

# The Colour of Money

How racial inequalities obstruct a fair and resilient economy

## Runnymede: Intelligence for a Multi- ethnic Britain

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Fair economy. Better world.

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## Foreword

This report was written before the pandemic we are now living through as it goes to print in April 2020. The Covid-19 crisis has thrown into sharper focus the way racial and other inequalities blight people's lives from cradle to grave. The findings in this report are unchanged; the evidence supports and illuminates what we are seeing play out in harsh reality: that racial discrimination is, like poverty, a 'social determinant of health'.

As we see in the report, people from ethnic minority groups are more likely to be in insecure employment or to become unemployed, and so less able to benefit from the government's coronavirus support measures that focus on full-time employees. In addition, ethnic minority people are held back from progressing as quickly or as much at work, are more often disciplined, and so are therefore disproportionately delegated with menial tasks. In the context of Covid-19, this means that Black and minority ethnic (BME) people are more likely to be undertaking *greater risk* tasks. This, in part, explains their much higher mortality rate among the health and social care professionals. Of the first 100 such deaths, two-thirds were BME people - much higher than their proportion in the sector's workforce.

Just as important are the consequences of the stark wealth inequalities revealed in this report. During the Covid-19 pandemic, there are concerns both about how people will replace their lost *income*, and about how they will manage with increased *costs*. For example, as adults are expected to work from home, they require IT equipment, software and broadband, and may not have everything they need to work from home effectively. Poorer housing conditions, including overcrowding, mean it will be impossible for some people to fully separate work and living spaces.

Furthermore, home-schooling has brought the question of tablets and access to online lesson plans and learning tools to the forefront. These are the sorts of lumpy costs that savings are designed to insulate a household from. But in the current context, with people's incomes also dropping, such limited savings will likely have a greater priority – the costs of food and housing. For example, given that Black African and Bangladeshi households have 10p for every £1 of White British wealth, this means these households are ten times less able to cover these new costs, or to make up for lost income.

This directly relates to two of the main lessons the Covid-19 crisis has taught us, and corresponds to two major themes of this report. First, we really are all in this together - our fates are intertwined and our everyday lives depend on others' work and industry, as well as our 'social distancing'. We have had to act collectively to stop the spread of Covid-19; our behaviour directly affects others, and theirs affects us. Second, however, is that some people are at greater risk or in more need than others, and this is not *randomly* patterned. Instead, the risk or need tracks historic inequalities that, in the case of race, are based on a long history of discrimination and injustice.

In this report we similarly suggest that there are (at least) two types of response to economic and racial inequalities. The first includes universal approaches that seek to benefit everyone, whether that is in terms of a National Health Service, education provision or, indeed, a basic income (the 'we're in all in this together' lesson). The second is a type of approach that targets particular need or risk, for example disability benefits, 'shielding' older people from a pandemic, or affirmative action (the 'some of us are in greater risk or need' lesson). We urge policymakers not to assume that either response will necessarily be superior or always benefit those most in need or at risk. Instead, we must consider both approaches, so that everyone can live the life they deserve, regardless of their age, ethnicity, or socio-economic standing.

## Executive Summary

Inequality has become a significant issue on the public and policy agenda. While there is some dispute about how far inequality in Britain has risen or fallen in the past decade (Belfield et al., 2016; Corlett, 2017) there is increasing recognition that it has significant economic, social and political costs (ippr 2018; Pickett and Wilkinson, 2010).

This report focuses on how economic and wider social inequalities affect Black and minority ethnic (BME) people in Britain. It also considers whether and how a range of policy changes could address the issues, within a wider context of how the economy might tackle inequality more broadly.

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

This report has the following structure. First, we outline its key findings and recommendations. Sections 1 and 2 then describe the background to ethnic minorities living in Britain, and briefly summarise their experiences in the labour market, in particular how they and others engage in the economy. In Section 3 we suggest different ways of analysing these outcomes, while Section 4 considers if and how changes to the economy could benefit BME people.

Black and minority ethnic people in Britain face extensive and persistent economic inequality.

Economic and social inequalities vary by ethnic group; they are more significant for Black, Bangladeshi and Pakistani groups, and less so for Indian and Chinese groups.

Much of this economic inequality is affected by BME experiences and outcomes in the labour market, where some groups have lower employment rates and wages and higher unemployment rates, and there is 'occupational segregation' in low-paid, poor-progression jobs.

Economic and social inequalities can be explained by two main factors: demographic features that make ethnic minorities *more likely* to experience inequalities that other similarly positioned groups also experience; and discrimination.

Many racial inequalities in the labour market and more widely originate in the history of economic relations between Britain and the rest of the world, especially Africa, the Caribbean and Asia. The fact that people with Asian or African sounding surnames have to send in twice as many CVs to get an interview is not an *arbitrary* or random inequality but is based on deep-seated, sometimes subconscious, views about their competencies and skills.

Just over half of BME people were born overseas, and there is an important correlation between ethnicity and migration status. In addition, immigration debate and policy remain racialised. This has a significant effect on economic policy, and has implications for more systemic economic changes. Migration policy is driven by economic considerations, but this is rarely connected to more radical thinking on the economy. Though there are exceptions, even radical economic thinking too often treats the economic 'system' as an enclosed domestic space, at least in terms of labour and/or citizenship.

