and yet in poverty cannot improve their economic position through a move into work, though they can – and clearly do – through job changes. Nevertheless, the results suggest that increasing labour market participation **on its own** may only be having a limited impact on moving young children out of poverty.

Table 4.4 shows, by contrast, events associated with the risk of moving into poverty at Wave 2 among those not poor at Wave 1.

Table 4.4 Demographic and work events associated with entry into poverty, by family type, UK, column percentages

Event associated with entry into poverty	Couple parents at Wave 1	Lone parents at Wave 1
Lone to couple parent	--	17
Couple to lone parent	23	--
Increase in number of children	26	8
Decrease in household size	3	14
Increase in household size	1	5
Move of main carer out of work	6	10
Move of partner out of work	6	--
Change of job type (social class category) of main carer	9	10
Change of job type (social class category) of partner	8	--
Decrease in main carer's working hours	1	1
Decrease in partner's working hours	1	--
Other	15	36
All events	100	100

Source: MCS, Waves 1 and 2, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Bases (unweighted): couple parents = 929; lone parents = 111.

Table 4.4 shows that, once again, demographic events are important. For couple parents, becoming a lone parent is associated with 23 per cent of moves into poverty, while an increase in family size is associated with 26 per cent of entries. For lone parents, losing household members is important in entries – as gaining them was important to couples in exits. This could relate to grown-up children or other family members who were working leaving home. Employment related-events also appear to be more important for lone parents than for the main carers in couple relationships, though again, moves to lone-parenthood may well be associated with loss of employment or earnings.

For lone parents, over a third of exits are associated neither with events identified as demographic nor with those identified as work-related. These 'other' events could relate to changes in rates of pay, but also to other changes in income. For example, entries could be associated with interruptions in maintenance. There is likely also to be some uncertainty associated with both the fact and timings of changes and measurement of income and income sources, which may become more acute for smaller groups, such as the lone parents entering poverty, here.

A key question arising from this breakdown of events related with entry and exit across the whole sample is whether different events –or types of events – are more or less important in terms of triggering transitions for minority ethnic families.

To look at the variation by ethnic group, in order to deal with small numbers of transitions for each group, lone and couple parent families have been combined and events have been aggregated into three broad groupings: demographic, work-related or 'other'. Table 4.5 illustrates the distribution of these three types of event for each ethnic group and their association with poverty exit and poverty entry. Proportions in bold are statistically significantly different from the comparable proportions for the white majority proportion.

Table 4.5   Demographic and work events associated with exit from and entry into poverty, by ethnic group, UK

	Share of events associated with exit, row percentages			Share of events associated with entry, row percentages		
Ethnic group	**Demographic**	**Work-related**	**Other**	**Demographic**	**Work-related**	**Other**
White	48	31	21	48	30	22
Mixed groups	**67**	**16**	17	**68**	**14**	18
Indian	50	33	17	51	29	19
Pakistani	**64**	**12**	24	**67**	**11**	22
Bangladeshi	**67**	**14**	19	**67**	**13**	19
Black Caribbean	**64**	**20**	16	**64**	**19**	17
Black African	**66**	**13**	21	**67**	**15**	18

Source: MCS, Waves 1 and 2, weighted.
Note: The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Bases (unweighted): exits = 1,040; entries = 1,040.

Table 4.5 shows that, interestingly, for all the minority groups except Indians demographic events play a more important role in exits than they do for the families of white children, with work-related factors playing a correspondingly lesser role. And these differences are statistically significant, as the table illustrates. Turning to entries, in the right hand side of the table, the pattern is remarkably similar, even though the particular demographic events and their combinations vary. It might perhaps have been expected that more entries would be associated with changes in work status alone – and thus, labour market vulnerability. Instead, it seems that it is the impact of changing household structure that increases the relative chances of entry for some groups. It should be emphasised, though, that as well as the interconnection between demographic and work-related events, this sample is one of parents with small children. There are, therefore, likely to be much greater constraints on labour market participation (and changes in hours) than for families with older children.

4.3   Modelling poverty transitions

We return to the descriptive patterns of transitions shown in Table 4.2 to estimate the chances of entry and exit for different ethnic groups, once key characteristics are held constant (see Box 4.3). This parallels some of the analysis of ethnic poverty

penalties in Chapter 3. That is, we explore the extent to which differences in family characteristics by group can help to explain the differences between groups in entry and exit, shown in Table 4.2. We also examine whether we continue to find statistically significant ethnic group variation in chances of exit and entry once we compare like with like.

Box 4.3: Analysis of poverty transitions

We estimate the probability of exits (among all those poor at the first time point) and of entries (among all those not poor at the first time point) using regression models, controlling simultaneously for a range of relevant family characteristics, as used in the poverty risks analysis in Chapter 3. This helps us to understand the characteristics associated with exit and entry and whether certain ethnic groups are more likely to enter or less likely to exit poverty, or suffer 'penalties' in their poverty transition, once other characteristics are held constant.

As in Chapter 3, in addition to ethnic group, the models controlled for family type and size, family work status and family health status, the key characteristics analysed in relation to their differential poverty risks in Chapter 2. In addition they also controlled for other variables that have been associated with disadvantage in a range of analysis (housing tenure, social class). The design was based on sampling from particular areas and the weights adjusted for design effects.

Table 4.6 illustrates where there are significantly lower risks of exit or significantly greater risks of entry for children from minority groups compared to children in white families. It summarises the ethnic group coefficients from models which included the full set of potentially explanatory variables to explore the net association of ethnic group with entry and exit. In Table 5.6, '-ve' means a reduced chance of experiencing that outcome, '+ve' means an increased chance. Only statistically significant results are indicated. Those that are significant at the ten per cent level (which is considered marginal) are shown in brackets; those not in brackets are significant at the five per cent level or less. The remainder are shown as 'ns': not significant.

Table 4.6   Differences in the probability of poverty entry and exit among children, by ethnic group, UK

Ethnic group (reference category = white)	Exit	Entry
Mixed	(-ve)	+ve
Indian	ns	+ve
Pakistani	-ve	+ve
Bangladeshi	-ve	+ve
Black Caribbean	ns	ns
Black African	(-ve)	ns

Source: MCS, Waves 1 and 2, weighted.
Notes: Standard errors for the coefficients are adjusted for design effects. The poverty threshold is defined as 60 per cent of median equivalent income BHC.
Bases (unweighted): Exit = 3,539; Entry = 8,157.

Table 4.6 shows that being Pakistani and Bangladeshi decreased chances of exit, as did (at the ten per cent significance level) being from a mixed group or a black Caribbean family. This illustrates that even when taking account of household composition and family characteristics and with children born at a very similar time, being from these ethnic groups was associated with a lower probability of exiting poverty.

Turning to entries in the second column of Table 4.6, mixed, Indian, Pakistani and Bangladeshi children all faced higher risks of entering poverty by Wave 2, even when they had not been in poverty at Wave 1. The additional risk of entering poverty is perhaps of particular concern since it means that it is not sufficient for these groups to be out of poverty in the first place – or at an earlier point – to equalise their chances with those of the majority of children, even when they have otherwise similar characteristics. This is a point we return to in Chapter 6 which analyses workless household transitions.

For children in black Caribbean and black African families, however, once we control for family characteristics, entries into poverty are not significantly more likely than they are for white children.

Box 4.4: Summary of poverty transitions

This section has shown the variation in patterns of poverty transitions across the groups. Children from some groups are very likely not to have been poor at either wave, while for other groups there is both more poverty persistence and more movement between poor and non-poor states. The analysis showed that such movements were more likely to be associated with demographic events (changes in the composition of the household) than with purely work-related events for minority groups compared to the white majority.

Continued

A number of groups were disadvantaged relative to the majority in terms of both exits and entries, even when holding family characteristics constant. Pakistani and Bangladeshi children were at greater risk of both remaining poor (i.e. of not exiting poverty) and of becoming poor, even when controlling for family characteristics. They appear to suffer 'penalties' in relation to their poverty transitions. It is an interesting finding that, comparing like with like, not only do these groups have relatively high rates of poverty persistence, but being out of poverty also carries higher risks of subsequent entry than it does for the majority. This might indicate that families from these groups are very close to the margins of poverty even when they manage to escape poverty.

Up to this point, we have focused on income poverty across ethnic groups. The next two chapters explore the experience across groups in terms of alternative measures that are poverty-related. Chapter 5 examines the risks of material deprivation according to ethnicity, while Chapter 6 investigates the risks of moving into or out of a workless household.

5 Material deprivation across ethnic groups

This chapter complements the analysis of income poverty in the previous chapters by exploring patterns of material deprivation and how these vary across ethnic groups. It thus adds insights into variations in 'living standards' to the clear evidence of poverty penalties when poverty is analysed in conventional terms of income. Using the Family Resources Survey (FRS) (see Box 5.1), it describes the patterns of deprivation across the different groups, and again investigates if these appear to constitute an ethnic penalty. That is, are higher rates of deprivation still observed for minority groups when we compare otherwise similar families?

Box 5.1: Key features of the FRS for deprivation analysis

- Large sample sizes with about 25,000 households surveyed each year.

- Full population and geographical coverage.

- Possibility to pool annual samples to increase numbers from minority ethnic groups. The two years with deprivation measures have been pooled: years 2004/05 and 2005/06.

- Detailed suite of deprivation measures.

- Detailed income questions, and poverty measures in standard Households Below Average Income (HBAI) form.

- Allows direct comparison with official low income statistics (as published in HBAI).

5.1 Introduction to material deprivation

Interest in measuring material deprivation, either as a complement to income measures or as a 'direct' measure of poverty is longstanding (Gordon *et al.*, 2000; Gordon and Pantazis, 1997; Mack and Lansley, 1985; Nolan and Whelan, 1996; Townsend, 1979). Material deprivation measures are argued to provide a better indication of living standards – or to complement income measures. They can also

provide a way of thinking about what poverty 'means' in terms of lacks of goods or experiences enforced through lack of resources. Box 5.2 outlines the approach to measuring material deprivation employed in this chapter.

Some would argue that since income does not measure standard of living directly, it would be preferable to employ measures that do (Ringen, 1987). Others argue that deprivation indicators are not sufficiently sensitive to measure standard of living themselves and should be taken as indicative, rather than as directly representing standards of living themselves (Berthoud et al., 2004; Platt, 2006c). There has also been some discussion of the extent to which it makes sense to sum different dimensions of people's experience (Cappellari and Jenkins, 2007b).

It seems clear, though, that material deprivation measures have the potential to amplify our understanding of poverty and the experience of poverty, even if they cannot (or should not) replace income measures. This was recognised with the inclusion, following consultation, of material deprivation as part of the monitoring apparatus for the child poverty targets (Department for Work and Pensions (DWP), 2003), and the subsequent collection of deprivation indicators in the FRS from 2004/05.

Box 5.2: Measuring deprivation

The best way of using and reporting the deprivation indicators as well as identifying what constitutes as cut-off for demonstrating 'deprivation' has been part of the wider debate on the use of such indicators (McKay, 2004). And various ways of 'adding up' deprivation measures have been proposed (Berthoud *et al.*, 2004; Cappellari and Jenkins, 2007a; Gordon, 2006).

This report uses the approach proposed by Willitts (2006) and adopted for the reporting of child poverty indicators. The approach involves weighting the measures according to their prevalence in the population: lacking an essential item or experience is more serious if more people have it. The weighted measures are totalled and the resulting score is then adjusted so that it falls between 0 and 100. There are numerous benefits to this approach, as Willitts points out.

The main disadvantage to measuring deprivation in this way, is that the score has no immediately obvious interpretation. Being one point higher does not translate into lacking an item more. Instead, the score should be understood as a continuum of deprivation: it is the relative position rather than the actual score that is meaningful.

For the DWP's child poverty monitoring purposes, a score of 25 or higher combined with being below 70 per cent of median income has been used. However, for the purposes of this report, there is no attempt to replicate that monitoring target because the purpose here is to explore patterns of deprivation and how these differ between ethnic minority groups. The interest instead is in variation between groups in average deprivation scores.

The analysis starts by examining the average deprivation scores across groups; and then proceeds to a regression framework, investigating whether there is an ethnic penalty in children's risks of living in a deprived family, holding constant those family characteristics which may be important to risks of deprivation (Brewer *et al.*, 2008).

5.2   Describing deprivation across ethnic groups

We look first, in Table 5.1, at the average deprivation scores across ethnic groups. A higher average score means that families with children from that ethnic group are on average more deprived than those with a lower average score. Those scores which are emboldened indicate a statistically significant difference in the scores compared to white majority families. Table 5.1 provides the scores across all families (Column 1) and then across those children in families which are poor according to the relative low income measure (Column 2). Column 3 gives the deprivation scores for those families that are not poor in relative income terms.

Table 5.1   Average deprivation scores in poor and not poor families with children, Great Britain

	All families with children	Poor families with children	Non-poor families with children
White	14	29	11
Mixed groups	**22**	36	**18**
Indian	14	29	10
Pakistani	**27**	**36**	**20**
Bangladeshi	**32**	**38**	**25**
Black Caribbean	**22**	33	**18**
Black African	**30**	**47**	**23**

Source: FRS 2004/05, 2005/06, pooled, weighted.
Note: Income poverty is defined as being below 60 per cent of median equivalent income before housing costs (BHC).
Base = 14,773

The first column of Table 5.1 reveals large differences in deprivation scores. There appear to be three bands of deprivation: Indian and white families with children have the lowest average deprivation scores; in the middle are black Caribbean and mixed ethnicity families; and the highest average deprivation scores are to be found across Pakistani, black African and Bangladeshi families.

The differences between groups were broadly similar to those differences in income poverty illustrated in Chapter 2; and the ranking of the groups was also similar. However, the deprivation of Indian families was perhaps lower than their poverty rates might have led us to expect and that of black African families somewhat higher.

Given this apparent correspondence between deprivation rank and poverty rank, we might expect that deprivation is simply providing the same information as poverty expressed in a different way, and that, therefore, when we look among income poor families, if income poverty summarises a common experience then there would not be systematic variation between groups in levels of deprivation.

Consistent with our expectations, in Column 2 of Table 5.1, we see that for all groups average deprivation was substantially higher among poor families with children than it was among not poor families. Regardless of ethnic group, poor families were, on average, more deprived than not poor families.[23]

However, it was not the case that there was no systematic variation among poor families. There was substantial variation in the average deprivation scores between groups, even among the income poor, with higher average deprivation scores among poor Pakistani, Bangladeshi and black African families with children. In addition, the rank was different for poor families with children compared to all families with children, with poor black African children having the highest levels of deprivation. This conflicts with our expectations and suggests that deprivation is providing additional, and slightly different, information to income poverty measures.

Turning to the third column, there was substantial variation among not poor children, and scores were statistically significantly different from the white majority for all groups except Indian families. Strikingly, the average deprivation scores for not poor Bangladeshi and black African families with children approached the average for poor white and Indian families with children.

We see then that looking at deprivation can amplify the picture of poverty across ethnic groups. It suggests that not only do poverty rates vary across groups, but the experience of poverty varies **among** those poor. For those not in income poverty, the results also suggest that there may be substantial differences in hardship. The findings suggest that for those not poor among certain groups their experience in terms of living standards may be close to that associated with poverty for other groups.

Brewer *et al.* (2008) have suggested that equivalised income measures may overstate the living standards of working lone parents and of larger families, relative to one-earner couple families or smaller families, respectively. One reason for this may be that, even if currently working, lone parent families are more at risk of long-term low income, which is captured more effectively by measures of living standards. A similar argument might apply to the ethnic differences among those not income poor. The material deprivation may reflect long-term living standards and risks of permanent low income among certain groups rather better than a current income measure.

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23   Though, of course, we are speaking in averages here and this doesn't exclude the possibility that a given family that was not income poor from one group had a higher deprivation score than a particular poor family from another (or even the same) group.

The next section investigates the extent to which these differences in deprivation can be understood in terms of those characteristics which already appear to make families with children more susceptible to deprivation, such as family size and family structure (Brewer *et al.*, 2008). Or whether, alternatively, there is evidence for an ethnic penalty in deprivation, which suggests, as with the income poverty penalties, that certain groups are more vulnerable to being deprived, over and above known risk factors.

5.3   Investigating ethnic penalties in deprivation

In this section, we once again use a regression framework to model the association of deprivation levels with ethnic group, holding relevant characteristics constant. Our control variables repeat those used in the analysis of poverty within the FRS in Chapter 3, which themselves drew on the risk factors considered in Chapter 2 but supplemented them with additional factors associated with disadvantage. We investigate whether being from a minority group increases deprivation score relative to being from the white majority, when comparing those with similar family characteristics.[24]

Five models were estimated and the direction and significance of the ethnic group coefficients are summarised in Table 5.2. An increase in deprivation score associated with the group relative to the comparator white majority family is indicated by '+ve'. Only those coefficients which are statistically significant at at least the five per cent level are summarised. The remainder are indicated as 'ns': not significant.

First, a simple model with deprivation score as the dependent variable and the various minority groups as the independent variables was estimated (Column 1 of Table 5.2). This basically gave the same information as in Column 1 of Table 5.1. A subsequent model included controls for family structure and size, work and disability status, and region and housing tenure, as in the analysis in Chapter 3 (Column 2 of Table 5.2). This model was used to assess the extent to which the ethnic penalties associated with deprivation were comparable to, or differ from, the findings in relation to income poverty in Chapter 3.

Poverty status was then added to the model. This was done in two ways: First, whether the family was or was not income poor was added as an additional variable (Column 3). This made it possible to investigate whether, as expected, income poverty was associated with higher deprivation scores, and to ascertain whether there were differences in groups holding poverty status constant, that is, comparing poor with poor and not poor with not poor. Following this, separate

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24   Given the particular distribution of deprivation scores, the models were estimated using both ordinary least squares (OLS) and Tobit equations. Like Brewer *et al.* (2008), who carried out a similar analysis, we found that results were not substantially different from the two approaches and led to the same conclusions.

regressions were estimated for those who were income poor (Column 4) and those who were not income poor (Column 5). This made it possible to see if ethnic penalties in deprivation scores found in Model 3 were true for both poor and not poor or whether they were driven by differences just among those poor or just among those not poor. Specifically, it helped to ascertain if, **among** income poor families (Column 4), there were differences by ethnic group in deprivation scores that could not be attributed to differences in family characteristics. As noted, these characteristics included number of children or whether lone or couple parent, that may themselves be associated with differences in deprivation between poor and not poor families (Brewer *et al.*, 2008).

Table 5.2   Modelling deprivation scores: the role of ethnic group relative to white families' scores, Great Britain

Ethnic group	Simple	+ controls	+ controls and poverty	+ controls *income poor only*	+ controls *not income poor only*
Mixed	+ve	+ve	+ve	ns	+ve
Indian	ns	+ve	+ve	+ve	ns
Pakistani	+ve	+ve	+ve	+ve	+ve
Bangladeshi	+ve	+ve	+ve	+ve	+ve
Black Caribbean	+ve	+ve	+ve	ns	+ve
Black African	+ve	+ve	+ve	+ve	+ve

Source: FRS 2004/05 and 2005/06, weighted.
Note: Income poverty is defined as being below 60 per cent of median equivalent income BHC.
Base (all) = 14,773; income poor = 2,951; not income poor = 11,822.

The simple model (Column 1) just shows, in schematic form, the ethnic group differences revealed in the first column of Table 5.1. The second model including family characteristics as explanatory variables (Column 2) revealed that all minority groups had higher predicted deprivation scores than the white majority after holding these characteristics constant. To illustrate, a family with given work status, housing tenure, number of children, and couple or lone parent status, could expect to have a deprivation score between three and ten points higher if it was from a minority ethnic group compared to being from the white majority.

It seems, then, that family characteristics do not fully explain differences in deprivation scores across groups. Indeed, for Indian families it was after controlling for characteristics that they appeared significantly more deprived than their white comparators. That is, despite having deprivation levels comparable to the white majority in absolute terms, if they had the same distribution of family characteristics as white families, Indian families could expect to have significantly higher scores.

Ethnic penalties relating to deprivation applied across even more minority groups than those relating to income poverty, discussed in Chapter 3.

Poverty status had, as might be expected, a strong and statistically significant association with deprivation score, when it was included in the estimation. However, even when it was added as an additional explanatory variable (Table 5.2, Column 3) the association between minority ethnic groups and deprivation remained. In this model, which held family characteristics **and** poverty status constant, all the minority groups had higher predicted deprivation levels than white families. This is both a surprising finding and an intriguing one, since if deprivation was telling us simply about heightened poverty risks for minority groups the differences in deprivation would not be significantly different once we took account of poverty status. Clearly, it is not simply differences in income poverty nor in family type that result in differences in deprivation across groups. Rather, the experience of poverty appears to be different for minority ethnic groups; and to the extent that deprivation is associated with living standards, it would seem that minority groups have lower living standards than their white majority counterparts regardless of poverty status.

The finding is investigated a bit further in the final columns of Table 5.2. These models explored the relationship between ethnic group and deprivation, controlling for family characteristics among those poor and those not poor separately. This allows us to see if it is differences among poor families or among not poor families that are driving the above result. We see that Pakistani, Bangladeshi and black African families had significantly higher deprivation whether they were poor or not poor, compared to otherwise similar white families.

Black Caribbean and mixed ethnicity families that were not poor had relatively higher scores compared to the not poor white majority, but this finding did not apply to poor families from those groups. Conversely, poor Indian families had substantially higher rates of deprivation than similar poor white families, but their scores were not significantly different when they were not poor compared to white families not in poverty. Among those poor, the penalty associated with being from a minority group added between seven and 11 points to the deprivation score. Among those not poor it added between four and seven points. Given the maximum score is 100 and many families have zero scores these are notable differences.[25]

The results of this analysis may suggest that poverty among minority families is more persistent than it is for otherwise similar white families, or that the effects of past poverty may affect the living standards of the currently not poor. This would fit with the finding from Chapter 4 that poverty persistence is greater for some minority groups. The interesting additional finding is that, when we look at deprivation, the penalties associated with minority ethnicity are found across all the minority groups.

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[25]   These are the estimates deriving from the OLS regression coefficients, not illustrated in full. The Tobit regression results (see footnote 24) were consistent with these.

Box 5.3: Summary of deprivation findings

This chapter has, then, illustrated how looking at alternative measures of poverty can complement the income poverty 'story' reinforcing some findings and adding a new dimension to others. Deprivation is higher amongst minority groups than for white families for all groups except Indians. However, holding family characteristics constant, all minority groups have higher levels of deprivation than the white majority. This finding holds true when we hold income poverty constant, showing that deprivation is not simply an alternative expression of income poverty.

Deprivation is significantly higher among income poor Indian, Pakistani, Bangladeshi and black African families compared to white families in relative income poverty, indicating that poverty for these groups may be more enduring. Deprivation is also significantly higher among those not poor for mixed ethnicity, Pakistani, Bangladeshi, black Caribbean and black African families relative to white families. This suggests that they are more at risk of a low standard of living than white majority families above the 60 per cent median relative low income line. This may be as a result of the effects of previous periods of poverty or because, for some reason, a greater level of income is needed to escape material hardship.

The next chapter further expands the analysis of complementary measures related to, but distinct from, income poverty by examining the role of worklessness. It complements the transitions analysis in Chapter 4, by enhancing our understanding of the temporal dimensions of disadvantage across ethnic groups.

6   The dynamics of workless families with children across ethnic groups

Work is a major factor for influencing risks of poverty. Although, as Chapter 2 (Table 2.6) showed, a substantial share of poor households contain a worker, less than 40 per cent of households with children and without a worker avoid poverty (author's own analysis of *Households Below Average Income*). This chapter explores the extent to which worklessness persists over time among families with children and whether that shows variation by ethnic group. The first section analyses the unemployment of men in families with children over the short term using the Labour Force Survey (LFS); while the following section uses the Office for National Statistics Longitudinal Study (ONS LS) to examine children's chances of living in a workless household at either end of a ten-year period.