**Recommendation 1**

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

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

**Recommendation 2**

Reforms or changes to the economy generally should be adopted for their own sake, but also to tackle racial inequalities. They should be monitored to ensure that they do so, and additional policies should be adopted if they don't.

**Recommendation 3**

Universal policies or systemic changes may need to be delivered in a particular way in order to reach BME groups. This could be through working with BME community groups to tailor a particular approach, or providing language translation and/or English as a second or foreign language support.

**Recommendation 4**

Those working to change economic outcomes or the wider system should use statistical tools or modelling to assess how their reforms would affect BME groups and others currently disadvantaged in the economy.

*To the extent that economic inequalities are driven by discrimination, and conscious or unconscious bias, general policies may be unlikely to benefit them.*

**Recommendation 5**

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

**Recommendation 6**

Racial inequalities are unlikely to be tackled without wider structural changes to the economy. Advocates of structural changes to the economy should more explicitly explain that such changes are the only way to tackle racial inequality, given the latter is structural in nature.

**Recommendation 7**

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

**Recommendation 8**

Given the current economic starting point of racial inequality, anyone seeking to redesign the economic system needs to consider whether the political economy should be 'sufficientarian' (everyone has enough) or 'egalitarian'.

**Recommendation 9**

What gets measured guides how we respond to any issue, including (re)designing the economy. At least one measure should assess the representation of BME voices/perspectives. How every other measure may (or may not) hide racial or other structural inequalities should be also considered.

**Recommendation 10**

Racial inequalities will need to be considered in the re-envisaging and transition phases, but *also* if (or when) most just, inclusive economic systems are up and running. To ensure it properly accounts for existing racial and structural inequalities, systems thinking on the economy will need to develop short-, medium- and long-term strategies.

# 1. The historical context

Migrants and ethnic minorities have lived in Britain for millennia, contributing significantly to its economy and culture, from entrepreneurship and innovation to the English language and monarchy. Over the centuries, migrants to Britain have experienced hostility and exclusion, and sought to challenge it, notably by contributing to the slavery abolition movement. In the standard telling of Britain's history and identity, the experience of racial discrimination has been somewhat marginal in Britain proper. Racial inequalities of income, wealth, investment and health were a key feature of the British Empire; for example, life expectancy in British India was under 30 in 1947, compared to almost 70 in Britain. Generally, however, the experience of racial discrimination is viewed as somewhat marginal to Britain's past and present, including in terms of economic and policy thinking.

In Britain itself there has historically been a BME population, including performers, ayahs, sailors, students, merchants and princes (Our Migration Story, 2019). They were few in number but included some significant individuals and events, such as Dadabhai Naoroji who was elected as a Liberal Party member of the UK Parliament in the 1890s, soldiers from the Empire (around a million) who fought for Britain in the First World War, and race 'riots' in 1919 that left African and Chinese seamen dead in South Shields, Cardiff, London and Liverpool.

A large contingent of African and Asian soldiers lived in Britain during the Second World War, and after the war their numbers increased further as Britain sought labour for its weakened industries and public sector. The *Windrush* (Phillips and Phillips, 1998) ship that landed in Tilbury Docks in June 1948 is an icon of the larger waves of immigration that followed, not just from the Caribbean but also from Africa, Asia and Commonwealth countries. However, the 1962 Immigration Act placed tighter restrictions on entry into Britain from the 'New Commonwealth' and on access to citizenship, while evidence also suggested that discrimination in the labour market was widespread, affecting wages and (un)employment (Rose and associates, 1969).

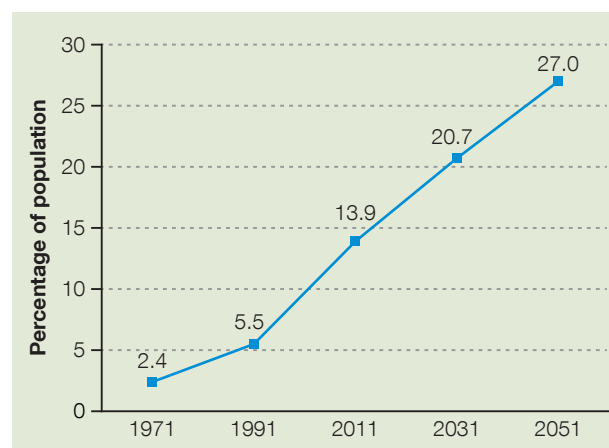
Following the Race Relations Act 1965, the evidence on racial discrimination became better documented, in part to ensure the Act's provisions could be monitored and acted upon. This was further

strengthened by the 1968 Act (the first to apply to employment and housing), the 1976 Act, the Race Relations (Amendment) Act 2000 (passed in the aftermath of the Stephen Lawrence Inquiry Report) and the Equality Act 2010.

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

Figure 1 indicates the increase in the black and minority ethnic population in Britain. In 1971 the BME population was estimated at around 1 million people, or roughly 2.4% of the total population. Forty years later, in the 2011 Census, the numbers of BME people

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



Sources: 1971: Lomas, 1991; 2011: Census; 2031 and 2051: Lievesley, 2010

had increased eight fold, to nearly 8 million, or roughly 14% of the population. By 2051 it is estimated that the BME population will more than double, to around 19 million or 27% of the population (Lievesley, 2010). This change over 80 years – the life expectancy of the average British male – is remarkable. Even over 40 years, a child who started secondary school in 1971

would have known almost no BME neighbours unless they lived in a major city, and even then the numbers were relatively small. That child is today 58 years old, roughly the median age of a FTSE 100 company board member, but Britain now has a very different workforce and customer base (if not yet including the senior management teams or the boardroom).