6.1   Unemployment transitions across UK-born ethnic groups

6.1.1   Introduction to unemployment transitions

At the individual level, economic activity varies dramatically across men and women from different ethnic groups. Economic inactivity rates are high for some groups and there is particularly large variation in the economic activity patterns of women (Lindley *et al.*, 2004). Figure 6.1 illustrates employment and activity status of men and women by ethnic group from recent years of the LFS.

Figure 6.1   Employment and economic activity among those of working age, by ethnic group and sex, percentages, Great Britain

Source: Quarterly LFS 2002-2005.
Base = 274,751.
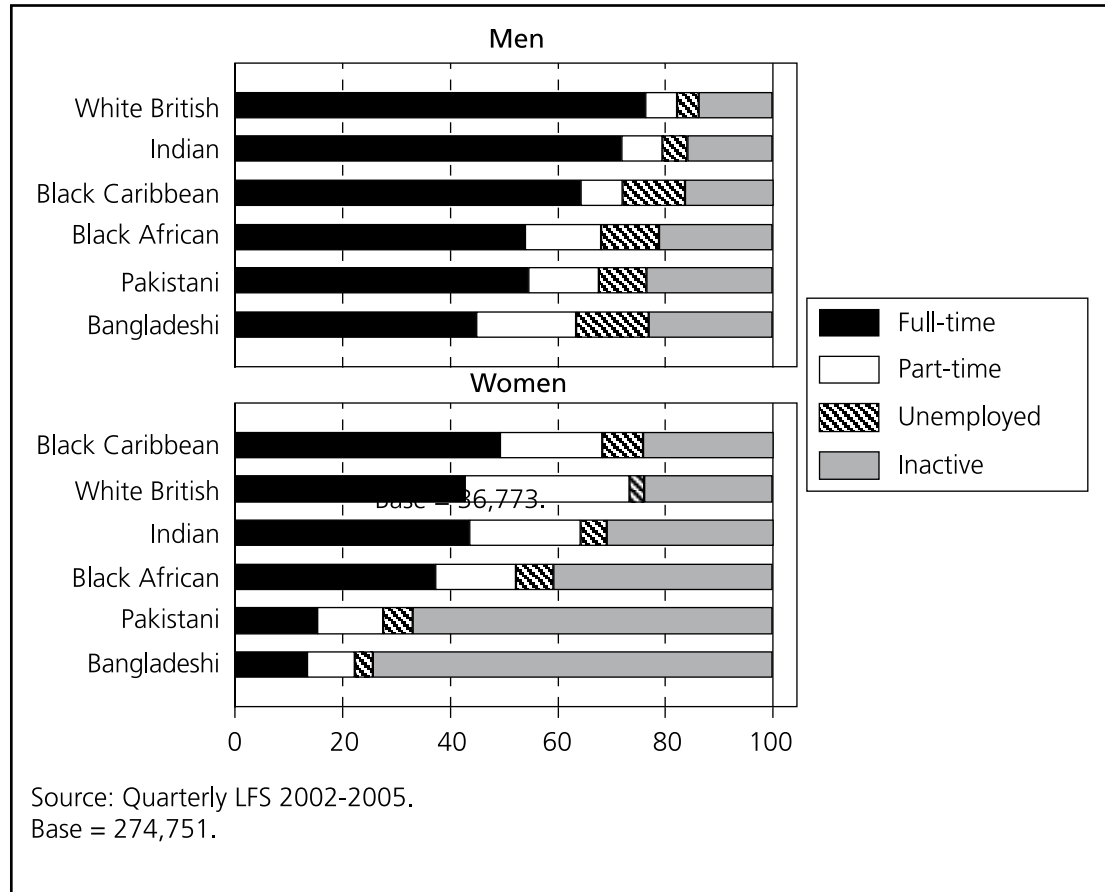
Figure 6.1 shows the dramatic differences in economic activity between working age men and women and between ethnic groups, with very high rates for white British men and very low rates for Bangladeshi women. There are also differences in part-time working: White British women are most likely to be in part-time employment; but, among men, Bangladeshi men are more likely than others to be in part-time work. And unemployment also varies strikingly by ethnic group, particularly among men. We can see, then, that even among those economically active, the types of labour market experience vary distinctively across groups.

These differences depend partly on the ways in which patterns of employment are interdependent among couples and in families. Similarly, rates of workless households depend on the ways in which the economic activity of individuals plays out at the household level. Household level worklessness is clearly a function of the combined employment status of all household members, which does not necessarily directly coincide with individual patterns of employment, except in single adult households (Gregg and Wadsworth, 1996).

Unemployment has frequently been highlighted as an important element of ethnic minority disadvantage, and even in households with other adults is likely to impact on the welfare and poverty risks of the family. Unemployment across ethnic groups has been subject to extensive analysis but much less attention has

been paid to unemployment durations and dynamics, largely as a result of data constraints. Exceptions include Frijters *et al.* (2005), who made use of the panel element of the LFS, as here, and Thomas (1998).

Box 6.1: Key features of the LFS

- Large samples with quarterly data collection: about 60,000 households covered each quarter.

- Surveys can be pooled to increase sizes of minority ethnic group samples.

- Comprehensive national coverage, and nationally representative.

- Respondents followed for five quarters (mini-panel).

- Detailed labour market and job search information.

This analysis uses 12 pooled waves of the LFS (Box 6.1) from the third quarter of 2002 to the second quarter of 2005. It focuses on just a small part of the worklessness story by analysing unemployment durations for men in families with children by ethnic group. The focus is purely on men since small sample sizes preclude analysis of women's unemployment by ethnic group.

6.1.2   Unemployment durations among unemployed by ethnic group

Table 6.1 summarises the durations of employment among those who were unemployed at the point of interview. Those currently unemployed will over-represent those who have been unemployed for relatively long, as opposed to relatively short, periods but this will be true across the groups. The different durations of unemployment have been grouped from short (less than three months) to long (over a year) spells of unemployment. The percentage of each group which fit into each band are given under the relevant headings. Proportions highlighted in **bold** indicate where the proportion is significantly different for the minority group than for the white British men.

Table 6.1   Unemployment among men in families with children, Great Britain, row percentages

Ethnic group	Percentage unemployed <3 months	Percentage unemployed 3-6 months	Percentage unemployed 6-12 months	Percentage unemployed >1 year
White British	48	19	16	17
Indian	45	19	16	20
Pakistani	**35**	21	19	**25**
Bangladeshi	**33**	25	17	26
Black Caribbean	**37**	18	18	**26**
Black African	43	15	21	21

Source: LFS, 12 quarters, pooled, 2002-2005.
Base = 8,239.

Table 6.1 clearly shows that Pakistani, Bangladeshi and black Caribbean men in families with dependent children were less likely than white British unemployed men to have experienced a short unemployment duration. Pakistani and black Caribbean men were rather more likely than white British men to have experienced a long unemployment duration. These longer durations for Caribbean men are interesting as, although higher unemployment risks are consistently associated with black Caribbean men (Berthoud, 1999; Platt, 2005), the focus has often been on young men in particular, rather than 'family' men as here.

The implication is, then, that given an unemployed father, children in Pakistani, Bangladeshi and black Caribbean families are likely to find that they are living with unemployment for longer on average than white children whose father becomes unemployed.

Since we only observe these men at a particular point in the unemployment 'spell' it does not make sense to attempt to investigate further (or control for) the characteristics associated with the different durations, as they may change during the course of a spell. To look at differences in hazards, or risks over time, of unemployment exit requires longitudinal data where we can observe individuals entering unemployment and then track their durations over time. The next section does that using the short panel element of the LFS.

6.1.3   Exit from unemployment by ethnic group

Individuals in the LFS are followed up for five waves (quarters) from the point at which they are first interviewed. This happens on a rolling basis so that every set of quarterly interviews will include people being surveyed for the first, second, third, fourth and fifth times. If they were already unemployed when first interviewed, they are referred to as 'left censored': we do not have a detailed understanding of the duration of their unemployment and duration analysis cannot include them. However, if they are employed at the first interview they may, therefore, be observed to become unemployed at any of the four subsequent quarters. If they do not

become unemployed at any point during the period over which they are interviewed they are not relevant for analysis of duration of unemployment. However, for those that do enter unemployment, once they have entered unemployment we can plot their duration as long as they continue to be interviewed and observe whether they re-enter employment within the period. Unemployment durations are typically short and so a certain proportion of those who become unemployed during the life of the panel will also become re-employed. Others, though, will remain unemployed at the end of the period of observation (at the fifth wave). We refer to these as being 'right censored'.[26] Box 6.2 illustrates various potential patterns of employment (E) and unemployment (U) that might be experienced by respondents.

Box 6.2: Illustration of hypothetical patterns of unemployment and employment across the LFS mini-panel and their implications for analysis

| | Wave | | | | |
Person	1	2	3	4	5
A	E	E	E	E	E
B	E	E	E	U	U
C	E	E	U	U	E
D	E	E	U	E	U
E	U	U	E	E	E
F	E	U	U	U	E

Person A is employed throughout: and therefore, not informative for analysis.

Person B is observed to enter unemployment and is still unemployed at end of observation: contributes to analysis: known to be unemployed for at least two waves.

Person C is observed to enter and exit unemployment: duration of completed spell known.

Person D has two spells of unemployment one completed the other right censored.

Person E is unemployed at first observation: 'left censored': not informative for analysis.

Person F enters unemployment in second wave and exits in fourth: the longest period of unemployment (three waves) that can be observed to both start and end.

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[26]   This analysis does not consider attrition over the life of the panel and the extent to which that is, or is not, systematically associated with unemployment durations or ethnicity.

As Box 6.2 illustrates, there is not enormous scope for looking at differences in unemployment duration between groups. But the short panel in the LFS does give some opportunity to see if in the short term, chances of quicker unemployment exit vary across men with dependent children from different ethnic groups, once we have taken account of other relevant characteristics, including age, region, education and health status.[27]

Estimating a model to ascertain if lengths of time unemployed varied significantly by ethnic group, holding the other characteristics constant, produced inconclusive results. It indicated that there were no significant differences between ethnic groups in their unemployment durations given unemployment. This may, indeed suggest that, comparing like with like, there are no differences in expected unemployment durations. However, the analysis did depend on relatively small samples, and the models were complex; and the short run restricted the extent to which it was possible to observe differences.

So the results, while tentatively indicating no differences in unemployment durations, should not be taken as the final word. This is a potentially fruitful line of inquiry and one which would benefit from further investigation, ideally using data with a longer sweep, such as administrative data on unemployed claimants.

Since this analysis focused on short-term movements into and out of work within households with children, the next section investigates longer run dynamics – over a ten-year period, though considering just two time points at the beginning and end of that period.

6.2   Ten-year transitions between workless households

To explore further the dynamics of worklessness over time for ethnic minority families with children, this section draws on analysis of the ONS LS (see Box 6.3) to look at children's transitions between living in a workless household over a ten-year interval, from 1991 to 2001. For this analysis, the definition of a workless household is one where no member of the household was in paid work, either full-time or part-time. The subjects of the analysis are children who were aged 0-5 in the earlier period and who are thus 10-15 at the second point of measurement.[28]

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[27]   What the analysis is not concerned with is the greater risks of being (or becoming) unemployed in the first place for different ethnic groups; but this is an area where the evidence base is already extensive.

[28]   For the purposes of the analysis households have to be observed at both time points in order to be included in the sample. This means the children in these households will not precisely reflect the overall populations of children aged 0-5 in 1991 or aged 10-15 in 2001. However, those children who join the LS during the decade (via immigration or return) are not a concern of this analysis of transitions, and any potential bias stemming from systematic differences in those observed at 1991 but not responding to the Census in 2001 is anticipated to be marginal (Platt *et al.*, 2005).

Box 6.3: Key features of the ONS LS

- One per cent sample of population of England and Wales, followed over time from 1971. Corresponding large sample sizes makes it adequate for many ethnic minority group analyses.

- Updating with new births and immigrants means it remains representative of the population.

- Linked observations makes it truly longitudinal. Can also link back stable characteristics to earlier waves (e.g. ethnic group first asked in 1991).

- Long time sweep 1971-2001 – though only ten year observations for Census variables.

- Potential to match in local area characteristics from Census or other sources.

- But largely limited to Census questions, which themselves change over time, and therefore, no information on income.

The simple transition patterns are first explored. Then the probabilities of entry into a workless household, exit from a workless household and being in a workless household at 2001 are estimated holding a range of family characteristics and a range of local area characteristics constant. Finally, this section complements the analysis of transitions between 1991 and 2001, by comparing these transitions with those of children of comparable ages observed over the period 1981-1991, to ascertain if differences in risks of entry into or exit from a workless household have shown any change between two different cohorts.

6.2.1 Transition patterns 1991-2001

We start by looking at transitions in the 1991-2001 cohort. Table 7.2 shows the distributions of the 37,167 children across the different ethnic groups and by household work status in 1991 and 2001.[29] In this table, groups highlighted in bold are those which are discussed in subsequent analysis (rather than indicating statistical significance as in previous tables). The focus is on the larger groups and those which are consistent with analyses in previous tables. Rather than aggregating the mixed groups, the size of the white and black Caribbean group (and the fact that it is separately identified) allows us to consider this group separately, with potentially more meaningful results.

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[29] Employing the 2001 Census categories. For a more detailed discussion of the construction of the child's ethnic group in order to minimise missing data, see the Appendix. All the ethnic groups are included in the regression analyses, but are not separately discussed.

Table 6.2   Children aged 0-5 in 1991 and observed aged 10-15 in 2001, by ethnic group and household work status, England and Wales

Ethnic group	N (% of group) workless in 1991	N (% of group) workless in 2001	Total in group (column %)
White British	6,379 (19)	5,117 (15)	33,166 (89.2)
White Irish	28 (24)	17 (14)	119 (0.3)
White other	74 (24)	74 (24)	304 (0.8)
White and black Caribbean	202 (51)	133 (34)	394 (1.1)
White and black African	22 (29)	22 (29)	75 (0.2)
White and Asian	62 (27)	42 (18)	228 (0.6)
Other mixed group	46 (29)	31 (19)	161 (0.4)
Indian	99 (13)	87 (11)	757 (2.0)
Pakistani	179 (32)	194 (34)	564 (1.5)
Bangladeshi	104 (49)	95 (45)	212 (0.6)
Other Asian	30 (24)	30 (24)	123 (0.3)
Black Caribbean	94 (36)	68 (26)	262 (0.7)
Black African	60 (44)	49 (36)	135 (0.4)
Other black	42 (43)	41 (42)	97 (0.3)
Chinese	24 (21)	22 (19)	113 (0.3)
Other ethnic group	24 (38)	20 (32)	63 (0.2)
Missing ethnic group	170 (43)	116 (29)	394 (1.1)
Total	7,638 (21)	6,159 (17)	37,167 (100%)

Source: ONS LS, author's analysis.

Table 6.2 indicates variation in risks of being in a workless household for children according to their ethnic group. White and black Caribbean children have the highest chances of living in a workless household in 1991 – over half of them do; while Bangladeshi children are the most likely to live in a workless household in 2001, by the time they are 10-15. For most groups the risks of being in a workless household decline over the two time points, though this is not the case for the Pakistani and other white children.

The main focus of this analysis is on transitions between living in a working and workless household, and vice versa. Figure 6.2 illustrates children's transition patterns at the two time points and by ethnic group. It shows those children who were living in a workless household at neither time point (the majority), those who moved out of a workless household over the decade (exits), those who moved into one (entries) or who were living in a workless household at both time points.

Figure 6.2   Children's transitions between workless households, 1991-2001, England and Wales

Legend:
- □ In a workless household at both time points
- ▨ Moves into a workless household [Entries]
- ▨ Moves out of a workless household [Exits]
- ■ Not in workless household at either time point

Source: ONS LS, author's analysis.
Base = 36,773.
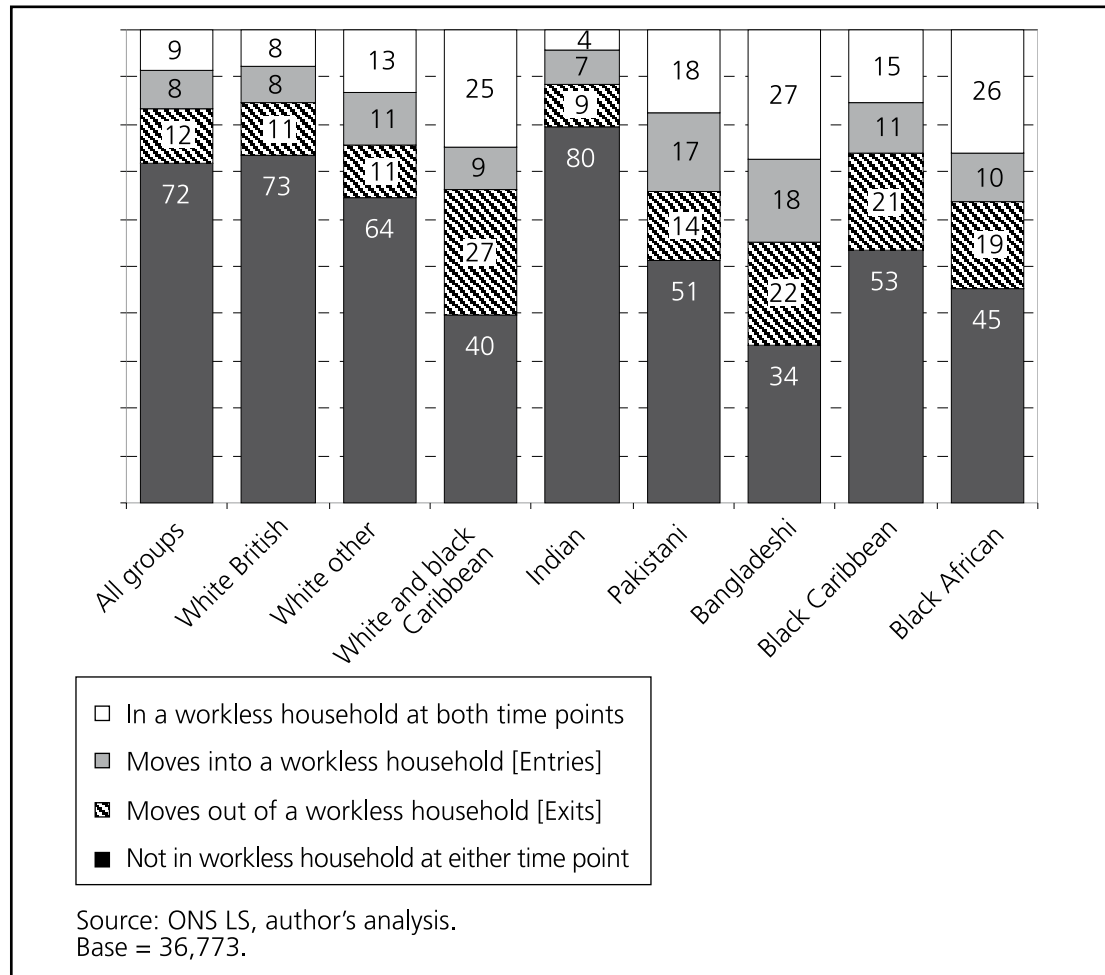
Figure 6.2 makes it clear that experience of living in a workless household at both the beginning and end of the decade is, overall, an uncommon experience, with 72 per cent of children living in working households at younger and older ages. Just nine per cent of the sample children were living in a workless household at both ends of the decade.[30] Apart from these two groups of 'stayers', a fifth of young children (20 per cent) have either moved out of, or into, a workless household by the time they are aged 10-15.

Figure 6.2 also illustrates substantial ethnic group variation in these patterns. With the exception of children in Indian families, who are less likely to have been in a workless household at either time point, the minority groups are all more likely than the white majority to have been in a workless household at one or other

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[30]   Of course, for the former group we cannot assume that they never experienced worklessness, nor that the latter group were continuously living in a workless household. See, for example, the extensive dynamics in poverty documented by Jenkins and others (Hill and Jenkins, 2001; Jarvis and Jenkins, 1997; Jenkins and Rigg, 2001). But those with continuity of experience will be over-represented in either group (Bane and Ellwood, 1994).

time. Again, with the exception of Indian children, all minority group children were more likely to have to have been in a workless household at both time points. This is particularly striking for white and black Caribbean, Bangladeshi and black African children, where a quarter or more were living in a workless household at both time points.

For some groups, however, the dynamics play as big a role as the poverty persistence in distinguishing them from the majority experience. For example, white and black Caribbean children had more than twice the chance of children on average of moving out of a workless household, partly because of the high numbers starting off in a workless household in the first place. This could perhaps be related to the labour market opportunities for mothers increasing with the child's age. In particular, mothers may (re)enter the labour market when their child starts school or becomes more independent with age. This group may have been more affected by improvements in the economic context, following traditional arguments about hypercyclicality, i.e. that minorities experience higher unemployment in a downturn but move more quickly back into employment when the situation improves.[31]

By contrast, we see that Pakistani and Bangladeshi children had double the average risk of moving into a workless household. For children in these families, neither the increasing age of the child nor the improvement in the economic cycle has helped them to avoid worklessness. This would suggest that the age (and increasing independence over time) of the child is not a significant factor influencing the work status of the household for these groups. We do, however, see that moves out of worklessness also play a substantial role in the experience of Bangladeshi children. This suggests that it is the interplay of different contextual and family characteristics that influence particular patterns of experience of worklessness among this cohort of children. Section 6.2.2 attempts to disentangle the role of these different factors.

This description has shown, then, that children's chances of living in a workless household at either end of a ten-year period vary dramatically by ethnic group; and that while persistent worklessness appears to be an important part of that story, transitions between living in a workless household and not are also important.

In Section 6.2.2, we explore if these dynamics (and persistence) can be understood in terms of the different risks associated with particular characteristics. Characteristics that may help explain different risks include how many potential workers there are in a household to start with, events such as divorce or (re)partnership of parents, the movement of the child towards independence and the local labour market context.

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[31]   Though the hypercyclical argument has been challenged for some minority groups in the UK (Lindley, 2005).

6.2.2 Family and area influences on dynamics of worklessness

Following the approach of the earlier part of the report, this section considers the extent to which ethnic effects or 'penalties' in worklessness persist when we compare like with like, in terms of family and local area characteristics. Family characteristics have been discussed and modelled in previous chapters. Those used in this analysis are described in Box 6.4. Moreover, the use of the ONS LS enabled a much finer grain and higher level of detail of contextual, area characteristics to be included. Moreover, the potential association between area and employment disadvantage (e.g. through local unemployment rates) is much more straightforward to grasp than between area and poverty risks, given that earnings are only one source of income and that housing costs also vary by area.

The impact of area characteristics on individual outcomes has been subject to extensive investigation. There has been particular interest in whether these effects kick in at, or are particularly salient at, certain high levels of concentration, which would justify a neighbourhood (as opposed to purely individual) focus on disadvantage (Buck, 2001). In addition, it is clear that local levels of economic activity have a bearing on activity levels for ethnic groups in those areas (Simpson et al., 2006); and, of course individuals contribute to the average in their area, which means there is likely to be an association.[32] There has also been ongoing discussion and debate about the potential positive and negative effects of ethnic group concentration (Clark and Drinkwater, 2002), as well as on the extent of ethnic group concentration (Peach, 1996; Peach and Rossiter, 1996; Simpson, 2004). The area characteristics included in this analysis are discussed in Box 6.3. The implications of the findings relating to area are discussed both in what follows and drawn out further in Chapter 7.

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[32]   The association is not determined, however, since this analysis is considering work status at a household not an individual level and only for households with a child aged 0-5 in 1991.

Box 6.4: Modelling workless household transitions

The analysis focuses on estimating probability of exit from worklessness for all those who were in a workless household at the first time point; and probability of entry into a workless household for all those living in a working household at the first time point.

In each case the regression models are estimated for the chances of exit or entry (compared to remaining in the same state) and exploring the contribution of a range of explanatory variables. In particular the aim is to ascertain whether there are significant differences between ethnic groups and whether these can be understood in terms of different distributions of family and contextual characteristics within the groups. The explanatory variables which might help to explain why different groups have different chances of entry and exit are grouped into family and area characteristics and each group is included in the model separately and then jointly.

Family characteristics were age and sex of the child and mother's age; presence of mother or father at 1991 and at 2001, and whether they were UK-born if present; mother's and father's highest qualification as measured in 1991; whether the parent(s) had experienced separation, widowhood or divorce in the intervening period; housing tenure in 1991 and whether there was a change in tenure between 1991 and 2001; number of cars within the household at 1991; number of siblings under 16 in 1991, and the change in the number of siblings between 1991 and 2001; whether the family had changed address between the dates of the two Censuses and the distance moved.[33]

Area characteristics were those relating to ward-level unemployment rates and to own ethnic group concentrations. Specifically, the variables included were: unemployment rate in the ward in 1991, and the square and cube of this rate, in order to capture any increasing intensity of effect at higher levels of concentration, i.e. a deprived neighbourhood effect. The change in the rate of unemployment between 1991 and 2001, which would be expected to influence entries and exits, was also included. Ward proportions of own ethnic group and proportion white in 1991 were included, as were the square and cube of own ethnic group concentration, as for the unemployment rate. A variable summarising the change in proportions UK-born between 1991 and 2001 was intended broadly to capture change in the characteristics or composition of the area. A dummy variable for region was also included to capture more general area differences within England and Wales.

[33] There was some attempt to explore whether the impact of these variables varied across groups, for example whether the effect of having a non-UK-born parent was specific to particular groups, but in general the size of the subpopulations thus created was insufficient to effectively test their independent association with the outcome variables.

The aim of the regression analysis was not to downplay the very real differences in workless household status that were shown in Figure 7.2, but to attempt to understand them better. In this chapter, we also specifically aimed to explore the contribution of area variations to probabilities of worklessness entry and exit. The probability of entry into or exit from a workless household and of being in a workless household in 2001, was therefore, estimated in a series of stages, adding different sets of variables in four models:

• the first model included only ethnic group and age and sex;

• the second model incorporated area characteristics in addition;

• the third model controlled for ethnic group and family characteristics;

• the fourth model included both family and area characteristics alongside ethnic group.

Tables 6.3 and 6.4 summarise only the ethnic group associations with exit and entry from these four models. That is, they show whether being from a particular ethnic group leads to lower chances of exit or higher chances of entry, and whether this relationship persists once relevant controls are included and we are thus, comparing 'like with like'. If significant associations become non-signficant once we control for characteristics, that implies that it is the differences in distributions of characteristics that account for the variations in exit and entry risks across groups. On the other hand, if significant differences persist, that indicates an 'ethnic penalty': that we cannot fully understand the differences between groups in terms of different characteristics.

As in earlier chapters, '+ve' indicates that the outcome was significantly more likely for the group and '-ve' indicates that the outcome was significantly less likely for that group, compared to the white British majority. Only statistically significant results are included in these tables. The rest are marked as 'ns' (not significant). Those in brackets are only significant at the (marginal) ten per cent level. All others are statistically significant at the five per cent level or less.

The tables also indicate if the inclusion of ethnic group in the model resulted in a statistically significant improvement of fit in the model, compared to excluding it. This is indicated in the final row of the tables.

Modelling exits from a workless household

To start with, Table 6.3 describes the relationship between ethnic group and exit from a workless household. The sample, therefore, comprises all those who were in a workless household at 1991 and therefore, had the chance to exit.

Table 6.3   Ethnic group associations with exit from a workless household 1991-2001, England and Wales

Selected variables included models	Simple model (1)	+ area characteristics (2)	+ family/ household characteristics (3)	+ area and family characteristics (4)
Ethnic group: reference category = white British				
White other	-ve	(-ve)	-ve	(-ve)
White and black Caribbean	ns	ns	ns	ns
Indian	(+ve)	+ve	ns	ns
Pakistani	-ve	ns	-ve	(-ve)
Bangladeshi	-ve	ns	ns	ns
Black Caribbean	ns	ns	ns	ns
Black African	ns	ns	ns	ns
Ward unemployment variables				
Unemployment rate	--	-ve	--	-ve
Unemployment rate squared	--	+ve	--	ns
Unemployment rate cubed	--	-ve	--	ns
Increase in unemployment 1991-2001	--	-ve	--	-ve
Inclusion of ethnic group improves model?	Yes	Yes	Yes	Yes

Source: ONS LS, author's analysis.
Base: all those workless in 1991 = 6,169.

Table 6.3 shows that, in the simple model, exit probabilities were significantly lower for white other, Pakistani and Bangladeshi children compared to white British children; but they were higher for Indian children. Young Indian children not only have a low chance of starting off in a workless household but they are also more likely than their white British counterparts to move out of one by the time they are 10-15.

Once area characteristics were held constant (Model 2), the coefficients for white other and Pakistani and Bangladeshi children become non-significant or only marginally so, suggesting that differences in the employment opportunities where the children from different groups live help to explain reduced chances of workers in the household moving into work. Investigation of the area effects themselves showed that local unemployment rate was strongly and very significantly associated with reduced chances of exit. This was still the case, even when a full set of

household characteristics was controlled for. Interestingly, in Model 2, the square and cube of unemployment rate were also statistically significant, suggestive of 'area effects', that is, that there were disproportionately low chances of exit in the very highest unemployment areas. As would be expected, an increase in the unemployment rate in the ward of residence over time was negatively associated with exit.

For the Indian group, controlling for area increased both the size and the statistical significance of the positive association with exit. However, turning to Model 3, we see that the family and household characteristics of Indian families did seem to be associated with their higher rates of exit as the coefficient became statistically non-significant and much smaller. This indicates that aspects of their household and family characteristics go some way to explaining their higher chances of exiting worklessness. Unsurprisingly, this was also the pattern in the final model when both area and family characteristics are included.

The lower chances of exit for the Pakistani children showed the reverse pattern. For these children, the disadvantage of the area they live in would appear to have a negative impact on their chances of exit. That is, the disadvantage of the area accounted, to some degree, for their relatively low chances of exit from worklessness (Model 2). By contrast, when their family and household characteristics were controlled, they were significantly less likely to exit than white British children living in comparable families (Model 3). This suggests that, given their family characteristics they could expect to have higher chances of exit from worklessness than they do. When area and family are both included in the model, the impact of disadvantaged areas on contributing to (and helping to explain) their lower rates of exit does not fully counteract the fact that their family characteristics should still lead to higher rates of exit than they experience (Model 4). The result is that they appear to experience an ethnic penalty in exit from a workless household. That is, the association of ethnic group and rates of exit cannot be 'explained' in terms of family and contextual characteristics, for this group.

In summary, then, Indian children did better than their area characteristics would predict, but no better or worse than area and family characteristics together would predict. On the other hand, Pakistani children did no better or worse than their area characteristics would predict, but worse than area and family characteristics together would predict. For the other groups, there were few significant differences in patterns of exit relative to white British children.

Modelling entry into a workless household

While differences in chances of exit across groups may be a cause for concern, differences in risks of entry are arguably more worrying. It may be possible to imagine that the factors leading to living in a workless household in the first place are more intransigent for some groups than for others and therefore restrict exit. But for those who start from a position of relative advantage, i.e. in a household with at least one worker, it is hard to envisage what would cause children from

some groups to be more likely, relative to those from other groups, to end up in a workless household as they get older, and having experienced the same economic circumstances.

Of course, dramatic changes in household employment patterns can follow parental separation (Paull, 2007). Examination of whether there are differences in partnership dissolution by ethnic group would repay study. Meanwhile, the models in this section take account of differences in the presence of father (or mother) at the two time points. Differences in entry rates that persist after the inclusion of these family characteristics, and the area characteristics that are likely to influence employment rates, are therefore a particular cause for concern, as was discussed in relation to poverty transitions in Chapter 4.

Table 6.4 shows the same succession of models as employed for the analysis of exits in Table 6.3. That is:

- the first model included only ethnic group and age and sex;

- the second model incorporated area characteristics in addition;

- the third model controlled for ethnic group and family characteristics;

- the fourth model included both family and area characteristics alongside ethnic group.

All models again tested whether the inclusion of ethnic group improved the fit of the model to the underlying data. This is shown in the last row of Table 6.4.

Table 6.4 shows that most of the minority group children experienced significantly higher chances of entry into a workless household than white British children, in absolute terms (i.e. not taking account of family characteristics). The exceptions are Indian children and other white children (Model 1).

Model 2 included area characteristics in the model. The area variables themselves indicated that higher unemployment rates were associated with higher levels of entry into a workless household, though the negative sign for the square of unemployment indicates that this effect on chances of entry tended to level off at higher unemployment rates. Interestingly the coefficient for the difference in unemployment rates is negative (and highly significant) suggesting that increases in unemployment rates decreased chances of entry into worklessness. These counterintuitive findings did not persist in the full model (4) where family characteristics were controlled, suggesting that those whose family characteristics put them more at risk of entry do not necessarily live in the highest unemployment areas; but that controlling for family characteristics, unemployment rate has a significant and linear impact on chances of entry – that is, other things being equal, a higher local unemployment rate will increase risks of becoming workless.

Table 6.4   Ethnic group associations with entry into a workless household 1991-2001, England and Wales

Selected variables included in models	Simple model (1)	+ area characteristics (2)	+ family/ household characteristics (3)	+ area and family characteristics (4)
Ethnic group (reference category = white British)				
White other	ns	ns	+ve	ns
White and black Caribbean	+ve	+ve	(+ve)	ns
Indian	ns	(-ve)	ns	ns
Pakistani	+ve	+ve	+ve	+ve
Bangladeshi	+ve	+ve	+ve	+ve
Black Caribbean	+ve	ns	ns	ns
Black African	+ve	ns	ns	ns
Ward unemployment variables				
Unemployment rate		+ve		+ve
Unemployment rate squared		-ve		ns
Unemployment rate cubed		ns		ns
Increase in unemployment 1991-2001		-ve		ns
Inclusion of ethnic group improves model fit?	Yes	Yes	Yes	Yes

Source: ONS LS, author's analysis.
Base: all those not in workless household in 1991 = 25,675.

Once these area characteristics were held constant (Model 2) the black Caribbean and black African coefficients became non-statistically significant and much smaller in size. This suggests that the increased risks of entry for these two groups can be understood in terms of living in disadvantaged areas. Model 3 had the same result for these two groups: indicating that increased risks of entry into worklessness could also be associated with family and household characteristics that make these households more vulnerable.

White and black Caribbean children's increased risk of exit persisted when controlling for either area (Model 2) or family/household (Model 3) characteristics, though with a declining coefficient. Neither area nor family on their own were able to explain the disadvantage of this group relative to white British children; but when the two were brought together (Model 4) there were no longer any statistically significant differences between them and white British children. This implies that these children are more likely to live both in areas and in families/ households that are more vulnerable to becoming workless.

By contrast, across all models, and even when both family and area characteristics were controlled, significantly higher rates of entry were still observed for Pakistani and Bangladeshi children relative to white British children. The coefficients did reduce in size across the models, particularly when family characteristics were included, suggesting that family characteristics play a part in explaining high rates of entry; but the differences remain considerable (as illustrated in Section 6.2.3), suggesting a distinct ethnic penalty for these groups.

6.2.3   Illustrating the impact of ethnicity on workless household entry and exit

Following the approach used in previous chapters (see, for example, Figure 3.1), the magnitude of some of the ethnic group effects relating to workless household entry and exit have been illustrated using predicted probabilities derived from the models and for hypothetical sets of characteristics.

This meant that characteristics could be set to common values across the explanatory variables, simply varying ethnic group to illustrate the additional risks associated with being from a particular ethnic groups for otherwise similar children.[34] Given the role of local unemployment rates on contributing to risks of living in, moving into or moving out of, a workless household, the level of unemployment was also varied in these illustrative cases, in some being set to the 25th percentile of the distribution (relatively low unemployment rate) and in others to the 75th percentile (relatively high local unemployment rate).

Figure 6.3 shows these predicted probabilities of entry and of exit just for the white British children and for the two most disadvantaged groups in these scenarios, Pakistani and Bangladeshi children. These were also the groups where ethnic penalties in entry were observed after controlling for the full range of explanatory variables (see Table 6.4).

The magnitude of the differences between the groups becomes clear in Figure 6.3. For this particular example, while white British children with average characteristics had a predicted 75 per cent chance of having moved out of a workless household ten years down the line if they were being brought up in a low unemployment area, the chances were over ten per cent lower for comparable Pakistani and Bangladeshi children. Indeed, the chances of exit for white British children from a high unemployment area were greater than those for Pakistani and Bangladeshi children in a low unemployment area. While these probabilities represent those for specific sets of characteristics, they clearly represent the relationships between the groups, which would remain constant even if the other characteristics were constrained to a different set of values.

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[34]   Characteristics other than unemployment rate and ethnic group have been set to their average (mean or modal) value across the sample for all the estimations.

Figure 6.3 Predicted probabilities of exit from and entry to a workless household, by selected ethnic group and local unemployment rates, England and Wales

Source: ONS LS, author's analysis. Other variables set to their average (mean or modal) values.
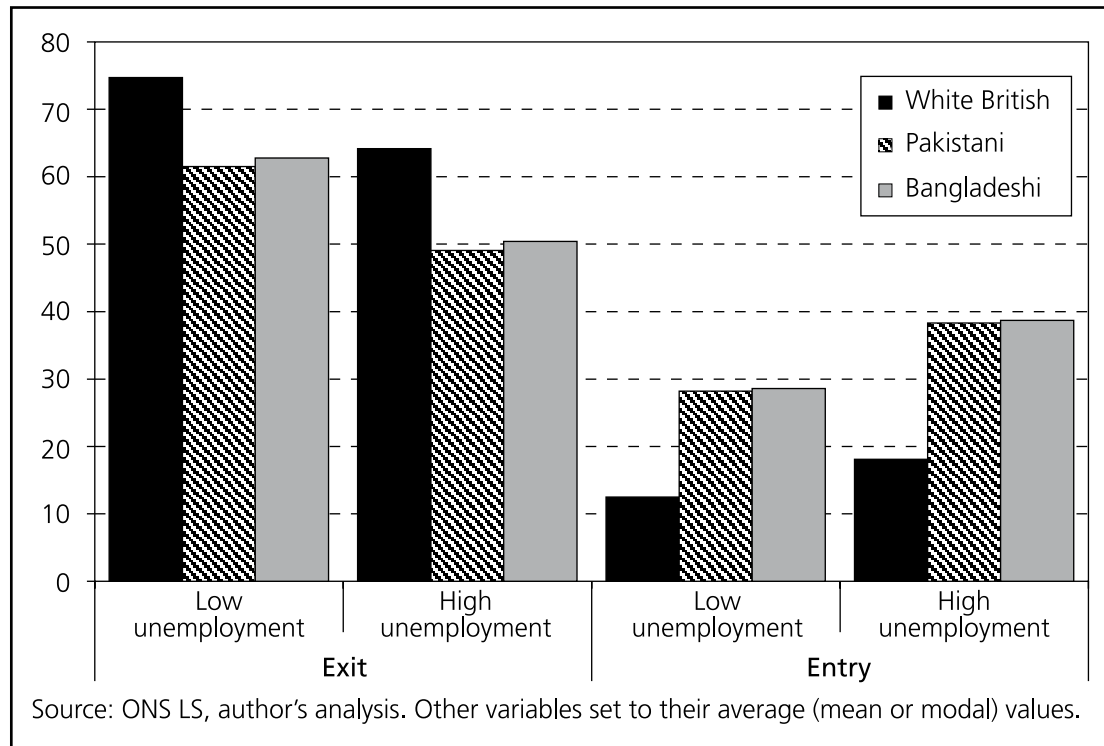
A comparable scenario is found looking at entry into a workless household. The risks of entry for the Pakistani and Bangladeshi children with the same family and area characteristics as the white British children are predicted to be in the region of 20 percentage points different to those for the white British children in both sorts of area.

The final part of this analysis explores the important question of whether the ethnic penalties found here appear to be declining or whether they are persisting over time by using the same data to compare the cohort used in the preceding analysis (aged 0-5 in 1991) with one born ten years earlier (aged 0-5 in 1981).

6.2.4   Change over time in ethnic group penalties in workless household entry and exit

This report has shown, up to this point, substantial evidence of ethnic penalties in poverty and worklessness for children from certain minority ethnic groups. Overall there is little scope to examine trends over time in poverty risks amongst ethnic groups, given data constraints. However, the long sweep of the ONS LS, does enable some exploration of the extent to which the relative experience of children from the same ethnic group has changed over time by comparing two cohorts born ten years apart.

Table 6.5 shows the aggregate pattern of transitions for the two cohorts, one aged 0-5 in 1981 and observed in 1981 and 1991 and the second aged 0-5 in 1991 and observed in 1991 and 2001.

Table 6.5   Transition patterns, by cohort, England and Wales, column percentages

Transition type	Cohort 1 (1981-1991) %	Cohort 2 (1991-2001) %
Stay out of workless household	78	69.3
Move out of workless household	8.1	11.9
Move into workless household	8.2	8.0
Stay in workless household	5.7	10.8

Source: ONS LS, author's analysis.
Bases: all respondents in cohort, 1981/91 cohort = 33,230; 1991/2001 cohort = 37,167.

Table 6.5 shows that the experience of being in a workless household at some point increased across the cohorts: only 22 per cent of children from the earlier cohort experienced worklessness at either time point, whereas this had increased to over 30 per cent for the later cohort. This appeared to be accounted for both by moves out of worklessness (an increase of nearly four percentage points) and an increase in those remaining workless across both time points (an increase of five percentage points). The former increase is indicative of increases in mobility, while the latter increase is indicative of persistence in disadvantage. Part of this variation can be understood simply in terms of changes in family structure over the period, indicating that these cohorts differed in more ways than simply the period they were born.

We next turn to consider, within these changing patterns of worklessness, whether the 'impact' of ethnic group showed any variation between the two cohorts, specifically whether ethnic penalties had declined over time. In order to carry out such a comparison over the two cohorts, comparable models were estimated for both cohorts, restricting the analysis to those variables available at both time points.[35] Coefficients were then systematically compared from the models for the two cohorts to determine if it was possible to identify any statistically significant change in the size of effects across the cohorts. The results of these comparisons are summarised in Table 6.6. The sample sizes for the Bangladeshi and black African children in the earlier cohort were really too small for analysis, making any comparison difficult. The comparisons for these groups are thus given in italics. In the simple model, a change represents a change in the absolute association between ethnic group and the outcome (worklessness exit or entry), while for the full model, any change represents a change controlling for characteristics and therefore possible changes in the distribution of those characteristics across each group between cohorts.

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[35]   This meant using 1991 ethnic group categories, since these were common to both cohorts.

Table 6.6   Evidence for change in size of ethnic group effects over time, 1981-1991 and 1991-2001, England and Wales

	Exit from workless household		Entry into workless household	
Ethnic group	Simple model	Full model	Simple model	Full model
Indian	No change	No change	No change	No change
Pakistani	No change	No change	No change	No change
Bangladeshi	*No change*	*No change*	*No change*	*(Decline)*
Black Caribbean	No change	No change	**Decline**	No change
Black African	*Decline*	*No change*	*No change*	*No change*

Source: ONS LS, author's analysis.
Bases: exit 1981/1991 cohort = 4,434; exit 1991/2001 cohort = 7,089; entry 1981/1991 cohort = 28,417; entry 1991/2001 cohort = 28,490.

Overall, Table 6.6 shows that there was little evidence for change over time in the impact of ethnicity. This might be partly due to the small sample sizes in the older cohort, an issue which particularly affected the Bangladeshi and black African children, which are thus summarised in italics. However, when just the simple models were compared, there was a significant decrease in the association between being Caribbean and entry into a workless household. This suggests a positive story for this group in terms of the declining association of ethnic group and disadvantage, even if the absolute risks of being in a workless household still remained substantially higher than for the white reference group. However, when models that controlled for basic family and area characteristics were compared, the reduction in the association of ethnic group and entry into a workless household was no longer apparent. This suggests that any decline in the association was due to the changing composition and characteristics of the group over time and not to any change in the 'ethnic effect' associated with this particular ethnic group. However, as we have seen, in the full models, many of the associations with ethnicity were themselves not statistically significantly different. So, while we can extrapolate from the simple model to a general picture of little change in risks of exit and entry relative to white comparators, for most groups this does not lead to conclusions about the persistence of 'penalties' defined as 'unexplained risks'. The exception is Pakistani children who, as we saw above were disadvantaged in terms of both exit and entry relative to their white counterparts. For Pakistani children, then, the 'no change' in the full models does tell us that penalties have shown no indication of declining over time.

Box 6.5: Summary of workless household transitions

Unemployed Pakistani, Bangladeshi and black Caribbean men living with dependent children are rather less likely to have experienced short (less than three months) unemployment durations and Pakistani and black Caribbean men are rather more likely to experience long (more than 12 months) employment durations than white majority men. It was not clear, however, whether differences in unemployment duration constituted an ethnic penalty.

There were also striking differences in experience of ten-year transitions in living in a workless household among children by ethnic group. While over 70 per cent of white majority children lived in a workless household in neither 1991 nor 2001, only 34 per cent of Bangladeshi children and 40 per cent of white and black Caribbean children were living in a workless household at neither time point. Differences between minorities and majority were associated both with differences in persistence in a workless household, but also with differences in movements into and out of workless households. There was some evidence of an ethnic penalty in terms of lower probabilities of exit from a workless household for Pakistani children compared to white British children, after controlling for family and area characteristics. There was also evidence of an ethnic penalty in increased chances of entry into a workless household for Pakistani and Bangladeshi children relative to white British children, holding other characteristics constant. There was no evidence that their ethnic penalties in relation to worklessness had declined over time. Specifically, the results seemed to provide evidence that the ethnic penalty for Pakistani children had not declined over time.

This chapter has paid some attention to the potential role of area contextual factors in contributing to disadvantage of children from minority ethnic groups. The next chapter picks up on the analysis in Section 6.2 to examine the role of area in more detail.

7   The role of area

Area is a potentially important aspect of minority groups' disadvantage. There has been substantial discussion of the impacts of area concentration on disadvantage, with an extensive literature around, and some slight evidence for, area or neighbourhood effects (Buck, 2001). There has also been an ongoing debate on the pros and cons of minority ethnic group concentration per se, and whether it has negative, or positive, consequences. Alongside this debate, the disproportionate concentration of ethnic minorities in deprived areas has been treated as a measure of their disadvantage or alternatively as a cause of it. This is reflected in the contemporary focus of the Department for Work and Pensions (DWP) on deprived areas. This has involved devolving funds to particular areas. In the case of the *Working Neighbourhoods Fund*, this covers areas where 50 per cent of the population are from minority groups; and the *City Strategy* has ethnic minority targets in pathfinders with large ethnic minority populations.

While this research cannot do full justice to the complexity of the debates and existing approaches to investigating area deprivation, it develops the analysis from Chapter 6 to extend the understanding of the role of area in children's risks of living in, or moving between, workless households, according to their ethnic group.

Chapter 6 already highlighted something of the role of local area context in influencing outcomes for different ethnic groups, given their different distribution across more and less disadvantaged areas. That is, it examined whether differences in types of areas of residence helped to account for differences in risks of entering or exiting a workless household across ethnic groups. It examined the role of local unemployment rates in particular, but the models also controlled for composition of areas in terms of ethnic group. The analysis also examined whether there was support for the existence of 'area effects', that is that there were levels of local area unemployment rates at which risks increased non-linearly.