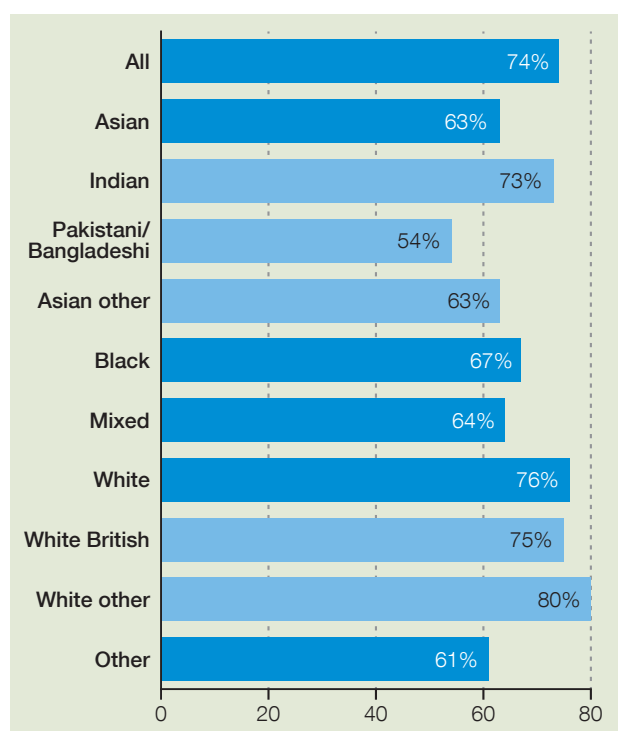


## 2. The demographic and economic circumstances of BME people

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

Overall, there is a difference of just over 10% between the proportion of employed ethnic minority people and the overall population (Figure 2).<sup>1</sup> Employment rates vary substantially between ethnic minority groups; for example, while the Pakistani/Bangladeshi employment rate is 54%, it is 73% for Indians (compared to 73% for White British). Although this gap has narrowed, it is not much less than it was in the 1980s, and progress for some groups has been very slow.

**Figure 2. Employment rates, by ethnicity (2016)**



When we look at gender, the variance in employment rates is even more notable. Figure 3 shows the economic participation of women aged 16–49 (from the 2011 Census). Many ethnic minority women have higher full-time employment rates than White British women. White British women have the third-highest level of part-time employment, after Bangladeshi and Pakistani women. Because part-time work tends to be lower paid, this may partly explain why some ethnic minority women earn higher hourly wages than White British women.

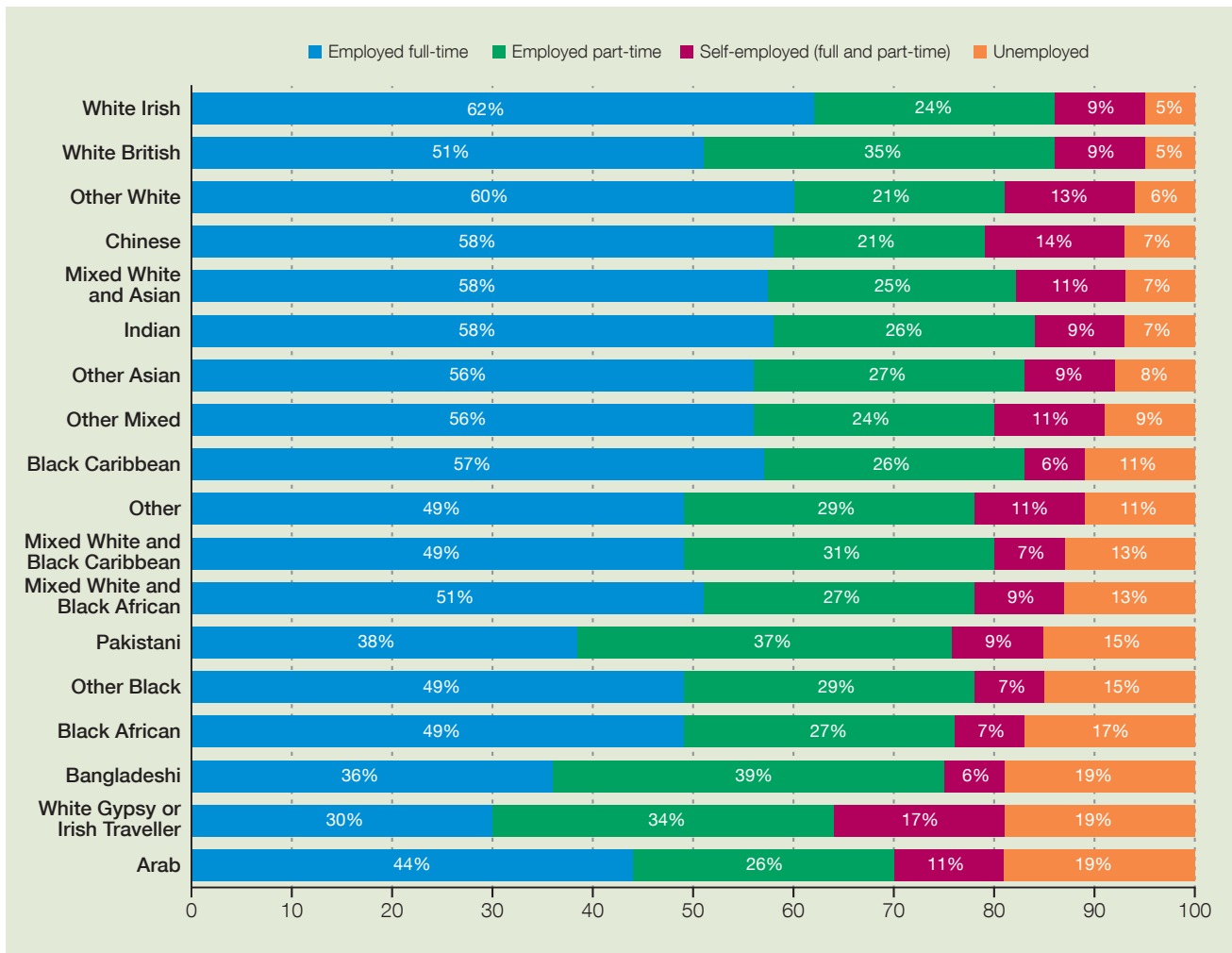
Figure 3 also shows that ethnic minority women have very high *unemployment* rates. This means that, when they are seeking work, ethnic minority women are almost five times more likely to be unemployed, with rates of unemployment at 19% among Bangladeshi, Gypsy-Traveller and Arab women. The 2012 report on ethnic minority female unemployment by the All Party Parliamentary Group on Race and Community found that discrimination and stereotypes were key reasons for this higher rate of unemployment.