The analysis in chapters other than Chapter 6 has largely been limited to the inclusion of regional effects, due to data constraints. Regions clearly contain widely different types of area and cannot be particularly informative about area disadvantage and its impact on poverty. However, Chapter 6 could examine area at a much finer

grain, specifically ward level characteristics. This chapter, therefore, attempts to draw on the analysis carried out for Chapter 6 to summarise its implications for our understanding of area context and minority group disadvantage. Some additional analysis on the probabilities of living in a workless household in 2001 and of living in high unemployment or high minority group concentration areas was also carried out. This chapter is, therefore, structured in the form of a series of questions and avoids repeating, but refers back to, analysis which has already been illustrated. New analysis is presented similarly to that in Chapter 6, with a schematic version of area impacts alongside illustrative probabilities at fixed characteristics. What follows employs again the Office for National Statistics Longitudinal Study (ONS LS): see Box 7.1.

Box 7.1: Key features of the ONS LS for area analysis

- One per cent sample of population of England and Wales, followed over time from 1971.

- Updating with new births and immigrants means it remains representative of the population.

- Large sample sizes: adequate sizes for many ethnic group analyses.

- Large sample sizes and comprehensive, random geographical coverage of England and Wales make it suitable for relatively small area analysis.

- Potential to match in local area characteristics from Census or other sources.

- Ward level unemployment rates and proportions from the different ethnic groups, and proportions from different countries of origin were specially matched in to the individual ONS LS members' records for this analysis.

A range of approaches to the role of area can help to explain the risks of living in a workless household. These approaches and their results are summarised below in the form of responses to key questions. Specifically, the responses draw on a range of analyses, including those reported briefly in Chapter 6 and additional analysis of area outcomes to:

- investigate the impact of the inclusion of area unemployment variables to test whether chances of living in a workless household increase at higher levels of unemployment;

- to investigate, additionally, whether this effect is non-linear, that is whether at certain points it increases more or less swiftly;

- to test whether ethnic group concentrations have an impact on chances of worklessness, and whether any association persists once unemployment is controlled for;

- whether chances of living in areas with higher proportions of minority groups and higher unemployment rates are appropriately modelled together, that is whether the unobserved factors that make living in an area of ethnic group concentration more likely also make living in a deprived area more likely.

Question 1: Does the association between unemployment rate and chances of living in a workless household increase with unemployment rate? And does it increase more at higher levels of local unemployment?

In Chapter 6, we saw that local unemployment rate was associated with both exit from and entry into a workless household. In the simpler model, with ethnic group but without family characteristics controlled, there was evidence for a heightened effect of unemployment rate at higher levels. This was indicated by the combination of a negative coefficient for unemployment rate accompanied by a positive effect for its square but a negative effect again for the cube of unemployment rate. That is, as unemployment rate increases, and its square gets bigger and its cube yet bigger, the effect will be partly tempered by the increase in the square term, but the cube will overweigh this at the highest levels of unemployment. This pattern was not found for entry, where instead, the negative coefficient for the square of unemployment suggested that the impact of unemployment rate on risks of entry levelled off at higher unemployment rates. That is, as unemployment rate increased the square term would start to balance out and eventually outweigh the positive association of unemployment rate with entry.[36] In both cases, the square and cube of unemployment rate ceased to be statistically significant when the full set of family characteristics was controlled, though the simple effect remained strong and significant. This suggests that those whose family characteristics place them at most disadvantage in terms of lower risks of exit tend to live in areas of highest unemployment, whereas those whose family characteristics place them at a disadvantage in terms of higher risks of entry into a workless household do not; but that, given a set of family characteristics, children can expect local unemployment rate to impact on their chances of both entry and exit.

The findings would imply that, setting family characteristics and ethnicity aside, a focus on particular areas could be fruitful in helping people to exit disadvantage; though the exact scale of the area can matter (Buck, 2001). (Ward was the unit in this analysis.)

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[36]   Further analysis was carried out that explored the role of area in relation to risks of being in a workless household in 2001. This showed a similar pattern as that for exit. That is, there was evidence of 'area effects' when family characteristics (other than ethnic group) were disregarded, but only evidence for a simple effect of unemployment rate linearly increasing risks of worklessness as it increased in the full model controlling for family characteristics.

Question 2: Is there an association for minority groups between proportion of own or other minorities' ethnic group in a given area and the risk of living in a workless household?

The analysis, illustrated schematically below, suggested that there was such an association[37]; but that it disappeared once local unemployment rate was included in the model. The interpretation is that own or others' minority group concentration is not a factor in worklessness risks. Rather, those areas that are more likely to have minority group concentrations tend to be more deprived. Deprived areas bring with them higher risks of workless households status whether or not they are areas of minority groups concentration.

Question 3: What is the impact of a living in a deprived area compared to living in a non-deprived area (in terms of unemployment)? And how does it compare to the impact of coming from particular minority ethnic groups (i.e. with ethnic penalties in workless households status)?

To answer this question predicted probabilities for a set of hypothetical situations were derived from full models of entry and exit, as illustrated in Chapter 6 (Figure 6.3).[38] The resulting probabilities for three ethnic groups, at two levels of area unemployment are illustrated again in Figure 7.1. The three groups represent those two minority ethnic groups for which the chances of worklessness were significantly different from the white British majority. Figure 7.1 illustrates the impact of local unemployment levels across all three groups. The levels of unemployment are set at lower (the 25th percentile) and higher (the 75th percentile).[39]

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[37] The analysis used own ethnic group and concentrations of particular ethnic groups. The general conclusions were the same, in that any significant associations disappeared when unemployment rate was controlled.

[38] Characteristics were set to average (mean or modal) values across the sample with the exception of those for ethnic group and unemployment level of area.

[39] Clearly the impact of area unemployment would have been stronger if, say the 10th and 90th percentile had been used instead. But the levels were considered to represent a reasonable contrast, and even so they would not have dwarfed the ethnic group effects.

Figure 7.1   Predicted probabilities of being in a workless household in 2001, by 1991 household work status, unemployment rate and ethnic group, England and Wales

Source: ONS LS.
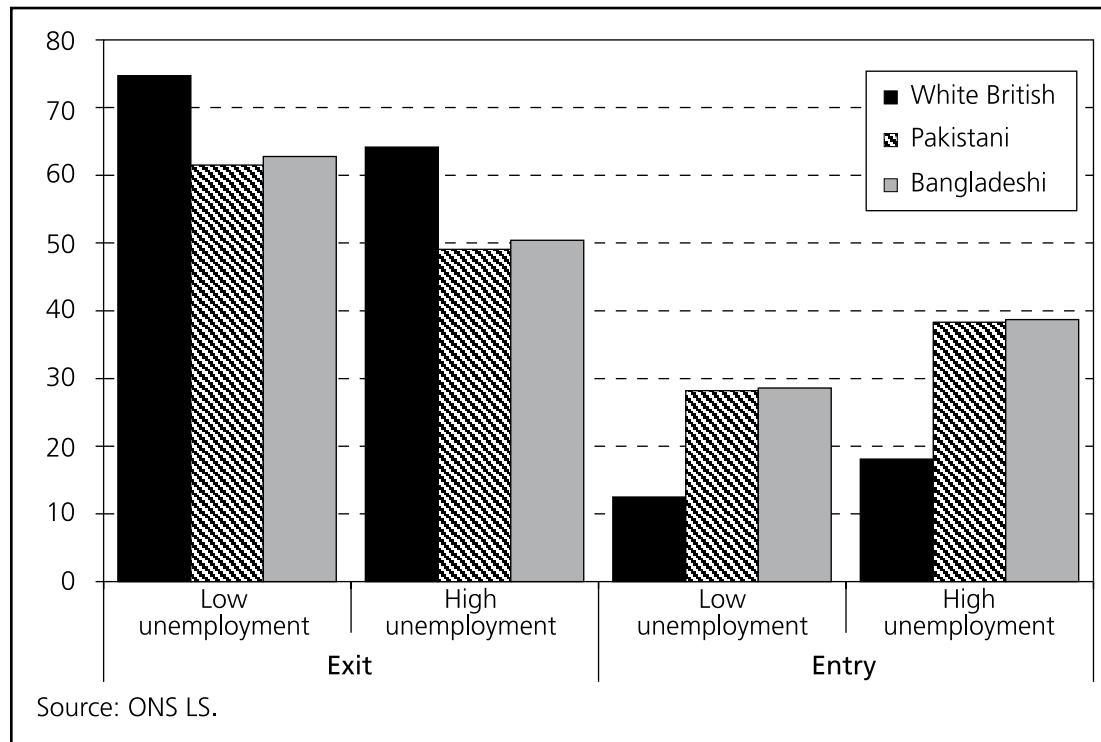
We can see from Figure 7.1 that the impact of unemployment rate is clearly powerful. Higher unemployment rates strongly reduce the probabilities of exit and increase the chances of entry. And these are not the extremes of unemployment rates but are set at the 25th and 75th percentiles or a quarter and three-quarters of the way up the distribution of unemployment respectively. Turning to the second part of the question, on how these effects compare with ethnic penalties in entry and exit, we see that for those two groups who do face ethnic penalties in workless household entry, that penalty is somewhat larger than the difference between living in a high and a low unemployment area. The scale of the ethnic penalty therefore stands out over and above the substantial impact of local unemployment rate. Area disadvantage, then, clearly does matter. But, so does ethnic group, independently of area and to a similar or greater magnitude.

Question 4: What determines the chances of living in an area of high unemployment and how does that relate to the chances of living in an area of high ethnic minority concentration?

As discussed in Chapter 2, the impact of the proportion of a particular minority ethnic group in an area became statistically insignificant once we controlled for unemployment rate. This indicated that it was the unemployment disadvantage of areas with higher proportions of ethnic minorities that was linked to individual household workless entry or exit risks. Here, we turn to explore the chances of living in an area of ethnic minority concentration or high unemployment and to

see what factors are associated with living in such areas. Since we already know that they are associated, it makes sense to model them simultaneously rather than treating them as unrelated outcomes. We can test when modelling them whether it makes sense to model them together, that is whether the unobserved factors relating to living in a high unemployment area also contribute to the chances of living in an area of high ethnic minority group concentration.[40] For the purposes of this analysis, we simplify unemployment rate to be 'high' if the area is in the top quarter of unemployment rates, and similarly we call an area 'high' in terms of ethnic minority group concentration if it is in the top quarter of areas based on the aggregation of all minority groups. The dependent variables for the models were then these categorical measures of high unemployment rate and high proportion of minorities.[41] A full set of characteristics, as used in Chapter 6 and including ethnic group were included in both models.

The model showed that unobserved factors (i.e not ethnic group or any characteristics included in our models) associated with higher risks of living in a high unemployment area were strongly correlated with those linked to living in an area with high proportions of minority groups. Results from the model were then used to create predicted probabilities for living in both a relatively high unemployment area and an area of relatively high minority group concentration. This is shown in the left hand panel of Figure 7.2, and illustrates how the chances of living in such an area vary by ethnic group, when setting other characteristics to their mean or modal values. The right hand panel of Figure 7.2, again using probabilities calculated from the model, shows the predicted chance of living in a high unemployment area given residence in an area of high ethnic minority concentration. Again, characteristics other than ethnic group have been fixed at their average sample values.

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[40] This estimation used a biprobit model that allowed the unobservables associated with living in one sort of area to be correlated with the unobservables associated with living in the other sort of area see, for example, Greene (2003). Jointly modelling the two processes is important if the two outcomes are associated. The approach used is similar to that employed by Dorsett (1988).

[41] This was the only instance where minority group concentrations were aggregated into a single variable. In all the analysis in Chapter 7, individual ethnic groups were distinguished and own ethnic group was included as a potential explanatory variable. In this case, however, it made sense to aggregate since to analyse individual ethnic group concentrations would have necessitated running a separate model for each group.

Figure 7.2   Ethnic group and area characteristics, England and Wales
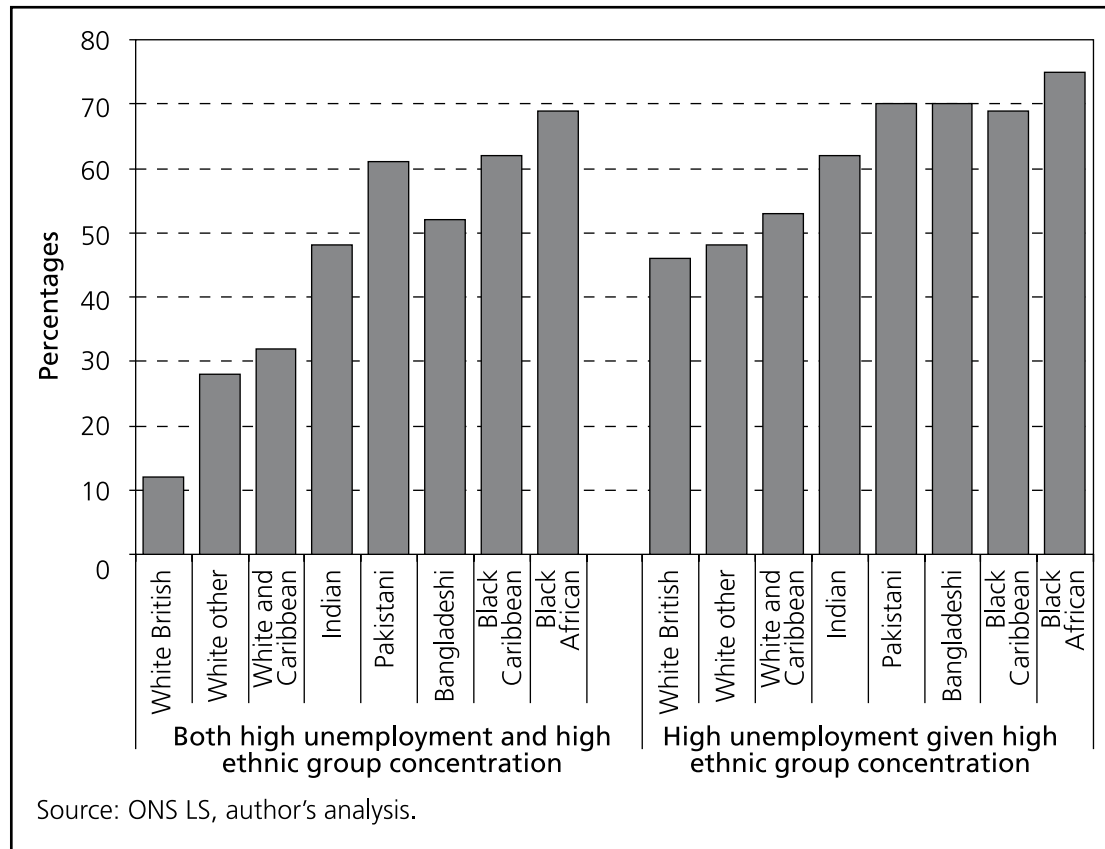
The left panel of Figure 7.2 shows that chances of living in an area of both relatively high ethnic minority concentration and relatively high unemployment varies substantially across groups. At these mean and modal characterstics, which have been constrained to be the same across the groups, the chances would be low for the white British at around ten per cent and nearly 70 per cent for otherwise comparable black African children.

It is not entirely surprising that minorities will be more likely to be living in areas of minority group concentration, since they contribute to that concentration, and we cannot distinguish in the left hand panel whether given residence in an area of ethnic minority concentration, chances of living in a deprived area are equal across groups. It is perhaps more interesting, therefore, to examine the right hand panel of Figure 7.2, which explores the estimated chances of living in a high unemployment area for those who are already living in an area of relatively high ethnic minority concentration (and setting other characteristics to average sample values). If the differences in the right hand panel were caused by differences in living in an area of high ethnic minority concentration, then we would expect to see little difference across groups on the left hand side for those already living in an area of high minority group concentration. Moreover, if areas of ethnic minority concentration tend to be more deprived, as we have discussed, then we would expect that given residence in such an area, the chances of living in a high

unemployment area would be higher than the average (and for the majority in the right hand panel) but would not necessarily vary across groups.

Instead, we see that there is substantial variation in the chances of living in a higher unemployment area given that the child lives in an area of relatively high ethnic minority concentration. While it is the case that given living in an area of minority group concentration, chances of living in an unemployment deprived area are also higher, there is variation across the groups, with children from white groups with average characteristics substantially lower risks than otherwise comparable Pakistanis, Bangladeshis, black Caribbeans and black African also living in areas high ethnic minority concentration. This confirms that areas of ethnic minority concentration do not equate to areas of unemployment deprivation and that diversity is more associated with deprivation for minority groups living in diverse areas than for the majority.

Box 7.2: Summary of area analysis

Those who live in areas of high unemployment are more likely to live in a workless household. The ethnic group concentration of an area does not have an additional impact on chances of living in a workless household, after controlling for local unemployment rate.

Local unemployment rates matter for risks of living in a workless household. Higher unemployment rates are associated with higher risks. Local unemployment rates also contribute to explaining some of the differences between groups in chances of living in a workless household. Nevertheless, for Pakistani and Bangladeshi children, unexplained 'ethnic penalties' in relation to living in a workless household are still found, and in magnitude are substantial compared to the large, and clearly comprehensible role of local unemployment rates.

Chances of living in an area with a relatively high unemployment rate differ across ethnic groups even when they live at similar levels of minority ethnic group concentration. This highlights the variation in deprivation across areas that have a similar concentration of minority groups.

The next chapter sets out to draw together the results from the preceding chapters focusing on the experience of particular groups across the range of experiences that have been illustrated as a way of complementing the cross-group focus on particular experiences of poverty that has been the focus so far.

8   Understanding poverty within groups

The analysis in previous chapters has revealed the diversity between groups and in the factors contributing to poverty. This chapter, therefore, moves from a focus on comparison across groups according to different ways of looking at poverty to a consideration of what the overall 'story' emerging from the different analyses is for the main different ethnic groups considered. It thus draws out what the key findings are for the different groups.

For minority groups at greater risk of poverty there appeared to be no single explanation or set of circumstances that applied to all of them. And there was also variation in the extent to which known characteristics of children and their families can help explain disadvantaged outcomes. In addition, there were differences across groups in the level and ranking of poverty according to the measures used. Given this diversity, what can we say about the experience of particular groups? This chapter addresses this question focusing on the poverty experience of children from four ethnic groups: Indian, Pakistani, black Caribbean and black African. These four groups were selected on the basis that they illustrate a range of poverty experiences and variations in family characteristics. Concentrating on four groups enables the key issues for these groups to be drawn out without producing an unwieldy array of points relating to a larger number of groups.

As well as drawing out the findings as they relate to these groups from the previous chapters, this chapter additionally pays attention to within-group comparisons – that is the experience of poor households with children relative to non-poor households with children, introducing some additional analysis in the process.

We start by considering the question of how close poor and not poor households with children are across the different groups in terms of household income sources, using a low income threshold of 60 per cent of median adjusted household income before housing costs (BHC). Figure 8.1 shows the median and mean differences in incomes for poor households compared to not poor households. That is, the average income of households below and above the poverty threshold were calculated and the gaps between those averages (both the means and the medians)

were measured. It illustrates the substantial differences in mean income between poor and not poor households overall, and the amount of variation across the groups, with the means for Indian households being furthest apart and those for Bangladeshi households being closest together. As would be expected the median difference is smaller as it is not affected by the very high incomes among the not poor. Nevertheless, there are substantial differences even here and the ranking of the groups is unaffected whichever measure is used. What this shows is that for those groups with smaller gaps, we can think of not poor households as being much closer to the poverty threshold, especially among those below the median income for those not poor.

Figure 8.1 Difference between mean and median unequivalised weekly incomes in £ per week for households with children, by ethnic group, Great Britain

Source: Family Resources Survey (FRS) 2003/04, 2004/05 and 2005/06, pooled, weighted. Base = 24,116.
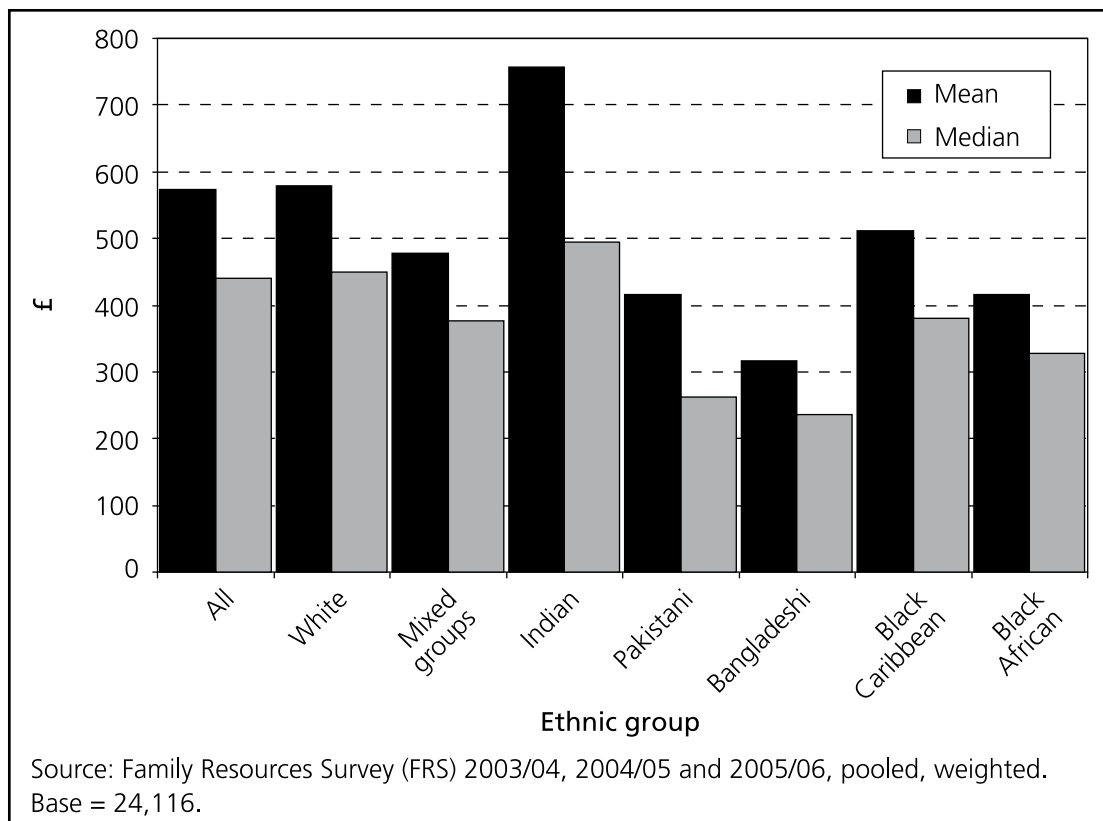
We explore these questions of within group similarity and difference in more detail in what follows, in order to understand the extent to which the 'stories' for the different ethnic groups reflect a more general experience across groups or whether minority ethnic groups have a very varied experience which contributes to the distinctive features of their poverty experience.

8.1   Poverty and Indian children

We start by looking at the experience of Indian children. First, we can examine the breakdown of income sources. Figure 8.2 shows the distribution of income across

poor and not poor white families with children, as a point of reference. As well as separating between poor and not poor, Figure 8.2 also includes a breakdown by the bottom 40 per cent of the distribution (the bottom two-fifths) and for the next 40 per cent of the distribution (the second and third fifths). This excludes the top 20 per cent of the distribution, which might be quite distinctive again.