Black and minority ethnic men also have much higher unemployment rates than White British men. Unemployment is damaging in the short term, when people's income falls below the poverty line and when they cannot provide for their families. But it is even more damaging when it is long-term, with evidence of 'scarring' (negative long-term) effects that last throughout an individual's working life (Economic and Social Research Council, 2019).

For many ethnic minorities, unemployment appears to be a greater risk even when they have what are otherwise viewed as 'protective' characteristics (factors that reduce the likelihood of being unemployed). For example, Li and Heath (2018) found that ethnic minorities are much more likely to be unemployed even when controlling for previous employment history, and that the 'scarring' effects of unemployment are more pronounced. Runnymede Trust research has similarly found that, even among Russell Group graduates with otherwise similar

<sup>1</sup> The Department for Work and Pensions measures the employment gap between BME people and the overall population (ie *not* between the BME population and the White British population). This is arguably confusing, as it includes the BME population within the group to which it is being compared (i.e. BME people are also part of the 'overall population'), and so this comparator group (the 'overall population') has a *lower* employment rate than the White British population. The gap as measured between the BME and White British population would, however, only be slightly higher, at 11%.

Figure 3 Labour market participation among adult women aged 16–49, by ethnicity (2011 Census data)



qualifications, Black people in particular are more likely to be unemployed two and a half years after completing their degree (Lessard-Phillips et al., 2014).

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

Perhaps unsurprisingly, then, all BME groups are more likely to be in the lowest paid work, and to be living in poverty. This is due to lower wages, higher unemployment rates, higher rates of part-time working, higher housing costs in England’s large cities (especially London), slightly larger household size, and the relatively low levels of benefits paid, particularly following the application of the ‘benefit cap’.

The higher rates of child poverty experienced by BME groups (rising to over half of Pakistani children) are particularly striking. Child poverty is not only bad for children in terms of their experience at school and relationships with parents and wider family, but it provides people with a disadvantaged start in life. The Government’s decision to remove child poverty targets, and to change the definition of child poverty so that income is downgraded, and divorce, alcohol abuse and educational attainment are measured, results in the perverse conclusion that because Bangladeshi children are doing better in school and their parents are less likely to drink or divorce these children are therefore less likely to be poor. This is what happens when policymakers don’t understand or respond to data on racial inequalities.

Recent research from the Resolution Foundation suggested inequality among graduates was not much better than among non-graduates, and that socio-economic disadvantage or class could not wholly explain racial inequalities (Tables 1 and 2). The largest gaps were among Black and Pakistani/Bangladeshi men, and remained for most groups

**Table 1: Pay penalties compared with white men aged 22–64, 2007–17, UK**

	Black men	Indian men	Pakistani/Bangladeshi men	White women
Raw pay gap, graduates	-24%	-4%	-27%	-18%
Adjusted pay gap, graduates	-17%	–	-12%	-7%
Raw pay gap, non-graduates	-15%	-12%	-31%	-19%
Adjusted pay gap, non-graduates	-9%	-8%	-14%	-12%

Notes: Blank cells indicate that the difference in average hourly pay is statistically meaningless.

Source: Henehan and Rose, 2018

**Table 2: Pay penalties compared with white women aged 22–64, 2007–17, UK**

	Black women	Indian women	Pakistani/Bangladeshi women
Raw pay gap, graduates	-9%	-5%	-15%
Adjusted pay gap, graduates	-9%	-3%	-5%
Raw pay gap, non-graduates	–	–	-12%
Adjusted pay gap, non-graduates	-6%	-4%	-5%

Notes: Blank cells indicate that the difference in average hourly pay is statistically meaningless.

Source: Henehan and Rose, 2018

even when accounting for ‘compositional factors’ (e.g. that some ethnic groups are younger or work part-time) (Henehan and Rose, 2018).<sup>2</sup> Below we suggest that compositional factors are indeed important for understanding variations in and sources of ethnic inequalities, but urge caution in viewing such factors as fully explanatory in themselves.