Figure 8.2   Income composition among poor and not poor white households with children and by income quintiles, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 21,252.
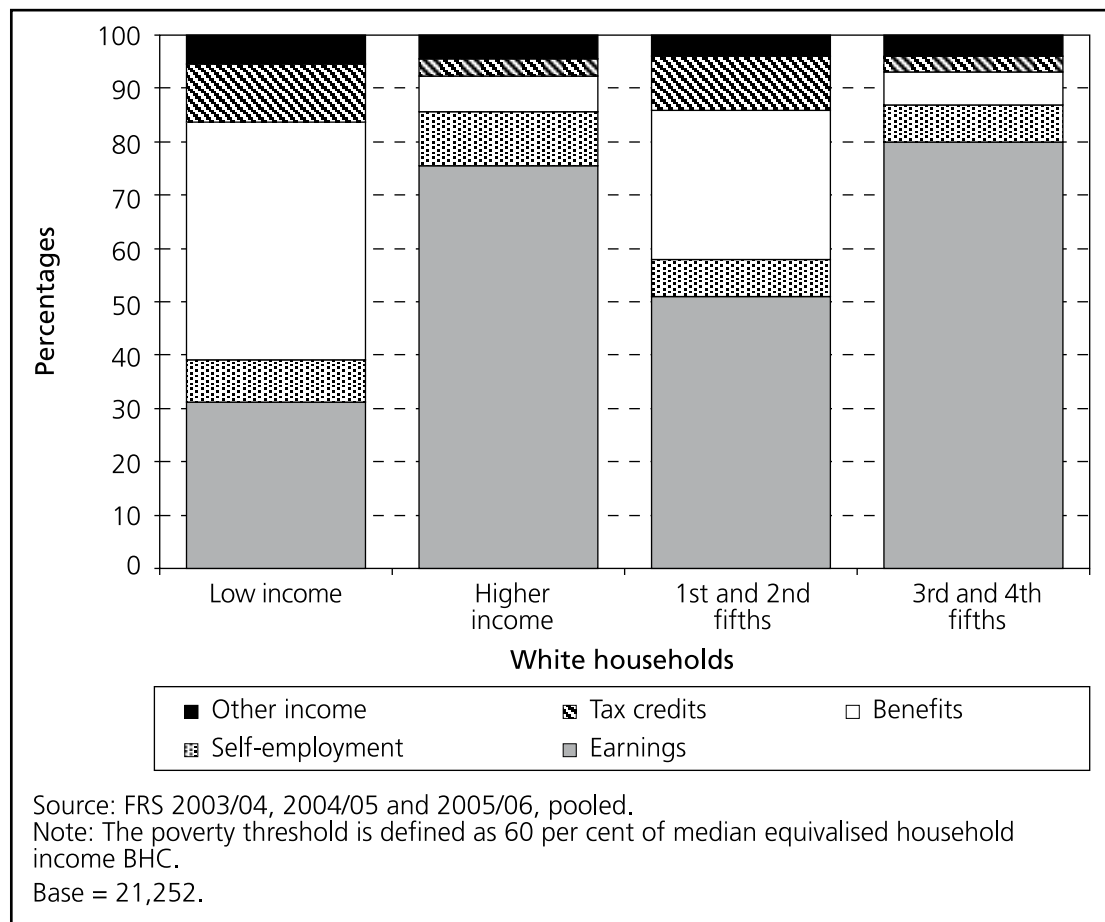
Figure 8.2 shows a clear difference between the importance of benefits at the bottom of the distribution and the dominance of earnings at the higher end of the distribution.

8.1.1   Comparison of poor and non-poor Indian households with children

Figure 8.1 indicated that we can perhaps think of the Indian group as one where the experience of poor children is distinct from that of not poor children. However, as we saw in Chapter 2, in many respects the experience of poor Indian children is particularly distinctive compared to children from other groups and has a lot in common with not poor Indian children. Figure 8.3 aims to enhance our understanding of similarity or heterogeneity within Indian households with children by repeating the breakdown in Figure 8.2 but for Indian children.

Figure 8.3   Income composition among poor and not poor Indian households with children and by income quintiles, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 513.
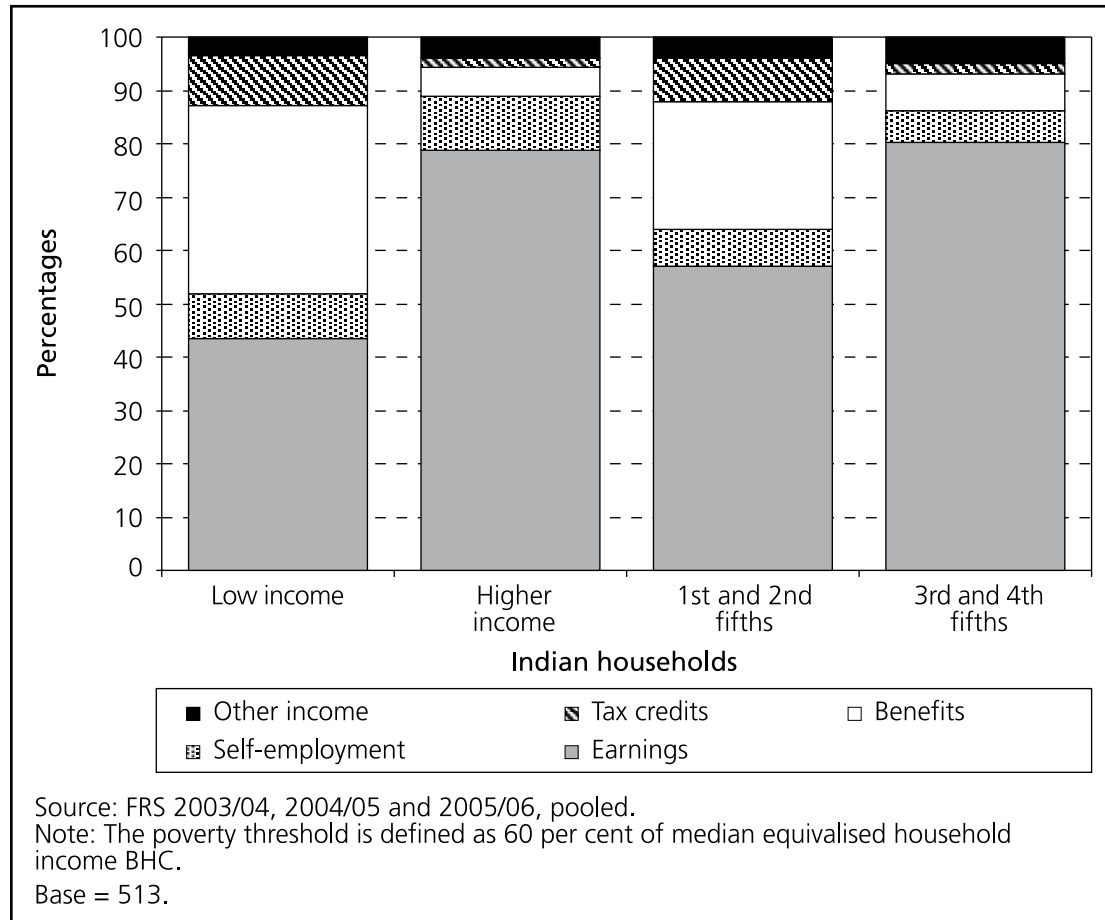
When we look at the Indian profile in Figure 8.3, the contrast between poor and not poor households could still be found, as in Figure 8.2. However, in Indian households, earnings played more of a role at the bottom of the income distribution, as well as being important at the higher end of the distribution.

An additional within-group comparison that can be made is to look at the core characteristics of households and families that children are living in and that were considered in Chapter 2. It is then possible to scrutinise the extent to which these characteristics appear to be distinctively experienced by children in poor as opposed to not poor families within the group. Figure 8.4 makes such a comparison for Indian children in poor and not poor households, comparing the number of children, whether there is a worker, whether anyone in the household has a longstanding illness or disability that limits activity and by the number of adults in the household.

Figure 8.4   Characteristics of poor and not poor Indian households with children, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 513.
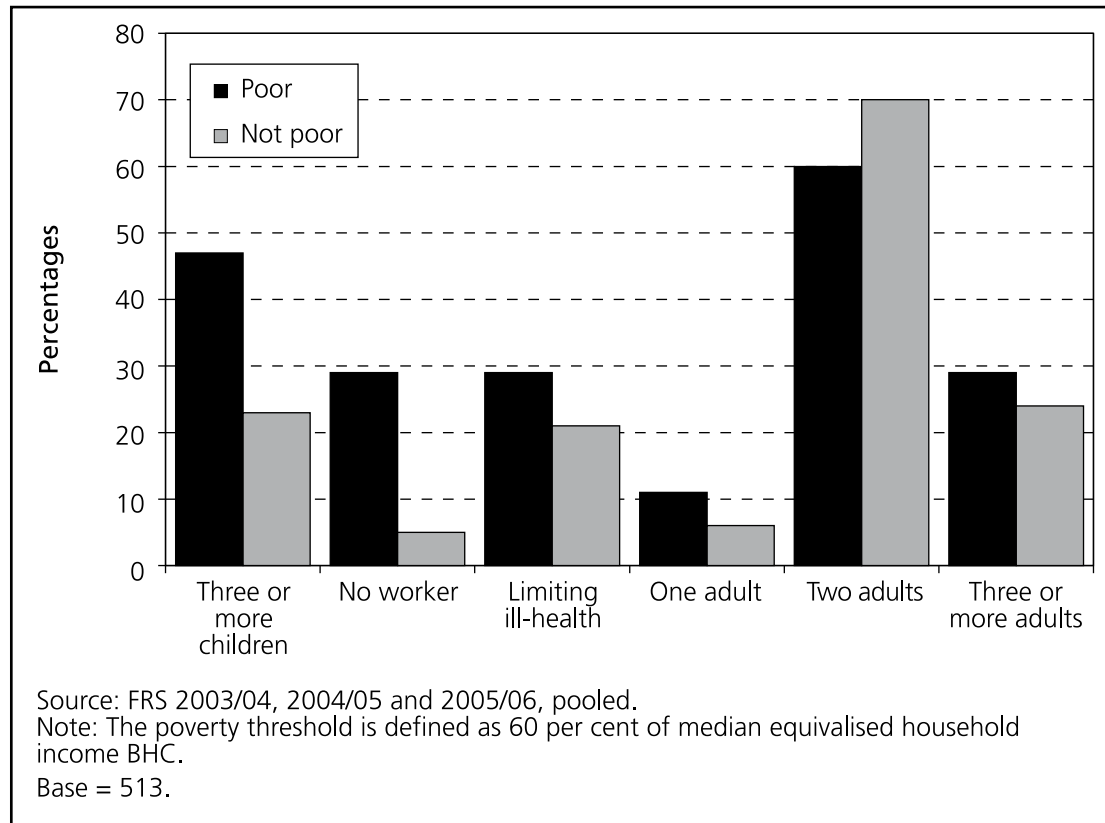
Figure 8.4 shows that in terms of health status of the household and numbers of adults there are only relatively small differences between children's experience in poor and not poor households. Children in poor households were more likely to have two or more siblings and, unsurprisingly were more likely to live in a household with no worker. However, the proportion living with no worker is small compared to poor children from other groups. Almost half of children in poor white households were living with no worker (full-time or part-time) in the family and this rose to more than 60 per cent of poor black African children. But we can see here that the proportion is under 30 per cent of poor Indian children living without a worker in the family.

Overall, then, there were similarities and differences between the experience of poor and not poor Indian children. In income terms they were likely to be experiencing very different standards of living, but in other ways their household context is surprisingly similar.

8.1.2   Key findings for Indian children from the preceding chapters

The striking story to emerge for the Indian children was that they not only experienced greater than average poverty risks, but they did so despite, in general, having lower levels of risk characteristics than the white majority. That is, if Indian children had the distributions of family characteristics of white children, they would

have higher poverty rates than they do, rather than closing the poverty gap with white children. This message came through from a range of the analyses. Thus, we saw that poor Indian families received a substantial share of their income from earnings (Figure 8.3), and as we saw in Chapter 2, they were relatively unlikely to lack an earner in the household. The picture was enhanced by the decomposition analysis (Chapter 3), which showed that rather than characteristics helping to explain the gap in poverty between Indian families and the white comparison group, the opposite was the case: the unexplained part of the gap was larger than the actual gap. Indian children did not seem to be getting the returns to their family characteristics in terms of protection from poverty that they might expect.

In the analysis of poverty transitions (Chapter 4), young Indian children did not appear to have significantly higher risks of entry or lower risks of exit than their white counterparts. However, when like was compared with like, even though their risks of exit did not differ significantly from otherwise similar white counterparts, their risks of entry were significantly higher than their white peers. A similar story was found in the deprivation analysis (Chapter 5). In absolute terms Indian families with children had the lowest rates of deprivation of any group. But given their characteristics they should have been substantially lower: once family characteristics were held constant, Indian children's predicted deprivation scores were significantly higher than their white counterparts and this remained the case even when income poverty was additionally controlled for.

In the analysis of workless transitions (Chapter 6), there were few significant differences between the Indian children and their white British comparators. Given what we have seen in relation to the work status of households, this is hardly surprising. Indeed, Indian children seemed to have some advantage in terms of avoiding the experience of being in a workless household over other groups. However, this advantage was not maintained when like was compared with like and family characteristics were controlled.

The overall picture then, is a slightly puzzling one. In many respects and in labour market terms Indians and their families appear to be doing well. Yet they experience poverty penalties and disadvantage that are not effectively countered by having more of the characteristics typically associated with being in a more favourable situation.

8.2 Poverty and Pakistani children

8.2.1 Comparison of poor and non-poor Pakistani households with children

Pakistani children present a rather different picture. As shown in Figure 8.1, for this group the gaps between poor and non-poor household incomes are rather small indicating a continuity of experience between those who fall below the threshold and those above it. This impression is reinforced when we look at income composition (Figure 8.5).

Figure 8.5 Income composition among poor and not poor Pakistani households with children and by income quintiles, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 391.

Figure 8.5 shows that, although the patterns of income did vary between poor and not poor household, benefits and tax credits continued to form a substantial share of the incomes of those not poor. The fact that this share reduced when we look at the 3rd and 4th fifths of the distribution suggests that there was a clustering relatively close to the poverty threshold which drives these relatively high rates of benefit and tax credit receipt among the not poor. On the other hand, earnings formed a relatively low proportion of the incomes of poor households with children, distinguishing this group from not only the Indian not poor group just illustrated but also from not poor households with children in general.

Figure 8.6 then illustrates the distributions of household characteristics across poor and not poor Pakistani households with children.

Figure 8.6   Characteristics of poor and not poor Pakistani households with children, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 391.
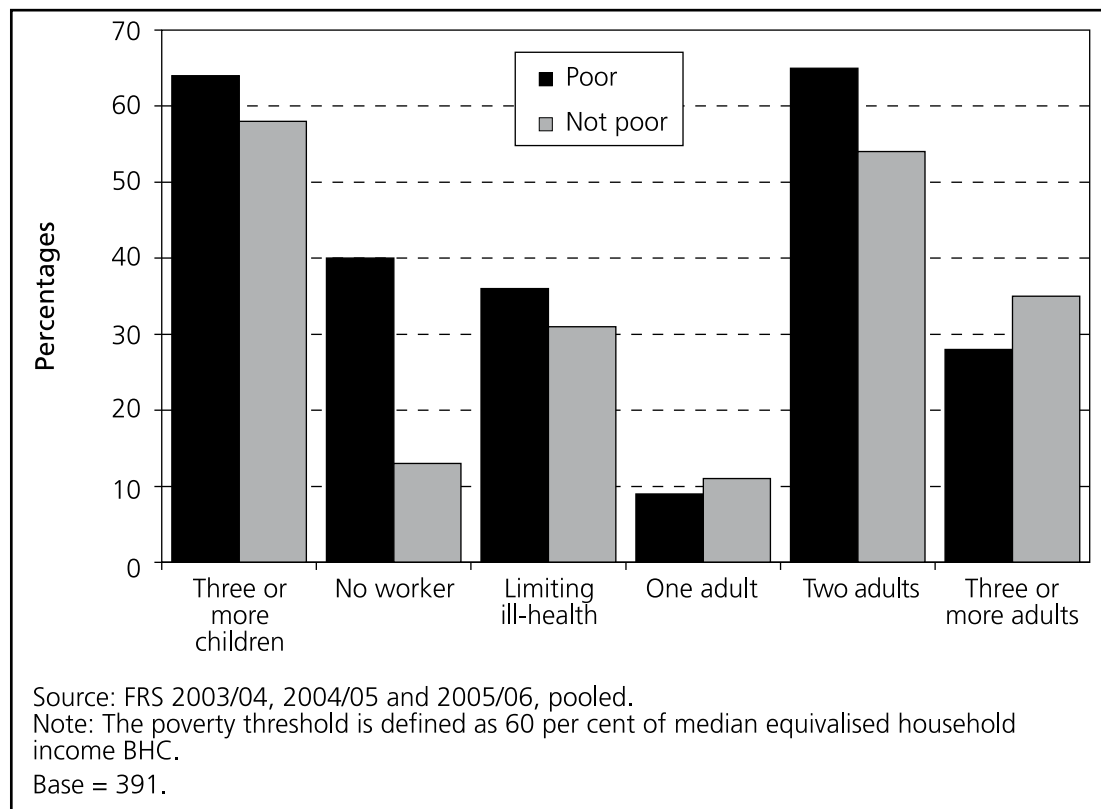
Figure 8.6 illustrates a high degree of congruence between children in poor and not poor families. The greater chances of living in a workless household were again distinctive of children living in poor households, and a higher proportion of poor Pakistani households with children than Indian households with children were in this situation (though not as great as for white households with children). Otherwise, however, there was little to clearly distinguish the household experience of poor and not poor households with children. Interestingly, larger numbers of adults were more common in not poor than in poor households with over 60 per cent of poor households with children being households with two adults and under 30 per cent having three or more adults. By contrast, in not poor households over 30 per cent had three or more adults.

There is a definite impression for this group of similarities and overlaps between poor and not poor households. This is enhanced when the greater risks for Pakistanis of entering both poverty and workless households are considered. As noted, disproportionate risks of entry into poverty or into a workless household from a position of relative advantage are potentially of particular concern. Such risks indicate that it is not enough to be out of poverty to have average chances of remaining out of poverty. This seemed particularly evident for Pakistani children and can perhaps be best understood as this group being vulnerable to poverty and close to the poverty threshold much of the time and thus, more easily slipping below it.

8.2.2 Key findings for Pakistani children from the preceding chapters

Overall, the analysis continually emphasised the disadvantage of Pakistani children;[42] and the fact that this disadvantage could not be understood in terms of family composition or characteristics – though these played a part. Instead, these children seemed subject to substantial poverty penalties. This was suggested by the simple breakdowns of risks by family or household type (Chapter 2), and was shown in the decomposition of the poverty gap and the estimations of the poverty penalty (Chapter 3), and the multivariate analysis of poverty transitions (Chapter 4). Deprivation rates were high and were also experienced as penalties (Chapter 5). In particular, deprivation could not be understood in terms of the greater income poverty of this group. This is further evidence of the congruence between the experience of poor and not poor children for this group.

When worklessness transitions were investigated (Chapter 6), controlling for not only a range of household factors but also a complex set of local area characteristics, penalties for Pakistani children continued to be evidenced. This is perhaps particularly interesting as it refutes the suggestion that much Pakistani disadvantage can be linked to where they live – and perhaps has implications also for an area-based approach to ethnic minority disadvantage.

A final cause for consternation was that the impact of ethnicity on chances of living in a workless household did not appear to be declining. When controlling for characteristics, there was not the evidence that one might have expected that the influence of ethnic group on outcomes would have reduced between the 1980s and the 1990s. Instead, it remained stable, posing a challenge for aims of equality in addition to concerns with child poverty.

8.3 Poverty and black Caribbean children

8.3.1 Comparison of poor and non-poor black Caribbean households with children

Turning to black Caribbean children, much of their experience appears to lie between that of the most disadvantaged groups, such as Pakistanis and Bangladeshis and that of white majority children. In some respects they suffer ethnic penalties and disproportionate poverty, in other ways their experience is similar to otherwise comparable white children. This intermediate position can be seen in our starting point for this section of Figure 8.1, which examined the average gaps between poor and not poor incomes for families with children.

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[42]   In some cases the disadvantage of the Bangladeshi group was more extreme. Overall the analysis showed the situation of the two groups was very similar in terms of their disadvantage. Larger sample sizes, however, made it clearer in many cases for the Pakistani children, which is why they are the focus of this discussion.

Figure 8.1 showed that for black Caribbean families with children, gaps were smaller between poor and not poor than they were for the white or Indian household incomes but incomes were not as compressed as they were for Pakistanis or Bangladeshis.

When we look at income composition (Figure 8.7), the picture is in many ways similarly complex.

Figure 8.7   Income composition among poor and not poor black Caribbean households with children and by income quintiles, Great Britain
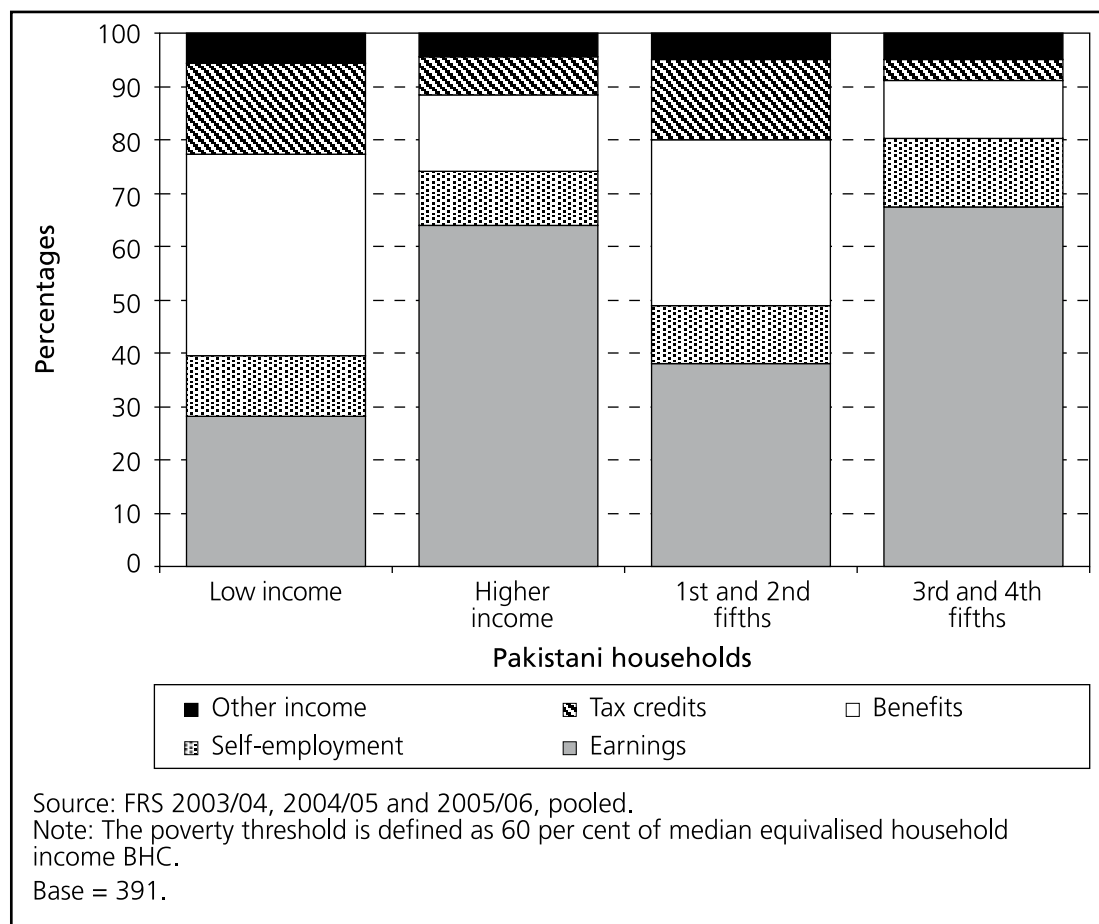

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 399.

Figure 8.7 shows that the proportion of income from earnings among poor households with children was about the lowest of any group, and contrasted with the high proportion from earnings among the not poor households with children.