The Equality and Human Rights Commission report very similar findings in their study of ethnic pay gaps (Longhi and Brynin, 2017). Over the period 2002–14 they found wider pay gaps for migrants than for UK-born ethnic minorities, and for men compared to women. When considering the median hourly rate of pay, the authors summarised: ‘Broadly speaking, in the period 1993–2014 there has been very little narrowing of ethnic pay gaps and for some groups they have actually increased, particularly among men’ (pages 8–9).

Another important finding over the years is that while migrants experience significant labour market disadvantage, their UK-born children do not always experience the expected gains. Migrants might be ‘expected’ to do worse in the labour market, to the extent that they have unrecognised or under-recognised overseas qualifications, are less connected to social networks, and are more likely to speak English as a second language (or with an accent). Such factors do not apply to British-born ethnic minorities, but previous research has found that UK-born ethnic minority men are more likely to be unemployed than their overseas-born fathers (Heath and Cheung, 2006), that, despite being ‘positively selected’, migrants have ‘experienced notable *déclassement* [downward class mobility] in the British labour market, leaving their children in a disadvantaged starting position’ (Li, 2017), and that recent Russell Group BME graduates have a higher risk of being unemployed than their White British counterparts (Lessard-Phillips et al., 2014).

<sup>2</sup> The full list of factors the Resolution Foundation used in its regression analysis includes: ‘age, qualifications, region, whether a person is UK-born, the length of time since they left education (a proxy for experience), whether they work full-time or part-time, occupation, industry, whether they work in the public or private sector, the length of time they have worked for their employer and whether they are on a permanent contract’ (Henehan and Rose, 2018: 5).

### 3. Analysing racial inequalities in the labour market and wider economy

The fact that UK-born children of ethnic minority migrant parents experience significant disadvantage in the labour market highlights some important considerations or factors for understanding racial inequalities in Britain. First, racial inequality persists in other important areas, notably education, though here the findings are even more complicated than in the labour market, with Indian and Chinese pupils doing better than White British pupils, while Black Caribbean and (especially) Gypsy, Roma and Traveller pupils doing much worse. Perhaps poverty or class are more significant factors than education in explaining why racial inequalities persist.

One way in which statisticians, and following them policymakers, interpret these issues is to ‘control’ for factors such as prior educational attainment or class background using various statistical tools to try to isolate a particular factor – in this case race. So if, say, 70% of a particular group is working class compared to 30% of another group, we should seek to determine the size of that gap assuming those groups had the same proportion of working class members. As the Resolution Foundation research by Henahan and Rose (2018) suggests, ‘compositional effects’ are important for understanding the extent to which other factors – say, the greater youth of Bangladeshi and Pakistani workers, who will then have less experience and so lower wages – are driving ethnic inequalities.

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

Various studies have tried to control for as many relevant factors as possible, with the assumption then made that any resulting differences are an

‘ethnic penalty’. This just means that, once we account for factors like class, age, educational attainment and family type, there remains a gap between White British and ethnic minority job-seekers, though this isn’t usually viewed as analogous to ‘discrimination’ (because there are other unmeasured or unobserved factors that may also explain any inequalities).

At the same time, there is evidence of discrimination in Britain, including in the labour market. For example, research has found that people with Asian or African-sounding surnames had to send in nearly twice as many curriculum vitae (CVs) just to get an interview (Wood et al., 2009; Di Stasio and Heath, 2019). This is hardly ‘indirect’ discrimination or ‘unconscious bias’, as it involves people refusing to offer an equally qualified candidate an interview *solely* because of their surname.

Although we don’t have as strong evidence regarding retention and progression in the labour market, the successive CV studies’ conclusions have wider implications. If a human resources employee is willing to refuse even to interview people because of their surname, it seems fairly likely that they would discriminate against the same people if they had been appointed.

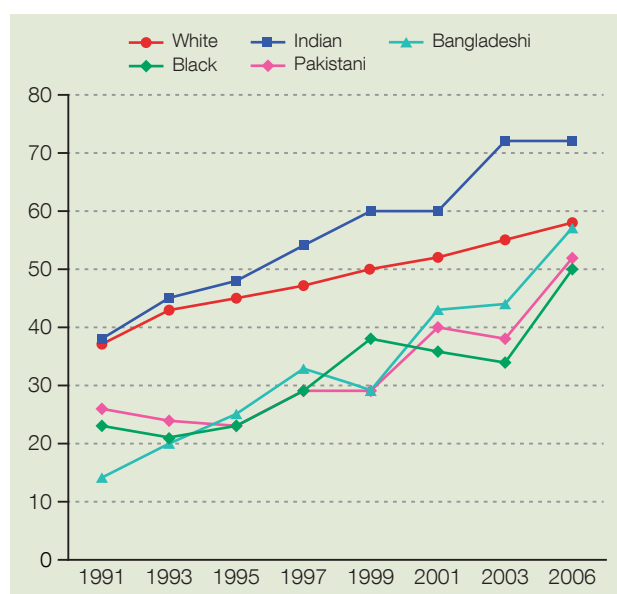
While evidence for discrimination is clearest in the CV studies research also indicates that a large proportion of British people agree they are racially discriminatory (25%) (Kelley et al., 2017), while a majority of BME people feel that ethnic minorities experience discrimination in Britain (Heath et al., 2013). Furthermore, in a competitive labour market, where people make quick and close decisions affecting recruitment, assessments and progression on a daily basis, even a tiny racial preference can have significant consequences. In ‘discrimination’ we also include ‘unconscious bias’ or other terms that (correctly) note that racial preferences in twenty-first century Britain are much more likely to be covert than overt.