Figure 8.8, illustrates the proportions of families with different characteristics among poor and not poor households with children.

Figure 8.8   Characteristics of poor and not poor black Caribbean households with children, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 399.
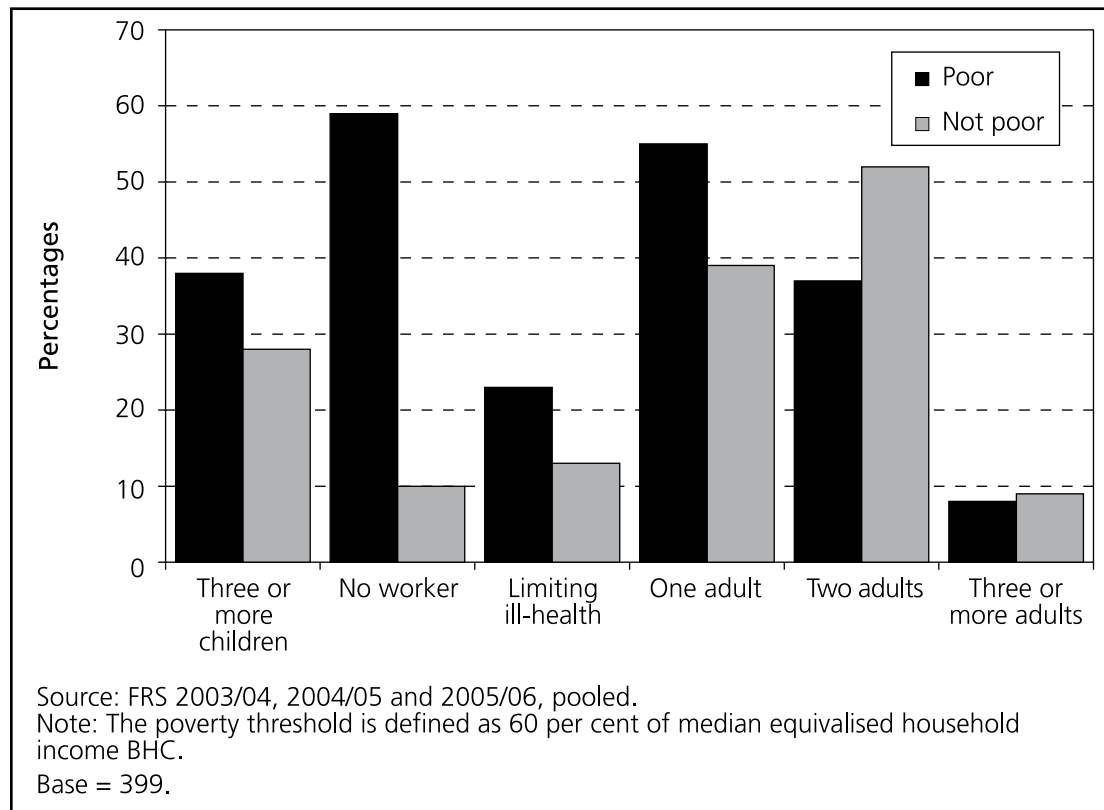
Figure 8.8 shows that there was much greater variation than for the Pakistani children. Single adult households, larger families and ill-health of a household member were much more clearly linked with poor rather than not poor families. There was a major contrast between poor and not poor households with children in terms of the experience of living with no worker, nearly 60 per cent of poor households with black Caribbean children were in this situation compared to ten per cent of not poor households. Overall, then, the general impression is that poverty is to a large degree associated with particular sets of vulnerable characteristics (though as mentioned, the extent to which that vulnerability is itself a consequence of poverty cannot be identified).

8.3.2   Key findings for black Caribbean children from the preceding chapters

This was also the dominant impression from the various analyses. Black Caribbean children had higher poverty risks than the average in absolute terms, but the absolute disadvantage was not of the level experienced by Pakistani or Bangladeshi – or black African – children (Chapter 2). Nevertheless, it was evident across a range of measures, including poverty risks (Chapter 3), poverty persistence (Chapter 4) and work status of household (Chapter 6). However, when controlling for family characteristics much of the relative disadvantage across these areas was no longer statistically significant. We can see this in some of the analysis of poverty

penalties (Chapter 3)[43], in the multivariate investigation of poverty transitions (Chapter 4) and in the investigation of ethnic penalties in workless household transitions (Chapter 6). Poverty penalties, like absolute poverty risks did not appear as striking, nor as general for black Caribbean children as they were for children from some groups.

On the other hand, deprivation measures somewhat counter that general view that we can 'understand' the greater poverty risks of black Caribbean children. When examining deprivation scores (Chapter 5) black Caribbean families with children clearly faced a penalty compared to white children.

Caribbean children are then perhaps distinguished by their greater likelihood of facing disadvantaging circumstances – including living in disadvantaged areas, which limits their chances of achieving standards of living on a par with the majority. Moreover, a further concern is that the disadvantage they do face, in relation to worklessness at least, does not seem to be decreasing with time.

8.4　Poverty and black African children

8.4.1　Comparison of poor and non-poor black African households with children

Black African children also present a complex picture in terms of their poverty experience and patterns of disadvantage. In terms of poverty risks they tended to occupy a highly disadvantaged position with the risks approaching those of the most disadvantaged groups of children, Pakistani and Bangladeshi children. However, in terms of patterns of characteristics and contribution of those characteristics to their poverty risks, their experience appeared more similar to that of black Caribbean children. Starting once again with Figure 8.1, we see that the income gaps between poor and not poor were relatively small and close to those for Pakistani and Bangladeshi households with children. When we turn to Figure 8.9, we might expect, then, to see comparatively similar patterns of experience among poor and not poor households with children.

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[43]　Specifically, the analysis using the Millennium Cohort Study (MCS).

Figure 8.9   Income composition among poor and not poor black African households with children and by income quintiles, Great Britain

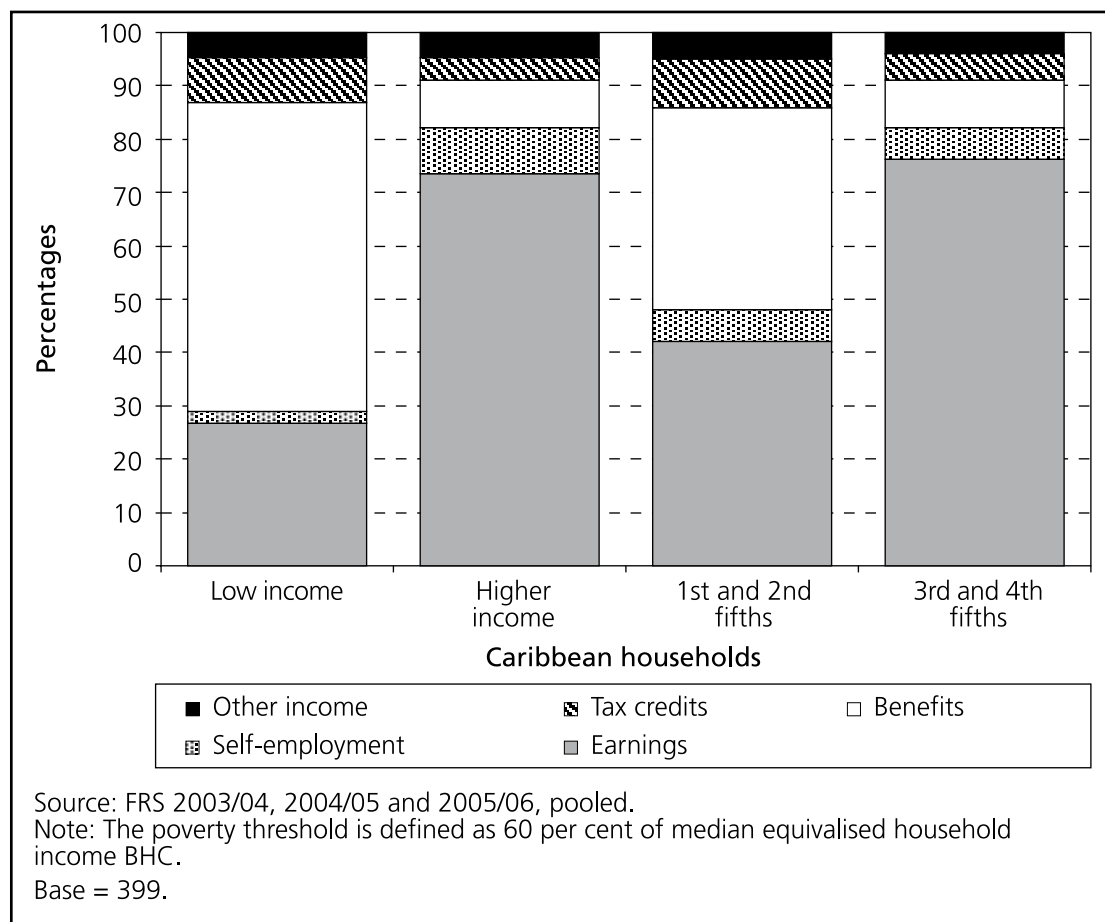Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 382.
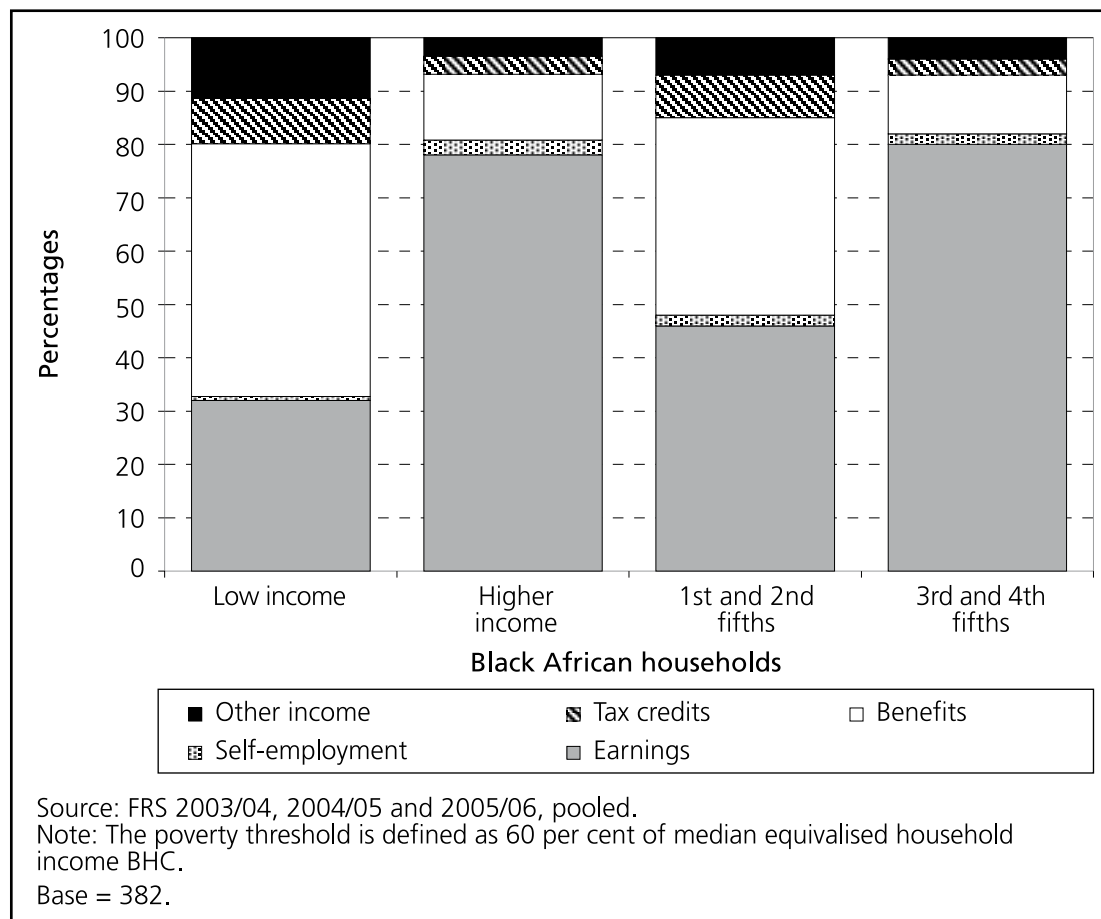
However, this expected similarity was not found. Figure 8.9 shows income sources across black African poor and not poor households with children and reveals a similar but more extreme pattern compared to that for black Caribbeans: earnings made up only a very small part of incomes of those poor but a very large proportion of incomes of those not poor.

The disparity between poor and not poor was further enhanced when we looked at the distributions of household characteristics across children living in poor and not poor households (Figure 8.10).

Figure 8.10 Characteristics of poor and not poor black African households with children, Great Britain

Source: FRS 2003/04, 2004/05 and 2005/06, pooled.
Note: The poverty threshold is defined as 60 per cent of median equivalised household income BHC.
Base = 382.
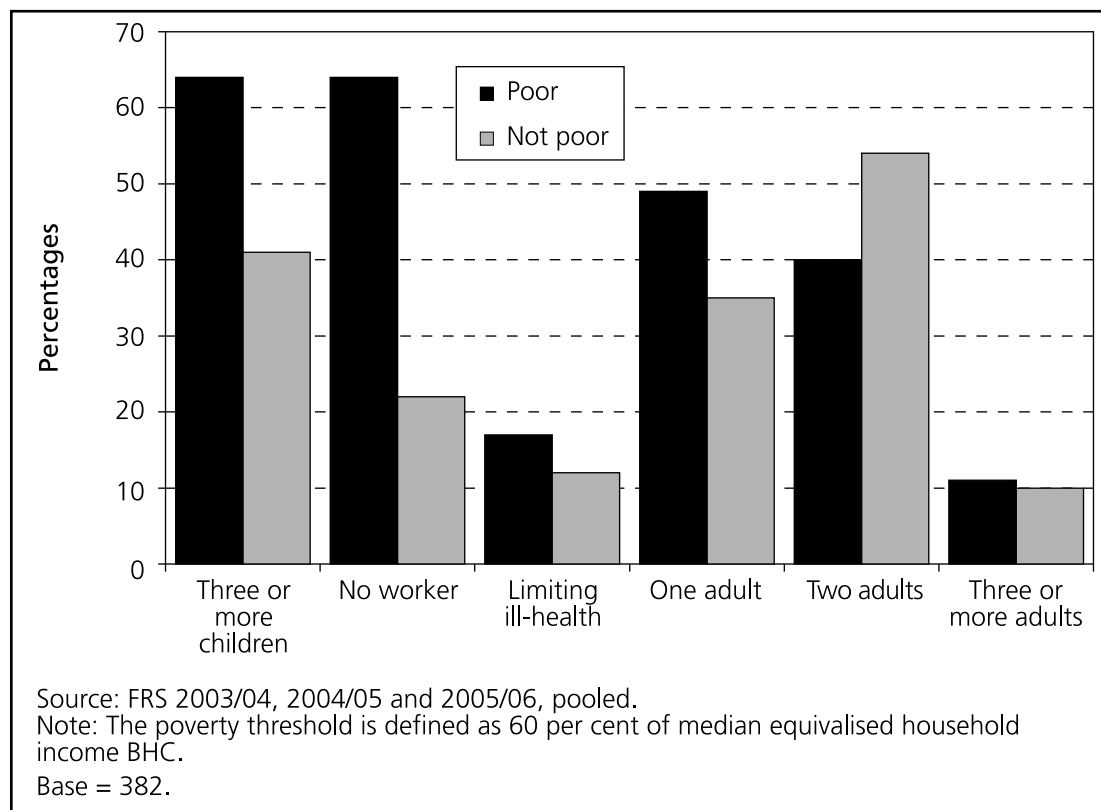
Figure 8.10 revealed, similar to the figures for children in Chapter 2, that over 60 per cent of poor households with children were without a worker – the highest rate for any group. Intriguingly, over a fifth of not poor households with children were also without a worker – again, the highest rate for any group. Similarly, poor black African households with children were very likely to be families with three or more children – and much more likely to be so than not poor households with children. About the same proportion of households with children in poor families had one adult as had two adults in not poor families with children. Thus we might expect to understand black African children's poverty risks predominantly in terms of vulnerable household and family characteristics.

8.4.2 Key findings for black African children from the preceding chapters

This was indeed supported by the decomposition analysis (Chapter 3) which showed the high proportion of the poverty gap that could be 'explained' by the particular composition of poor black African children's households. Similarly, the analysis of poverty transitions (Chapter 4), poverty penalties using the MCS (Chapter 4) and workless transitions (Chapter 6) did not reveal any enduring penalty for black African children, though the deprivation analysis (Chapter 6) did indicate poverty penalties for this group.

The varied poverty experience of this group and the data constraints which limited the extent of drilling down into the particularities of individual groups'

experience, mean that there is much we still do not understand. Given the size of the absolute disadvantage that black African children face, the particularities of their experience probably deserve further investigation. Unlike the Caribbean children, this group is one of the more recent minority groups in the UK (on average), and given the rather pessimistic picture of stability of disadvantage among both black Caribbean and Pakistani children, it might be well to try to understand how that might be avoided with newer generations of minorities.

Box 8.1: Summary of the poverty experience of individual minority ethnic groups

Children from different ethnic groups have distinct experiences of poverty. Indian children's poverty, despite being less extreme than that for some groups is not easily explained and occurs in the presence of high rates of working households. Pakistani children's risks of poverty are very high. While some of these risks can be associated with family characteristics and household work status, a large proportion remains unexplained. On all measures, this appears a particularly vulnerable group. Black Caribbean children's poverty is, to a certain degree, associated with family and household characteristics. However, they still suffer an ethnic poverty penalty and increased risks of deprivation, even compared with otherwise similar white majority children. Black African children have high risks of poverty. In some respects they appear a group that is vulnerable to poverty, like Pakistani and Bangladeshi children. On the other hand, their poverty experience appears more explicable in terms of family characteristics and household work status. To summarise schematically, if the characteristics of black Caribbean children's families were more similar to those of white majority children's families then their poverty rates would be quite similar to the rates of the majority; if Bangladeshi children's family characteristics were the same as those of majority their poverty rates would be substantially lower, though there would still be a large unexplained element; but if Indian children's family characteristics were like those of the majority their poverty rates would be higher.

Despite the fact that all minority groups have higher poverty rates than the majority, there is clearly no overall minority group story. This suggests that child poverty policies will affect the various minority groups differently and that to reduce the highest poverty risks and the increased vulnerability of some groups, specific, targeted measures may be necessary.

This chapter has illustrated some of the homogeneity within groups as well as heterogeneity both between and within groups, and how that can be linked to their experience of poverty. A further source of heterogeneity within groups that is often discussed as potentially relevant to wider experience is religious affiliation. The next chapter, therefore, briefly considers what attention to religion can add to our understanding of ethnicity and child poverty.

9 What does religion add to our understanding of child poverty?

This chapter considers whether incorporating measures of religion into the analysis enhances our understanding of ethnicity and child poverty. It asks whether there are differential risks of poverty by religious affiliation across children; and also attempts to understand the extent to which such differences amplify the pattern of ethnic group poverty risks and whether they reveal additional heterogeneity within, as well as between, groups. We concentrate on investigating a religious dimension of poverty, by incorporating religious affiliation into the poverty risks analysis from Chapter 3[44], the analysis of poverty transitions from Chapter 4, and analysis of the transitions in and out of workless households from Chapter 6.

There has been specific discussion of whether there is a 'Muslim penalty' in terms at least of labour market outcomes (Lindley, 2002; Open Society Institute EU Monitoring and Advocacy Program, 2004). A poverty penalty relating to religious affiliation for Muslims or any other religion can be explored both on its own – looking at religion separately from ethnicity – or jointly with ethnicity. This chapter, therefore, first examines (in Section 9.1) whether there is any evidence of a religious penalty when exploring child poverty without considering its intersection with ethnicity.

There is, however, a substantial overlap between ethnic group and religious affiliation. For example, over 90 per cent of Bangladeshis are Muslim and almost all Sikhs and Hindus are Indian (Dobbs *et al.*, 2006). It is, therefore, difficult to distinguish the penalties related to religious affiliation from those associated with ethnic group. The analysis, therefore, goes on (in Section 9.2) to focus on whether we can identify variation in poverty risks according to religious affiliation among Indian children. We concentrate on Indian children since this is the only group to have sufficient variation in its religious composition in sufficient numbers to

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[44] Replicating here the analysis using the Millennium Cohort Study (MCS).

enable to us to explore this question. Variation within this group in risks of poverty according to religion would suggest that religious affiliation is an important dimension of heterogeneity within ethnic groups and can help to inform analysis of poverty risks.

Conversely, we can also explore whether there is a hierarchy of disadvantage according to ethnicity among Muslims (Brown, 2000). We concentrate on Muslims, since this is a religious group which covers a range of ethnicities, including those that are the most at risk of poverty: Pakistanis and Bangladeshis. If there is variation between, say, Indian Muslims and Pakistani Muslims, then that reasserts the significance of ethnicity and ethnic background in understanding disadvantage, even if religious affiliation also appears to play a role.

9.1   Are there religious poverty penalties?

To investigate this question, the analyses carried out in Chapter 2 and Chapter 3 using the MCS and those on workless household transitions in Chapter 6 using the Office for National Statistics Longitudinal Study (ONS LS) were repeated, substituting religious affiliation for ethnic group. Section 9.1.1 covers the analysis from Chapters 2 and 3 and Section 9.1.2 covers the analysis of workless household transitions.

9.1.1   Religion and poverty penalties and transitions

Box 9.1 reprises the key features of the MCS for this analysis. Table 9.1 then illustrates the distributions of the (recoded) religious groups across the sample.[45]

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[45]   A large number of Christian denominations were coded. Other than Church of England and Catholic these have been recoded to 'other Christian'.

Box 9.1: Key features of the MCS for investigation of religion

- Relatively large sample (about 18,000) of cohort of children born in 2000/01 who are followed over time.

- Includes oversamples of areas containing high proportions from minority ethnic groups, so can be used for analysis of ethnic group differences.

- Questions on income sources in each wave, and derived low income measure based on 60 per cent of median household income covering two-thirds of families supplied for Waves 1 and 2.[46]

- Interviews with main carer used to give information about the family the child is growing up in.

- These include questions on ethnic group and religious affiliation.

Table 9.1   Distribution of religious affiliation in the MCS, UK

Religion	Percentage (weighted)	Unweighted N
Church of England	22.4	2,187
Catholic	10.0	1,627
Other Christian	12.1	2,035
Hindu	1.2	292
Jewish	0.3	45
Muslim	5.5	1,684
Sikh	0.7	159
Buddhist	0.2	37
None	47.6	7,692

Source: MCS, Wave 1.
Base (unweighted):15, 758.

Table 9.1 shows that Christian respondents represented about 44 per cent of the religious affiliations of main carers; a slightly smaller proportion than those not claiming any religion at 48 per cent. All the minority religions accounted for only

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[46]   Note that the less detailed household income data from which the poverty estimates are derived and the fact that equivalent income – and consequently poverty status – cannot be constructed for one-third of the sample, makes the poverty information potentially less robust than that in the Family Resources Survey (FRS)/Households Below Average Income (HBAI). However, the fact that the families are those with young children, means that we would not expect the distributions of income and poverty to be the same as those for all children in the FRS. Nevertheless, given that the focus is on relative poverty risks rather than population totals, the data are still potentially highly informative about differences in ethnic group poverty risks and about ethnic poverty penalties.

small proportions of those with young children, overall, with the largest of these minority affiliations being to Islam (5.5 per cent).

Compared to the Census distributions of religion across the whole population, Table 9.1 reveals relatively high rates of those espousing 'no religion' (15 per cent of the Census population[47]) and relatively low proportions with Christian affiliations (72 per cent of the Census population) (Bosveld and Connolly, 2006). The proportions are much more comparable across the minority religions, though there was a smaller proportion affiliating as Muslims in the Census (2.8 per cent). It has been shown that the way the question was asked in the Census influenced the tendency to respond as Christian as a form of 'cultural' identification. But in addition, the respondents in the MCS are a specific population group, those with young children, so we would expect the distributions of religious affiliation to differ.

First, the multivariate regression analysis of poverty penalties carried out in Chapter 3 with the MCS was repeated with variables for religious affiliation replacing those for ethnic group. Table 9.2 shows the relationships between religious affiliation and poverty, with Church of England as the reference category and controlling for the same family characteristics as in the previous analysis.[48] As in previous chapters, in the following tables '-ve' indicates that the group was significantly less likely to experience the outcome relative to the reference category; comparing like with like, and '+ve' indicates that they were significantly more likely to do so. Brackets are used where the significance was at the marginal ten per cent level. In all other cases the relationship was statistically significant at at least the five per cent level. Those relationships that were not statistically significant are indicated as 'ns'.

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[47] A further eight per cent in the Census did not respond to the religion question at all, but it cannot be assumed that these had no religious affiliation.

[48] That is, variables representing the poverty risks discussed in Chapter 2 relating to family type and size, work status and disability status and additional variables that potentially have explanatory power in relation to disadvantage such as housing tenure and social class.

Table 9.2   Religious affiliation and poverty risk, UK

Religion (base category = Church of England)	Impact on poverty risk
Catholic	ns
Other Christian	ns
Hindu	+ve
Jewish	ns
Muslim	+ve
Sikh	ns
Buddhist	+ve
None	+ve

Source: MCS, Waves 1 and 2, weighted.
Note: Poverty is defined as equivalised income below 60 per cent of median before housing costs (BHC).
Base = 21,667 observations over 11,978 cases.

From Table 9.2, we can see that positive and statistically significant associations with poverty were found for a number of religions – as well as for those who expressed no religious affiliation. It is interesting that no religious affiliation appeared to increase the risks of poverty relative to the Church of England respondents, even when this was the preferred response of nearly half the respondents.[49]

Being a Muslim was positively associated with poverty, which might give support to those who argue that Muslims face specific disadvantage. However, there was also a penalty relative to those affiliated to the Church of England for Hindus and Buddhists, though in the latter case the small sample size renders the result less reliable. The Muslim penalty is consistent with the results for Pakistani and Bangladeshi families with children in Chapter 3, and may just provide an alternative way of summarising the same information, since those two groups make up around two-thirds of British Muslims. The Hindu finding is also consistent with the poverty risks for Indians in Chapter 3. However, it is not consistent with the general pattern of Indian 'success' (and Hindu success in particular, within Indians) in relation to other outcomes that have been investigated (Longhi and Platt, 2008; Platt, 2005). We might therefore have expected those affiliating as Hindu not to experience a religious penalty. On the other hand, we repeatedly observed in earlier chapters how once their characteristics were controlled, Indian children faced a poverty penalty that was greater than their original poverty gap. That is, if Indian children's characteristics were the same as the white majority their poverty would be greater than it was. And conversely, if white children had the characteristics of Indian children their poverty would be markedly lower. So the results for Hindus can be seen as consistent with the earlier findings for Indian children.

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[49]   In the analysis in 9.1.2, no religion was also associated with increased risks relative to being Christian of being in a workless household, but in that case, as the ONS LS is derived from the Census, those who claimed no religion were a minority rather than the largest group.

Table 9.3 summarises the associations of religious affiliation relative to Church of England with poverty entry, exit and poverty persistence, echoing the analysis of ethnic group poverty transitions from Chapter 4. The simple model includes only religious affiliation. The full model controls for a range of family characteristics as in the transitions analysis in Chapter 4. Table 9.3 summarises the results in terms of significantly decreased or increased chances of exit and entry, only for those religions where sufficient sample sizes permitted analysis.

Table 9.3   Religious affiliation and poverty transitions, UK

Religious affiliation (reference group = Church of England)	Exit		Entry		Persistently poor	
	Simple model	Full model	Simple model	Full model	Simple model	Full model
Catholic	ns	ns	ns	ns	+ve	ns
Other Christian	ns	ns	+ve	+ve	+ve	ns
Hindu	ns	ns	+ve	+ve	ns	ns
Muslim	-ve	-ve	+ve	+ve	+ve	+ve
Sikh	ns	ns	ns	ns	ns	ns
No religion	ns	ns	+ve	+ve	+ve	ns

Source: MCS Waves 1 and 2, weighted.
Note: Poverty is defined as equivalised income below 60 per cent of median BHC.
Bases (unweighted): exit = 3,533; entry = 8,151; persistently poor = 11,692.

Table 9.3 shows that for exit from poverty there only appeared to be a penalty for Muslims relative to Christians, since the negative effect persisted when the full model was estimated and it was only apparent for this group.[50] That is, comparing like with like, Muslims were less likely than their Church of England counterparts to leave poverty from one wave to the next.

Turning to entry, there appeared to be penalties associated with a number of religions relative to the Church of England comparison group. Other Christian denominations, Hindus, Muslims and those with no religion all had higher risks of entering poverty. The results for Hindus were once again consistent with those for Indians in the ethnic group model in Chapter 4. Controlling for their tendency to have more 'advantaging' characteristics, Hindu children were more likely to enter poverty from being non-poor. However, interestingly this was also the case even in the simple model with only religion included.

When the risks of remaining persistently poor across time were considered, absolute differences for several of the groups disappeared once relevant characteristics were controlled, leaving only Muslims with a penalty in relation to being persistently poor over two waves compared to, otherwise similar, Church of England families with children.

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[50]   This could, however, be partly a sample size effect since Muslims are more numerous in the data than the other non-Christian religions.

In summary, there would appear to be poverty entry penalties for those of no religion as well as Other Christians and Hindus, relative to those affiliating with the Church of England. The effects for those of no religious affiliation continue to appear somewhat surprising and it is not clear how to interpret them. Among the Christian denominations that are not Church of England there may be many minority denominations and affiliates may themselves come in some cases from minority ethnic groups (for example, large proportions of black Africans and black Caribbeans are Christians (Longhi and Platt, 2008)). For Muslims, there appears to be poverty penalty for poverty entry and exit – and persistence. Again, though, whether this is telling us more than summarising the effects already observed for Pakistani and Bangladeshi children in Chapter 5 is not clear. There are, therefore, a number of challenges in attempting to understand and interpret religious differences in poverty experience.

To attempt to disentangle ethnicity and religion, Sections 9.2 and 9.3 explore risks by religious affiliation among Indians and risks by ethnic group among Muslims. First, however, the analysis of religious penalties continues in Section 9.1.2 by looking at patterns of workless household transitions by religious affiliation.

9.1.2 Religion and workless households

To explore the role of religious affiliation in the analysis of workless household transitions we replicate certain of the analyses from Chapter 6, using the ONS LS (see Box 9.2).

Box 9.2: Key features of the ONS LS for the analysis of religion

- One per cent sample of population of England and Wales, followed over time from 1971.

- Updating with new births and immigrants means it remains representative of the population.

- Large sample sizes: adequate sizes for many ethnic and religious group analyses.

- Contains Census questions. Ethnic group collected in 1991 and 2001. Religious affiliation (optional question) asked in 2001.

- Longitudinal nature of data set means responses from a later time point can be linked back to analysis of respondents at an earlier time point.

Table 9.4 provides the distribution of religious affiliations across the sample of children.

Table 9.4   Religious affiliation among ONS LS members aged 10-15 in 2001, England and Wales

Religious affiliation	Percent	Number
Christian	73.3	23,778
Buddhist	0.1	32
Hindu	0.9	301
Muslim	2.5	822
Sikh	0.6	195
Jewish	0.4	124
Other religions	0.2	69
No religion	15.3	4,970
Not stated	6.7	2,166

Source: ONS LS, author's analysis.
Base: 32,457.

Table 9.4 shows that Christians were in the overwhelming majority in this sample. Those with no religion made up the next largest share at 15 per cent, but were still a relatively small group relative to the majority affiliation. After those who did not complete the question (which was optional), Muslims were the next largest group, followed by Hindus and Sikhs.

Both simple models, employing just age and sex, and the full models, combining both individual and area characteristics as in Chapter 6, were estimated for risks of exit from, and entry into, a workless household. Table 9.5 summarises the results from these for a selected set of religions.[51]

Table 9.5   Associations of religious affiliation with workless household transitions, England and Wales

	Exit		Entry	
Religious affiliation (reference = Christian)	Simple model	Full model	Simple model	Full model
Hindu	ns	ns	ns	ns
Muslim	-ve	ns	+ve	+ve
Sikh	ns	ns	ns	ns
Jewish	ns	ns	ns	ns
Other religion	ns	ns	ns	ns
No religion	-ve	(-ve)	+ve	+ve

Source: ONS LS, author's analysis.
Bases: exit = 5,982 entry = 26,475.

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[51]   Sample sizes were too small to allow meaningful analysis of Buddhists and those who did not respond to the question on religious affiliation were not considered to constitute an inherently meaningful category in relation to religious affiliation.

As Table 9.5 shows, in the simple model statistically significant lower chances of exit were identified for Muslims and those with no religious affiliation than for Christians. Similarly, statistically significant higher chances of entry into a workless household were found for Muslims and for those with no religion.

In the full models, a lower probability of exit persisted only at the marginal ten per cent level for those with no religious affiliation. However, both Muslim children and those with no religious affiliation appeared to experience a penalty in relation to entry into a workless households relative to otherwise similar Christian children.

The results for Muslims are congruent with the results of the ethnic group analysis for Pakistani and Bangladeshi children in Chapter 6, and do not tell us of the extent to which the results are specifically driven by those groups or are common across Muslims. This question is treated in Sections 9.2 and 9.3. It is intriguing to note, as in the poverty analysis, the penalties for those who assert no religious affiliation. Despite the fact that the vast majority of respondents define themselves as Christian, in a primarily secular society such as that of England and Wales, it still seems surprising that assertion of no religious affiliation is associated with lower risks of exit from and greater risks of entry into a workless household. Again, it leads to some questioning of what is distinctive in the composition of this group and how it is possible to interpret religion 'effects' in such models.

9.2   Variation by religion among Indians

9.2.1   Poverty transitions and persistence by religion among Indians

A series of models estimated using the MCS investigated whether, among Indian families with young children, differences in poverty experience could be distinguished according to religious affiliation. Models for poverty entry, poverty exit, poverty persistence and poverty at either wave were estimated controlling for the same set of characteristics as were used in the models in Section 9.1.1. The results are summarised in Table 9.6.

Table 9.6   Religious affiliation among Indians and poverty transitions, UK

Religious affiliation (reference = Hindu)	Exit	Entry	Persistently poor	Poor in Wave1	Poor in Wave 2
Christian	+ve	+ve	ns	ns	ns
Muslim	(-ve)	ns	ns	ns	ns
Sikh	+ve	-ve	ns	(-ve)	(-ve)

Source: MCS, Waves 1 and 2, weighted.
Note: Poverty is defined as equivalised income below 60 per cent of median BHC.
Bases (unweighted): exit = 50; entry = 119; persistently poor = 190; poor at Wave 1 = 345; poor at Wave 2 = 345.

Table 9.6 illustrates among these Indian families with young children, the relatively favourable position of Sikhs relative to Hindus, once like was compared with like. Sikh families had higher chances of exit and lower chances of poverty entry than their Hindu comparators. They were also marginally less like to be in poverty at all at either wave. Christian Indians appeared to have higher chances of exit from poverty than otherwise similar Hindus, but their chances of entry were also higher, giving a rather mixed picture (though small sample sizes mean we should treat these results with some caution despite their statistical significance). No significant differences were found in poverty risks between Muslim and Hindu Indians, once family characteristics were held constant.

The particular nature of these families, representing the families of a cohort of children born at a particular, and recent, time rather than representing all families with children may be a contributory factor in these slightly surprising results. It is clear that cohorts are not necessarily highly typical of the wider population. But to the extent that they are informative they do not suggest an identifiable penalty for religious affiliation within this ethnic group. The disadvantage of Muslims that was observed in Section 9.1 would appear to be driven by the experience of Pakistani and Bangladeshi Muslims rather than being a feature of the experience of all Muslims. In Section 9.3 we investigate the experience of Muslims according to their ethnic group specifically.

9.2.2   Workless household transitions by religion among Indians

First, we once again use the ONS LS to explore the patterns of religious variation in relation to workless household transitions. Table 9.7 repeats the analysis from Table 9.5, but among Indians only and only for entry, since sample sizes for exit were too small to allow analysis.

Table 9.7   The impact of religious affiliation on workless transitions for Indian children 1991-2001, England and Wales

	Entry	
Religious affiliation (reference category = Hindu)	**Simple model**	**Full model**
Christian	ns	ns
Muslim	+ve	ns
Sikh	ns	ns

Source: ONS LS, author's analysis.
Base (all Indians not in workless households in 1991) = 494.

Table 9.7 suggests that Muslim Indians face increased risk of entry into a workless household relative to Hindu Indians. However, the full model does not suggest that this constitutes a Muslim penalty, but that it can be understood in terms of family characteristics and contextual factors.

Overall, then, there is little consistent evidence about religious affiliation having the potential to refine our understanding of ethnic poverty risks, at least among these Indian children for whom it was possible to explore the question.

9.3 Variation by ethnicity among Muslims

This section approaches the intersection of religion and ethnicity by considering whether there are ethnic differences among Muslims that would allow us to refine the consideration of the Muslim penalties observed in Section 9.1. This analysis also has the potential to reinforce the relevance of ethnicity to understanding difference in poverty risks. It might be argued, as suggested in Section 9.1, that whether we assert Pakistani and Bangladeshi ethnic penalties or Muslim penalties the 'story' and implications remain much the same. Evidence for variation within Muslims, could, however, suggest that the experience of Pakistani and Bangladeshi children is particular and represents a constellation of factors leading to contemporary disadvantage in the UK, of which only a part can be attributed to religious affiliation.

9.3.1 Poverty transitions by ethnic group among Muslims

Table 9.8 summarised the relationship between ethnic group and poverty entry, as well as poverty status at Wave 1 and Wave 2 of the MCS, focusing only on the experience among Muslims.[52] Pakistani children, as the largest of the Muslim groups, form the reference category. The models of poverty entry and risks of poverty were estimated with the full set of explanatory variables employed in the analysis in Chapter 5 and in Sections 9.1.1 and 9.2.1. The net relationship of ethnic group with poverty entry or poverty risks is once again summarised using '+ve' and '-ve' to represent statistically significantly increased or decreased chances of the outcome relative to the reference category (Pakistani Muslim children).

Table 9.8   Poverty transitions among Muslims by ethnic group, UK

Ethnic group (reference = Pakistani)	Entry	Poor in Wave 1	Poor in Wave 2
White	ns	ns	ns
Indian	ns	ns	-ve
Bangladeshi	+ve	+ve	+ve
Black African	ns	(-ve)	ns

Source: MCS, Waves 1 and 2, weighted.
Note: Poverty is defined as equivalised household income below 60 per cent of median BHC.
Bases (unweighted): entry = 164; poor at Wave 1 = 1,067; poor at Wave 2 = 1,084.

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[52]   It was not possible to estimate the models for exit and being persistently poor as there was not sufficient variation across sampling areas.

Table 9.8 indicates that there were some differences among Muslims by ethnic group, despite the small numbers in each of the subgroups and the range of independent variables held constant. With Pakistani Muslim children as the reference category we can see that there were significantly worse experiences for Bangladeshi children in terms of risks of poverty entry, chances of being poor in Wave 1 and chances of being poor in Wave 2. These two groups are often combined in discussion and analysis; and, indeed, much of the preceding analysis has shown how they share a high level of disadvantage.[53] Moreover, small sample sizes for Bangladeshis in many sources often makes differentiation hard to achieve and makes Pakistani poverty appear more clearly. These findings suggest that Bangladeshi children are in fact significantly worse off than Pakistani children in terms of poverty risks, and that Pakistani children do not have significantly different outcomes from other Muslim children on most measures.

We should still be cautious of these findings; given the small numbers of Bangladeshi families on which they are based; and, given that this is a particular cohort of children, the findings cannot necessarily be generalised to all children or families with children.

Table 9.8 also reveals that, interestingly, Indian Muslim children appeared to have significantly lower risks of poverty at Wave 2 compared to Pakistani Muslim children.

Overall, then, this analysis would give some modest support to refocusing attention on, and differentiating between, ethnic groups, for whom there is diversity of experience, even when religion is common to them.

9.3.2 Workless household transitions by ethnic groups among Muslims

Turning to the ONS LS and the investigation of workless transitions, Table 9.9 illustrates the variation among Muslims according to their ethnic group in terms of exit from, and entry into, a workless household. The reference category is Pakistani Muslim children. Once again a simple model with just ethnic group and age and sex is compared with a model controlling for a full range of family characteristics and contextual area variables.

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[53]   See also the discussion in Chapter 8.

Table 9.9   Workless household transitions 1991-2001 among Muslims, by ethnic group, England and Wales

Ethnic group (reference category = Pakistani)	Exit		Entry	
	Simple model	Full model	Simple model	Full model
White British	(-ve)	ns	ns	ns
Indian	ns	ns	ns	ns
Bangladeshi	ns	+ve	ns	ns
Black African	ns	ns	ns	ns

Source: ONS LS, author's analysis.
Bases: exit = 246; entry = 446.

In terms of exit, Table 9.9 indicates that white British Muslim children were at a disadvantage in absolute terms relative to Pakistani Muslim children. However, this group of Muslims is very small and so the result should be treated with caution. Moreover, it was not sustained when the full model was estimated.

On the other hand, Bangladeshi children did not appear to experience absolute differences in exit risks compared to Pakistani Muslim children; but, controlling for characteristics, they were more likely to exit a workless household than otherwise similar Pakistani Muslim children. This is an interesting finding and one that is consistent with the more intransigent disadvantage apparently faced by Pakistani families that has been found elsewhere (Platt, 2005). On the other hand, it contrasts with the findings for greater poverty risks for Bangladeshi Muslim children discussed in Section 9.3.1.

For entry, there was no evidence of significant differences between other Muslim groups and Pakistani Muslims.

The analysis summarised in Table 9.9 does not, then, give much evidence of the hierarchy among Muslims that has been found in other sources in relation to labour market outcomes (Bradford and Forsyth, 2006; Brown, 2000). This could partly be explained by the differences in the samples, since here the focus is on the households that a specific cohort of children are living in rather than on the experience of individual adults. Moreover, here the focus is specifically on transitions in worklessness. Nevertheless, the picture indicates a lack of clear differences across Muslims from the different ethnic groups.

Box 9.3: Summary of findings of religious affiliation and poverty

The results for the relationship between poverty and religious affiliation explored in this chapter would appear to suggest that there are some differences in poverty outcomes by religious affiliation; and that those with no religious affiliation also fare badly relative to Christians. Muslim children appeared to fare particularly badly; but this is largely congruent with the outcomes for Pakistani and Bangladeshi children already identified, since these groups are numerically dominant among British Muslims. There was only very limited support for Muslim disadvantage within a single ethnic group, which would be telling evidence of a specific Muslim penalty. Similarly, the results in terms of a hierarchy among Muslims were mixed and were not consistent across the sources considered. It would, therefore, be hard to argue from the evidence presented here that religious affiliation is a major determinant of poverty penalties over and above ethnic group. It is perhaps more helpful to consider religious affiliation as a way of thinking about the meaning of ethnicity for particular ethnic groups.

10 Conclusions and policy implications

The final chapter aims briefly to bring together the various findings from across the study and to identify the key themes and messages arising from the different aspects of the research. It then draws on this summary to indicate what the messages for policy might be.

10.1 Putting the jigsaw together

The analysis has been wide ranging and covered a large number of issues and questions relating to ethnicity and child poverty. The aim is that, by coming at questions from a variety of angles, a consistent – or at least a convincing – picture of the experience of poverty between and within groups can be built up.

Chapter 1 outlined the questions that drove the research throughout the main part of the report. The answers to these questions are brought together here.

The first set of questions concerned income poverty across children from different ethnic groups. The first question was concerned with the incidence of child poverty by ethnic group. The analysis in Section 2.1 illustrated that there are wide variations in absolute risks of poverty across children from different ethnic groups. Poverty rates are particularly high for Bangladeshi children, but they are also high for Pakistani and black African children. Black Caribbean and Indian children do not face such extreme poverty risks, but they are, nevertheless, at greater risk of poverty than the majority. The analysis of poverty transitions (in Chapter 4) also revealed differences in risks of poverty persistence and of entry into poverty for young children across ethnic groups. It showed that risks of poverty persistence were particularly great for Bangladeshi and Pakistani children; but that they were also high for black Caribbean, black African and mixed ethnicity children. Risks of entry into poverty were high for mixed ethnicity, Pakistani and black Caribbean children. These analyses were descriptive and did not take account of other variations in the families of these children. Further analysis, discussed below, interrogated whether these differences in poverty persistence could be understood in terms of different distributions of 'risky' characteristics across groups.

The second and third questions concerned income sources among children from different ethnic groups. This was explored descriptively in Section 2.2 and showed that, although there was similarity in the incomes of poor and not poor households across groups, some differences remained. In particular, poor Indian households received more of their income from earnings than other poor households and not poor Bangladeshi households received more of their income from benefits than other not poor households.

The fourth question addressed the issue of an 'ethnic poverty penalty'. Could the differences in poverty rates be explained by different distributions of risk factors across the groups – or not? The first step towards answering this question was by simply scrutinising whether risks of poverty varied by ethnic group across particular family types (in Chapter 2). This suggested two things. First that higher poverty rates do not simply stem from a higher prevalence of 'risky' or vulnerable situations, such as large families, lone parent families and so on. The risks themselves vary. And second there is substantial variation between groups in the extent to which risks varied from those experienced by white majority children.

Subsequent analyses (in Chapter 3) followed up this indicative evidence of ethnic poverty penalties by controlling simultaneously for a range of family characteristics that might be expected to be associated with poverty and ascertaining the extent to which ethnic group differences persisted – and the scale of them. These analyses were carried out with different samples of children and using different methods. They, therefore, told slightly different stories. But the two main messages persisted: extra vulnerability for minority groups, but diversity between minority groups. There were ethnic poverty penalties for most of the main minority groups, but they were of different magnitudes for different groups.

Such ethnic penalties were also found in relation to our second set of questions relating to poverty persistence. In particular we found higher risks of entering poverty from being non-poor for Pakistani children. Ethnic minority poverty is not then simply about persistent additional risk among an already poor group; it is also about the inability to remain out of poverty and greater susceptibility to falling into poverty even among those who are (currently) not poor. Different risks of poverty across groups cannot be straightforwardly understood in terms of family composition and other family characteristics. There is, instead, evidence of greater risks of poverty for children from minority groups than for apparently similar children from the white majority. The scale of the penalty varies across groups, however, just as there is variation in the absolute poverty risks. Bangladeshi children would appear to face particularly large penalties: their poverty is least susceptible to explanation as well as being of the greatest magnitude in the first place. However, this is not a consistent story across groups. Indian children face relatively low poverty risks among the minority groups; but their poverty is no more explicable than the poverty of black African children who face much higher absolute poverty risks.

The third and fourth sets of questions concerned alternative measures of – or proxies for – poverty. The third set of questions asked about variation in deprivation across children of different ethnic groups. It was clear that different measures of poverty produce different stories among the minority ethnic groups. For example, deprivation is greater across all minority groups, and does not exactly echo patterns of income poverty in its incidence and who is most affected. This is the case before and after controlling for family characteristics. Nevertheless, deprivation measures are broadly consistent with income measures and with evidence on poverty persistence. The evidence for deprivation did suggest that the experience of poverty may be more enduring or severe among minority groups when they are poor, regardless of variations in their risks of poverty.