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

to be disadvantaged in the economy. The most frequently noted of these relate to various indicators of disadvantage: class, poverty and educational underachievement.

We have already explained the complex and varying outcomes for different groups in schools, but it's important to recognise that past experiences of educational attainment will have significant economic consequences for decades to come. Until the 1990s all ethnic minority groups did worse in school than White British pupils, with most groups underachieving in their GCSEs until the late 1990s or early 2000s. So, while it is good to see improvements in racial inequalities in education, the long-term effects of educational under-attainment will affect the labour market for many decades to come, at least until those born up to the mid-1980s retire (around 2050).

**Figure 4. GCSE attainment by ethnic group, 1991–2006**



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

is worth less in the labour market (with nearly 40% of Black African graduates in non-graduate jobs, nearly double the White British rate of 20%).

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

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

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

One other important factor to consider and understand is the geographic distribution of ethnic minorities, notably their greater likelihood of living in London and England's largest cities. More specifically, many ethnic minorities live in the most deprived boroughs or wards in England, and,

probably not unrelatedly, experience particular inequalities in housing (see Khan et al., 2014). However, although ethnic minorities are more likely to live in deprived neighbourhoods, the fact that they often live in major urban centres with good public transport means they are less affected than White British people by a 'spatial mismatch' between where they live and where jobs are.

The Index of Multiple Deprivation demonstrates that ethnic minority disadvantage cannot merely be explained by factors other than ethnicity, in this case where they (are more likely to) live. For example, whether or not they live in better-off or worse-off areas, Black people experience significant inequalities in the labour market and housing. Interestingly, while Asian people have relatively small inequalities when they live in more deprived neighbourhoods, they appear to experience relatively worse outcomes in the labour market when they live in better-off neighbourhoods (Jivraj and Khan, 2013).

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

One of the main ways that people insulate themselves against poverty in older age is through savings or assets. By building up savings during our working lives we obtain an income in later life when we are no longer working. The State Pension is a major source of income for many people of pension age, and as it has become increasingly generous (relative to previous decades) the proportion of older people living in poverty in Britain has reduced significantly. Private savings are still important for many older people, where the State does not provide enough income, and are useful for covering

the costs of short- or medium-term unexpected or emergency costs (a broken boiler, or funeral costs). Building up savings is obviously much more difficult for people who earn less, or who work more precarious or short-term hours, or are more likely to be unemployed. Foregoing consumption now to improve consumption in the future isn't really an option if you don't have enough income today.

The impact of wealth and savings is also important in understanding intergenerational transfers, and mobility (or immobility). Because of their worse outcomes in the labour market, BME people have fewer savings. Furthermore, with 52% of BME people born overseas,<sup>3</sup> and an additional large proportion with parents born overseas, they are much less likely to inherit property or financial assets from family members.

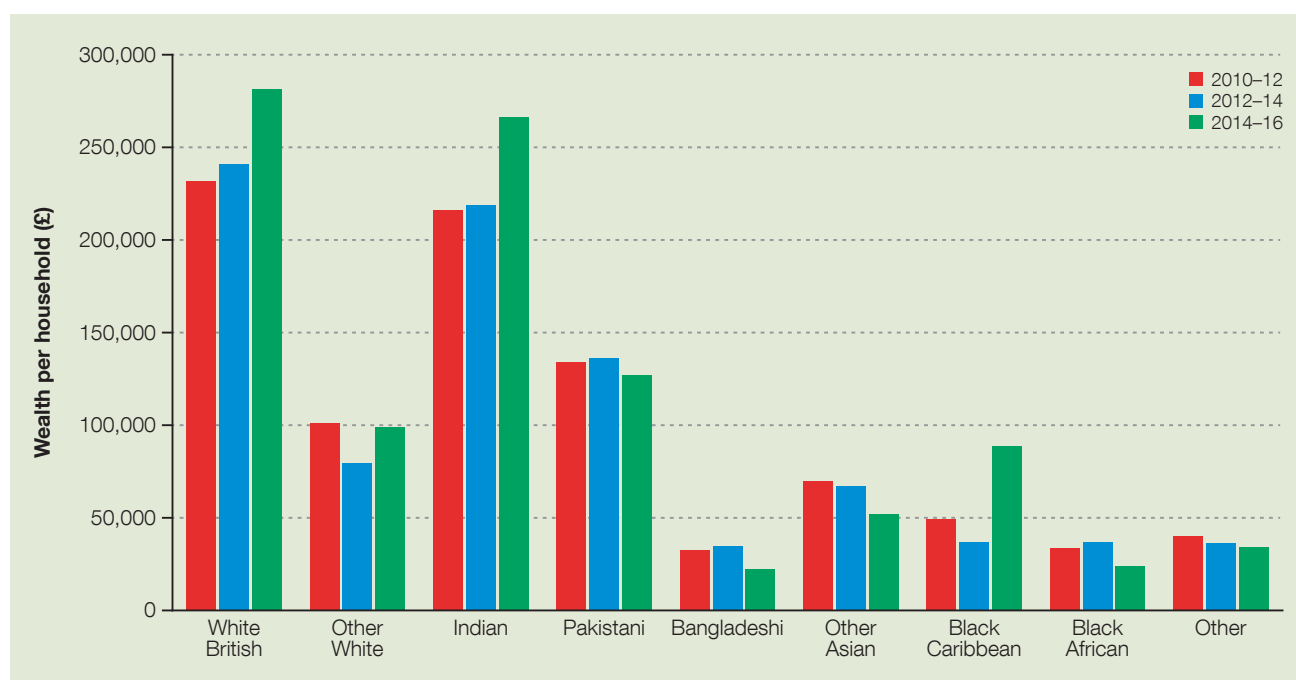
The result is that BME people generally have much lower levels of savings or assets than White British people. Figure 5 shows the last three waves of the Office for National Statistics' Wealth and Assets Survey for those groups with sufficient data. There is some variation, but the trends are clear,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

Another way to summarise this is as follows: while Indian households have 90–95p for every £1 of White British wealth, Pakistani households have around 50p, Black Caribbean around 20p, and Black African and Bangladeshi approximately 10p (Figure 6). It also appears that especially Pakistani but also Indian households are less likely to hold pensionable wealth, suggesting that their wealth holdings are driven more by high levels of home ownership.

In addition to the cumulative effects of the labour market, another explanation for lower wealth is migration. Recent migrants are obviously less likely to inherit savings or homes, so it's hardly surprising

<sup>3</sup> According to the 2011 UK Census, there were 7,866,517 Black and minority ethnic people living in England and Wales, of which 4,069,942 were born overseas. Scotland and Northern Ireland collect data on ethnicity somewhat differently, though the numbers living there are relatively much lower.

Figure 5. Wealth by ethnic group, 2010–16



Source: ONS Wealth and Assets Survey

Figure 6. Relative wealth by ethnic group



that more established BME communities with a larger and older British-born population (Indian) would have more wealth than a more recent and younger one (Black African). However, this cannot explain the lower wealth among Black Caribbean people, who were the largest single ethnic group in Britain from the 1940s to the 1970s. Here, housing tenure seems to explain the relatively higher wealth among Pakistanis in particular, as they have much higher home-ownership rates than Black Caribbean people, even as Black Caribbean people have higher pensionable wealth (probably due to their past greater representation among public sector jobs with public sector pensions).

A final but crucial point is that existing economic policies, particularly fiscal policies, appear to

exacerbate racial inequalities in the economy. For example, Runnymede found that ethnic minorities were most likely to be affected by changes to the 2015 budget for a variety of reasons (family structure, age distribution, wage rates, tax credit uptake, housing costs) (Khan 2015). The Women's Budget Group et al. (2017) more systematically modelled the changes in the 2010–20 budgets and found that the poorest Black and Asian women were hardest hit by these changes, both in terms of loss of income due to benefit and related changes, and due to cuts in the public services that are most likely to be taken up by women.

Before turning to more systemic changes to the economy, it's worth highlighting that existing policies could do much more to respond to racial inequalities.

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

In summary, there are three mechanisms for explaining racial inequalities in the labour market and wider economy

- 1.** Discrimination → unequal outcomes in the labour market and economy.
- 2.** Discrimination → unequal outcomes in, for example, schooling or housing → unequal outcomes in the labour market/economy.
- 3.** Greater likelihood of sharing demographic factors with disadvantaged groups → unequal outcomes in the labour market/economy.



## 4. Responding to economic and racial inequalities

Having set out the evidence on racial inequalities in the labour market, and the main reasons for it, the question is, how should policymakers respond?

As with other policy areas, economic thinking on race typically focuses on more ‘universal’ ideas and assumes that these would (equally?) benefit everyone. In Britain generally, targeted policy, particularly targeted policy on the grounds of race or ethnicity, is still fairly controversial, but it’s worth reflecting on whether or not universal policies could be a panacea for responding to ethnic inequalities in the economy.

First, while many policymakers *claim* that universal policies will equally benefit everyone subject to that policy, there is typically little evidence that they do so. It is perhaps true that policies such as increasing tax credits and other benefits, increasing the living wage, improving investment in schools, or longer school days will disproportionately benefit disadvantaged (including ethnic minority) adults and children, even if that’s not their stipulated aim. At the same time, we know that some universal solutions, or solutions that seek studiously to avoid race, end up ignoring and not tacking inequalities. For example, the French university Sciences-Po adopted a regional-based preference for applicants, in large part because of the under-representation of ethnic minorities in this prestigious French institution. Yet when the policy was applied, they found that even in such neighbourhoods White French applicants were more likely to benefit.

In other words, using a proxy for a particular characteristic will always be just that: a proxy. Sometimes that proxy will be good enough, and any ‘over-inclusivity’ (i.e. benefiting some people who aren’t the original target of the policy) may also be acceptable. But, rather than simply assuming that universal policies will work, we should monitor those policies to determine if they do so for ethnic minorities.

A second idea is to adopt ‘targeted universalism’. Here the idea is that the intervention or policy reform is more or less delivered the same to the same number of people in a similar way. For example, employment services could work with BME-led community organisations to ensure those services reach these and other ‘hard to reach’ groups. This would not

involve a different policy response as such, merely the tailoring of that response to be more effective.