And the fourth set of questions was concerned with the patterns of workless transitions. These showed that there were differences in both entry into, and exit from, workless households by ethnic group, but that much of this difference could be understood in terms of the characteristics of households and their context. Nevertheless, increased risks of living in, or entering, workless households were still found for Pakistani and Bangladeshi children even after controlling for a full set of household and area characteristics. Once again, the analysis drew attention to the fact that staying in a relatively advantaged situation (that is, not in a workless household) appeared harder to achieve for certain groups. Importantly, for those groups for whom we could measure it, ethnic disadvantage in risks of living in a workless household seemed to be showing little change over recent decades, once we had factored in changes in the composition of groups.

The next substantive questions concerned the issue of area, and whether the analysis of workless transitions could provide any insight into regional or local area poverty risks and the contribution to differential poverty rates. The analysis was limited by lack of small area information for many sources. However, it did indicate that area characteristics (particularly unemployment rates) could be important in increasing risks of poverty or of workless household status. However, even when taking account of area characteristics there still appeared to be differences between groups in their risks. Additionally, the impact of area appeared different for different groups.

The sixth set of questions was concerned with the overall experience of particular groups. They aimed to interrogate the patterns of poverty experienced by individual ethnic groups, whether there appeared to be a consistent story; and the extent to which poor households with children appeared to be different from the not poor households with children within groups. Distinctive patterns of poverty experience – with variation in the contribution of explained and unexplained factors – can be found across ethnic groups. Nevertheless, within groups, the different analyses contribute to relatively consistent stories across groups. If a short summary were possible it would read: Indian children are poor despite family characteristics which are associated with lower risk, black Caribbean and black African children are poor predominantly because of their family characteristics (and the risks that

go with them); Pakistani and Bangladeshi children are poor partly because of their characteristics but also to a much greater degree than their family characteristics would suggest.

The final set of questions built on the investigation of potential heterogeneity within groups to examine the relationship between religion and poverty and the intersection between religion and ethnic group. It asked whether there were poverty penalties linked to religious affiliation and whether these complement our understanding of ethnic variations in poverty. By repeating earlier analysis, first substituting religious affiliation for ethnicity, then exploring religious affiliation within ethnicity for Indians, and finally exploring ethnic group within religion for Muslims, the results indicated that there were penalties associated with particular religious affiliations relative to the Christian majority, especially for those with no religious affiliation and Muslims. Religious affiliation appears to matter for poverty risks: but the evidence for a specific religious penalty over and above ethnic group disadvantage is slighter. Moreover, the implications for policy for identifying penalties in terms of religious affiliation as well as, or instead of, ethnicity are not transparent. It is perhaps more helpful to consider religious affiliation as a way of thinking about the meaning of ethnicity for particular ethnic groups.

10.2   Implications for policy and future research

These findings indicate a number of directions for policy as well as raising questions which deserve further consideration and analysis.

The overwhelming message deriving from these findings is that we should be concerned about increased risks of poverty among minority ethnic groups. We should be concerned both about the absolute differences in poverty and the fact that differentials remain for several groups when we compare 'like with like'. The excess poverty and excess risks associated with particular family types and the evidence for an ethnic penalty in poverty all suggest that consideration of ethnicity should be explicitly incorporated within the child poverty agenda. We need to know why poverty risks are so different for children from different ethnic groups to be able to monitor the extent to which poverty reduces over time for minority group children and converges with majority child poverty rates.

The second main implication of these findings is that of extensive diversity in patterns of poverty across ethnic groups. This suggests that any minority-based strategy will have to be highly sensitive to differentials between groups not only in risks, but in types of poverty experience – and in the amount we can understand by exploring family composition. Given the diversity in experience between groups, both in types and economic circumstances of families who experience poverty and in risks, it will be important to monitor outcomes and design policy levers at the level of individual groups. In-work poverty is clearly much more of an issue for some groups than for others.

In addition, it may be that the results suggest the need to reflect further on, or investigate the ways in which, different circumstances translate into standards of living for different groups, since the deprivation analysis suggests that even for the those minority group children who are not income poor or whose risks of income poverty are lower, access to resources may be a substantial issue.

One way of reflecting on the two levels of diversity: differences in poverty risks across groups and differences in the scale of the ethnic penalty (or the amount that can be explained) is to think in terms of the potential of universal versus targeted strategies. The role of universal measures in potentially alleviating child poverty is clearly likely to be greater for some groups (those where poverty can be 'explained') than for others. Targeted interventions may be necessary for certain groups if they are not to be left behind. Even for those children where universal measures for particular risk factors may be most appropriate to raise them out of poverty, there also may be some need to consider how disadvantaged circumstances may cluster and whether policy is adequate to respond to such vulnerability.

Poverty penalties themselves, though, additionally invite further research, since it becomes important to understand what it is that results in these differences of income to needs ratios across otherwise similar families. The investigation of income composition is one step towards illuminating this question but would need to be explored further for clearer understanding of sources of disadvantage and clearer answers as to the impact and effectiveness of particular strategies. One potential implication is that attention may need to be paid to ensuring that the benefit system delivers as it is intended to: in particular, that possible differences in take-up across ethnic groups are investigated and addressed.

In addition, much strategy focuses on the currently poor; but this report both in analysis of poverty transitions and of worklessness transitions highlighted how some groups have much greater risks of falling into poverty or into living in a workless household, even after starting from a position of relative advantage. This is a potentially serious issue for policy since it puts emphasis on staying out of poverty rather than on exit itself. It also has implications for how we think about society. Overall, mobility is generally considered positively at a policy level. Thus, every child having one year out of ten in poverty is typically considered a better scenario than ten per cent of children being poor for the full ten-year period. However, if the chances of falling into poverty are greater for some groups than others, then their mobility cannot be viewed positively. It suggests that they may make up more of those in poverty over time and also that their families are not necessarily able to stay out of poverty even if they have escaped or avoided poverty for a certain period. They are more vulnerable than other non-poor children. The fact that these risks do not appear to be improving over time is also a source of great concern and merits further investigation.

Finally, the evidence does not unequivocally support an area focus for considering child poverty (compare National Audit Office (NAO) (2008)). Such a focus can distract from targeted and effective measures for addressing poverty across particular

minority ethnic groups. Relative concentration of ethnic minority groups can aid targeting, but targeting groups and targeting areas are not interchangeable.

In summary, then, the evidence has also pointed to a number of findings which are currently hard to explain. These include:

• the existence of poverty penalties for a number of minority groups;

• unexplained differences relating to risks of entry into poverty for a number of minority groups relative to white majority comparators, and for entry into workless households for Pakistani and Bangladeshi children;

• the differences in levels of poverty among working households;

• differing levels of deprivation among income poor households with children.

The report has also suggested that the evidence base remains partial. In particular, the research indicates that to further our understanding of poverty and ethnicity, the following areas would repay additional or fresh investigation:

• poverty dynamics over an increased number of waves, and for a more general population sample;

• unemployment dynamics over a longer period;

• use of benefits across groups, in particular whether there are differences in (non-) take-up;

• further analysis of living standards among poor and not poor families by ethnic group;

• the relationship between poverty duration, severity and living standards across groups;

• demands on household income within the household and beyond it;

• protective factors, including savings and assets as well as ability to draw on sources of credit, and how they vary across ethnic groups;

• differences in vulnerability to becoming poor and how that relates to past experience or to accumulation of resources or assets.

A future research agenda should set out to address these research and evidence deficits. To do so, there is further work that could be done with the research resources employed in this report. Future years will also allow further opportunities to pool waves of cross-sectional surveys and analyse more waves of panel data. In particular, the new UK panel survey, *Understanding Society*, will facilitate future investigation of dynamics across ethnic groups, will contain a range of relevant variables including household income, and will cover the whole population. In addition, administrative data can provide a rich source for analysis if comprehensively ethnically coded, since sample sizes are typically much more suitable to ethnic group analysis.

The current findings from this report and the future research agenda proposed above would provide an evidence base to enable:

• the incorporation of ethnicity within the child poverty agenda, including options for, and appropriateness of, targeted interventions for particular groups;

• a more strategic focus on protecting those not poor against becoming or falling back into poverty or into worklessness;

• the potential amelioration of poverty among those who are potentially the most severely affected;

• the possibility of evaluating the impact of current policy and the potential of future policy in reaching those most seriously at risk of long-term poverty and its consequences;

• the potential to evaluate whether the impact of poverty on future life chances differs across ethnic groups to any important degree, especially given the variation in the type of poverty experienced across groups.

Appendix
Data sources

A.1 Data sources and acknowledgements

A.1.1 The Family Resources Survey and Households Below Average Income

The Family Resources Survey (FRS) is a repeated cross-sectional study conducted on a financial year basis of around 28,000 households and their members. It collects information on the incomes and circumstances of private households in the UK (or Great Britain before 2002/03).

The FRS aims to: support the monitoring of the social security programme; support the costing and modelling of changes to National Insurance contributions and social security benefits and provide better information for the forecasting of benefit expenditure. It contains detailed information on income sources and amounts as well as on housing and related costs and additional individual and household characteristics such as housing tenure; consumer durables; vehicles; occupation and employment; health; and so on. Weights to take account of sampling design and non-response and to gross up to the population are included. Some of the data collected varies between years of the survey, but not the key variables included in these analyses.

The survey has information on ethnic group; and different years of the survey can be pooled to increase sample sizes. This report draws on five years of data: 2001/02-2005/06, but concentrates on the pooled years 2003/04-2005/06. The collection of deprivation indicators began in 2004/05 and thus, for the deprivation analysis, the two years of 2004/05-2005/06 were pooled.

Household Below Average Income (HBAI) are data sets that are derived from the FRS and that contain detailed net income variables, equivalent incomes before housing costs (BHC) and after housing costs (AHC) and low income measures. They contain weights to gross up to the whole population, to the population of dependent children and for households and benefit units. HBAI data from the same years as the FRS data sets are used in this research.

The two data sources are used separately and in combination for the analyses of incomes and deprivation in this report.

The following data files were used in the course of the research:

• Department for Work and Pensions, Office for National Statistics. Social Survey Division and National Centre for Social Research, *Family Resources Survey, 2001-2002* [computer file]. *3rd Edition*. Colchester, Essex: UK Data Archive [distributor], April 2005. SN: 4633.

• Department for Work and Pensions, Office for National Statistics. Social Survey Division and National Centre for Social Research, *Family Resources Survey, 2002-2003* [computer file]. *3rd Edition*. Colchester, Essex: UK Data Archive [distributor], April 2005. SN: 4803.

• Department for Work and Pensions, Office for National Statistics. Social Survey Division and National Centre for Social Research, *Family Resources Survey, 2003-2004* [computer file]. *3rd Edition*. Colchester, Essex: UK Data Archive [distributor], May 2006. SN: 5139.

• Department for Work and Pensions, Office for National Statistics. Social Survey Division and National Centre for Social Research, *Family Resources Survey, 2004-2005* [computer file]. Colchester, Essex: UK Data Archive [distributor], April 2006. SN: 5291.

• Department for Work and Pensions, Office for National Statistics. Social Survey Division and National Centre for Social Research, *Family Resources Survey, 2005-2006* [computer file]. Colchester, Essex: UK Data Archive [distributor], November 2007. SN: 5742.

• Department for Work and Pensions, *Households Below Average Income, 1994/95-2005/06* [computer file]. Colchester, Essex: UK Data Archive [distributor], May 2008. SN: 5828.

The author is grateful to the Department for Work and Pensions (DWP) for making these data accessible and to the UK Data Archive for distributing them. However, all analysis and interpretation remains my responsibility and the DWP and the UK Data Archive bear no responsibility for their further analysis or interpretation.

A.1.2   The Millennium Cohort Study

The Millennium Cohort Study (MCS) is a study of a sample of children born in 2000/01, who are followed over time as they grow up. The sample population for the study was drawn from all live births in the UK over 12 months from 1 September 2000 in England and Wales and 1 December 2000 in Scotland and Northern Ireland. The sample was selected from a random sample of electoral wards, disproportionately stratified to ensure adequate representation of all four UK countries, deprived areas and areas with high concentrations of black and Asian families. This latter aspect makes it valuable for comparisons across ethnic groups, while the fact that it contains income information and some deprivation measures, makes it suitable for analysis of poverty and deprivation.

The MCS follows in the cohort tradition as exemplified, for example, in the National Child Development Study (NCDS) and the 1970 British Cohort Study (BCS70). It has the potential to be extremely informative about the life courses of children from a very early age, through their formative years and into adulthood. There are currently three waves of the MCS released for analysis: one collected when the cohort members were approximately nine months old and one collected when they were approximately three years old, and the third collected when they were starting school. A fourth was recently collected when they were aged around seven years old. Main respondents are predominantly mothers, but partners (predominantly fathers) are also interviewed at each wave. (However, a substantial number of partners who were eligible for interview did not, in the end, result in achieved interviews. And this was the case at each wave.) Information is also collected about, and in some cases from, siblings. Child assessment instruments are also used to collect data from the babies themselves. The MCS produces detailed information on child health and development; parental pre- and post-natal behaviour; and relationships within the family. It also has information on income, and some deprivation measures, which makes it suitable for analysis of poverty and deprivation.

This report drew on just the first two waves of this survey. The reason for this was that equivalent income variables and low income measures were constructed for the first two waves, but not for the third wave at the time of its release during the period of the research for this study:

• University of London. Institute of Education. Centre for Longitudinal Studies, *Millennium Cohort Study: First Survey, 2001-2003* [computer file]. *6th Edition*. Colchester, Essex: UK Data Archive [distributor], March 2007. SN: 4683.

• University of London. Institute of Education. Centre for Longitudinal Studies, *Millennium Cohort Study: Second Survey, 2003-2005* [computer file]. *3rd Edition*. Colchester, Essex: UK Data Archive [distributor], March 2007. SN: 5350.

The author is grateful to The Centre for Longitudinal Studies, Institute of Education for the use of these data and to the UK Data Archive for making them available. They, however, bear no responsibility for the analysis or interpretation of these data.

A.1.3   The Office for National Statistics Longitudinal Study

The Office for National Statistics Longitudinal Study (ONS LS) contains linked census and vital event data for one per cent of the population of England and Wales. Information from the 1971, 1981, 1991 and 2001 Censuses has been linked across Censuses as well as information on events such as births, deaths and cancer registrations.

The original LS sample included 1971 Census information for people born on one of four selected dates in a calendar year. These four dates were used to update the sample at the 1981, 1991 and 2001 Censuses and to add new members between Censuses.

New LS members enter the study through birth and immigration. Data are not usually linked to a member after their death or after de-registration from the NHS Central Register but these members' records remain available for analysis.

Census information is also included for all people enumerated in the same household as an LS member, but only information on LS members is linked over time.

This report made use of two extracts of data: one, the earlier cohort, linking study members who were aged 0-5 in 1981 to their records in 1991; and the second, the later cohort, linking study members who were aged 0-5 in 1991 to their records in 2001. In addition, ward and district level variables containing information on economic activity and ethnic group and country of birth concentrations were matched in to each record for either time point for both extracts by the Centre for Longitudinal Study Information and User Support (CeLSIUS) user support officers. Information on the households at which the study members were living at either point in time also formed part of both extracts.

The permission of ONS to use the ONS LS is gratefully acknowledged, as is the help provided by CeLSIUS, in particular Julian Buxton. The above, however, bear no responsibility for the further analysis or interpretation of the data.

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A.1.4   The Labour Force Survey

The Labour Force Survey (LFS) is a quarterly sample survey of around 60,000 households living at private addresses in the UK. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The survey collects information on respondents' personal circumstances and their labour market status during a specific reference period, immediately prior to the interview. The LFS contains detailed information on employment, qualifications, etc. It includes earnings information but does not aim to collect household income. Information is also collected on ethnic group, religion and country of birth.

The large sample sizes facilitate pooling for ethnic group analysis, and it has been extensively used for analysis of labour market position of minority ethnic groups. In this analysis, 12 consecutive quarters have been pooled and analysed together:

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, January – March, 2006* [computer file]. Colchester, Essex: UK Data Archive [distributor], June 2006. SN: 5369.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, October – December, 2004* [computer file]. Colchester, Essex: UK Data Archive [distributor], August 2006. SN: 5425.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, January – March, 2005* [computer file]. Colchester, Essex: UK Data Archive [distributor], August 2006. SN: 5426.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, April – June, 2005* [computer file]. 2nd Edition. Colchester, Essex: UK Data Archive [distributor], October 2007. SN: 5427.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, July – September, 2005* [computer file]. Colchester, Essex: UK Data Archive [distributor], August 2006. SN: 5428.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, October – December, 2005* [computer file]. Colchester, Essex: UK Data Archive [distributor], August 2006. SN: 5429.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, April – June, 2006* [computer file]. 2nd Edition. Colchester, Essex: UK Data Archive [distributor], November 2006. SN: 5466.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, July – September, 2006* [computer file]. Colchester, Essex: UK Data Archive [distributor], November 2006. SN: 5547.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, October – December, 2006* [computer file]. Colchester, Essex: UK Data Archive [distributor], April 2007. SN: 5609.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, January – March, 2007* [computer file]. Colchester, Essex: UK Data Archive [distributor], July 2007. SN: 5657.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, April – June, 2007* [computer file]. Colchester, Essex: UK Data Archive [distributor], October 2007. SN: 5715.

- Office for National Statistics. Social and Vital Statistics Division and Northern Ireland Statistics and Research Agency. Central Survey Unit, *Quarterly Labour Force Survey, July – September*, 2007 [computer file]. Colchester, Essex: UK Data Archive [distributor], December 2007. SN: 5763.

The author is grateful to the ONS and the Northern Ireland Statistics and Research Agency (NISRA) for making these data accessible and to the UK Data Archive for distributing them. However, all analysis and interpretation remains my responsibility and ONS/NISRA and the UK Data Archive bear no responsibility for their further analysis or interpretation.

A.2 Ethnic group across the sources

Ethnic group varied both in the available categories and in the ways in which they were constructed to allocate ethnicity to the child/child's family across the various sources used. In general, variants of the ONS 2001 Census ethnic group categories were available and were used. The exception was the ONS LS where, as discussed below, 1991 ethnic group was also used for some of the analysis. The approaches used in the various data sets are outlined here. The variation across sources means that any given category will not mean exactly the same thing in the different analyses. In all the analyses the full range of categories constructed for that source were employed in statistical models. However, only the major or more numerically substantial groups are reported in the illustrations and tables in the main report. Table A.2 summarises the various groups and the approaches used across the different sources.

A.2.1 The FRS and HBAI

Within the FRS, the full range of ethnic group information across the household or benefit unit was used to construct ethnicity for the child and their family. This was done in such a way as to avoid proliferation of groups by various household combinations and to maximise numbers of responses for specific minority groups, and to favour the smaller over the larger ethnic groups. That is, ethnicity was attributed to the child (via household or benefit unit) by prioritising the ethnicity of one member of the household in households where adults have different ethnic groups. Households were only allocated to the white group if all adults are white. In practice, since some combinations are very rare, it meant that a households containing someone of mixed ethnicity and non-mixed were attributed to the non-mixed group, households containing someone of Pakistani and someone from Indian ethnic group would be attributed to Pakistani ethnicity, households containing someone of black African and someone of Caribbean ethnicity would be designated black African, and households containing someone of a single minority ethnicity and a white member, would be attributed to the minority group. This approach is no more arbitrary than using the Household Reference Person (HRP) to allocate ethnicity to a 'household' and takes more account of the additional information on other household members that is available. The ethnicity of the household thus constructed was then attributed to the child as the unit of analysis. A similar approach was used to apply ethnicity to benefit units where relevant.

However, in the parts of Section 3.1 which bear direct comparison with published

HBAI figures, the use of the HRP was retained as the means of attributing ethnicity to households, families and children for consistency with the published results.

By excluding Northern Ireland from the analysis, categories can include all those 2001 Census categories common to both Scotland and England and Wales – that is having a white British and white other category. However, using the hierarchical method outlined above, all white British and white other households and those containing both white British and white other members (but not anyone from any other ethnic group) are all attributed to a general 'white' category. Moreover, though there are four mixed categories, the small numbers in any given group meant that all four were aggregated for analysis, even if this is not an entirely desirable approach. It has, for example, been argued that it would be preferable to combine each mixed category with the group to which it shares the minority part – such as attributing white and black Caribbean to Caribbean, and white and Asian to Indian, etc. However, there is not only extensive policy and research interest in the experience of children and families of mixed ethnicity in their own right; in addition, as such children and families tend to represent the most recent generations, and to have relationships with different ethnic groups, it is argued that their experience could be informative about the future experience of ethnic minorities and the durability, or not, of racialised disadvantage. Thus, the decision was taken to treat these mixed categories as distinct from their component groups, even if in some cases, as with the FRS, that meant constructing an aggregate 'mixed' group.

A.2.2   The MCS

In the MCS, ethnic group information is collected for the main carer (typically the mother), the child and the second parent (typically the father). However, there is substantial missing data for ethnic group of the child and, similarly, many of the interviews with the second parent were conducted by proxy or not at all. Therefore, in practical terms it made sense to attribute ethnic group on the basis of the mother's ethnicity. This will clearly understate the number of children of mixed ethnicity, even on a household level measure as used with the FRS (as discussed in Section A.2.1.); and it is important to bear in mind in this analysis that the ethnic group of the main carer/mother is being analysed rather than that of the child or family. In the MCS, there were in total 11 ethnic group categories available for analysis, including one white group and one mixed category.

A.2.3   The ONS LS

The ethnic group of the child under study based on information supplied in 2001 was used for the 1991/2001 analysis. Imputed values were set to missing (1,092 cases) and ethnic group was attributed from parental ethnic group where possible in these cases.

For the purposes of direct comparison between the two cohorts, both cohorts were coded to 1991 ethnic group. Table A.1 illustrates the distribution of the two cohorts by 1991 ethnic group.

Table A.1   Ethnic group of children aged 0-5 by cohort in the ONS LS, England and Wales

Ethnic group	1981 cohort N (%)	1991 cohort N (%)
All white	30,825 (92.8)	34,101 (91.8)
Indian	798 (2.4)	794 (2.1)
Pakistani	511 (1.5)	594 (1.6)
Bangladeshi	102 (0.3)	210 (0.6)
Black Caribbean	272 (0.8)	307 (0.8)
Black African	59 (0.2)	157 (0.4)
Black Other	147 (0.4)	217 (0.6)
Chinese	102 (0.3)	111 (0.3)
Other groups	414 (1.3)	676 (1.8)
Total	33,230 (100%)	37,167 (100%)

A.2.4   The LFS

The LFS analysis was focused on the experience of men living in families with dependent children. It, thus, took the ethnic group of those men as the appropriate categories to be used in the analysis. These covered the 2001 Census categories.

A.2.5   Summary

Table A.2 summarises the construction of ethnic group and geographical coverage across the data sources.

Table A.2   Outline of ethnic group across the data sources

	FRS/HBAI	MCS	ONS LS	LFS
Geographical coverage for this report	Great Britain	UK	England and Wales	Great Britain
Basis of ethnic group allocation	Hierarchical on the basis of members of household/HRP	Main carer	Child supplemented by parents (where child's missing)	Individual
Ethnic groups included in analysis	15 groups (including four 'mixed categories')	11 groups (including one mixed category)	16 groups from England and Wales ONS 2001 Census including white other and four 'mixed' categories (for some analysis nine groups from 1991 Census categories)	15 groups (including four 'mixed' categories)
Ethnic groups illustrated in main report	White, (mixed), Indian, Pakistani, Bangladeshi, black Caribbean, black African	White, mixed, Indian, Pakistani, Bangladeshi, black Caribbean, black African	White British, white other, white and black Caribbean, Indian, Pakistani, Bangladeshi, black Caribbean, black African	White, Indian, Pakistani, Bangladeshi, black Caribbean, black African

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