More explicitly ‘targeted’ policies are more controversial, particularly on grounds of race. However, the idea is *not* that people are being targeted *merely* on grounds of their race, but rather because their race or ethnicity is correlated with disadvantage or discrimination. It’s perfectly possible here for relatively advantaged ethnic minorities still to be disadvantaged on grounds of their race: they would be even *more* advantaged in the absence of racial discrimination, so it is justifiable to benefit them.

While it’s true that arguments for targeted policies are not well understood, it’s also true that their application in Britain would be complicated. This is due to the varying outcomes among different BME groups. If, say, a target for a greater number of BME graduates were applied, this would most likely benefit Chinese and Indian people before benefiting Black, Bangladeshi or Pakistani people. This is, in fact, what we observe in the Civil Service fast stream, where the overall BME proportion now nearly (but not quite) matches the overall population, while very few Black Caribbean, Bangladeshi and Pakistani origin people are appointed, and almost none are appointed in some years.

Where all ethnic minorities are currently disadvantaged, it may still be justifiable to benefit *relatively* advantaged groups or individuals. However, over time this tendency will mean that the most severe racial inequalities are not addressed. Furthermore, where better-off ethnic minorities are the main beneficiaries of any targets that is likely to create a communication or ‘messaging’ problem, both in the wider population and within the ethnic minority communities who would potentially least benefit from that target. The response, however, should be to adopt a variety of targets for different BME groups, and especially to target those that are most disadvantaged. There is some evidence that the largest employers in Britain are already adopting such policies (see, for example, Business in the Community, 2019).

There are other policies that have been proposed but rarely implemented in the British labour market. One idea that underpins a variety of measures

is that leadership and management need to be incentivised to address racial inequality as part of their core business and decision-making. For example, organisations could adopt key performance indicators to address racial inequalities, or senior managers themselves could have their *own* performance assessed in terms of how far they support and progress the BME people they manage. If you can't manage BME staff (or women), you are a *bad* manager in today's labour market, and so you shouldn't get a pay rise.

Another possible idea is a 'Rooney rule', namely to ensure that at least one BME candidate is short-listed for every job. Even if some of the candidates do not initially get selected, the rule will have multiple benefits. First, it will give BME people the experience of being interviewed, especially in more senior roles where there is no replacement for the actual experience of an interview. Second, it will alert white interviewers that there is indeed a pool of talented, driven BME people, and this should not only change their perspectives about the relative qualities and merits of BME and other disadvantaged candidates but hopefully also lead them to consider whether their current assessment and appraisal processes are fit for purpose, or whether they (even inadvertently) disadvantage BME and other applicants.

Before turning to more systemic economic changes, it's also worth underscoring how much more existing equality law could be implemented. The public sector equality duty (PSED) should result in better policy when policymakers discover the unequal effects of a planned measure. Yet, as presently applied, the PSED does *not* result in any mitigation measures, and so policies that increase racial inequalities (for example the benefit cap as assessed by the Department for Work and Pensions/DWP) are merely acknowledged to disproportionately impact BME people. This is not the intent behind the PSED, and the Government and other public institutions should implement it in a way that accords with the spirit as well as the letter of the law. Other issues where current law could be strengthened include employment tribunals and support for cases of racial discrimination and harassment in the workplace.

With the introduction of fees to bring a case to employment tribunals, the number of such cases has plummeted by more than half, with little reason to think that underlying discrimination in society or at work has similarly fallen. Positive action provisions that allow recruiters to choose their candidate on the basis of equality in a tie-break scenario, and promoting traineeships and similar schemes, considered positive action schemes under the Equality Act 2010, should also be expanded.

One other policy proposal is also worth considering, namely the recent idea that we should focus on public services rather than the cash or in-kind benefits delivered by the State (Portes et al. 2017). This is both a principled and a tactical or public opinion-based point. Cash or in-kind benefits may be viewed as more 'stigmatising', particularly if they only benefit low-income people. Just as important, they currently appear less popular among the public, even among people who might otherwise benefit from them. The language of 'benefit scroungers' or 'skivers' is now unfortunately quite common, and appears to reflect a sizeable chunk of public opinion.

Conversely, public services remain popular with the public, and being universal they don't suffer the same difficulties of 'stigmatisation'. The health service is the most obvious case, with public opinion clearly in favour of it, but there are also strong arguments for increasing support for public services that benefit people's health, such as social care, and the wide range of personal, social and economic benefits that brings. Schools are an obvious target, and 'infrastructure' (whether trains or high-speed broadband) is a frequently cited option. In relation to ethnic minorities, the main questions are as before: (1) Do the policies in fact (not just by assertion, but through evidence) benefit disadvantaged groups disproportionately (not just equally, as disadvantaged groups should benefit more)? (2) If not, can the service better secure its universalist aims by being delivered slightly differently, say by a BME-led organisation or through translation? (3) If not, is this due to immigration status? Can or should the service be delivered to everyone, regardless of migration status?

## 5. Systemic economic changes and racial inequalities

Having considered how ethnic minorities are unequally situated in the economy, explanations for those inequalities, and how we might adapt existing policy frameworks to respond better, the report now turns to more systemic changes to the economy and how these might address racial inequalities.

### Current (non-systemic?) economic policy to tackle racial inequalities

First, it's perhaps worth saying something about existing approaches to tackling racial inequalities, particularly in terms of economic inequalities. Britain has been passing race relations legislation since the first Race Relations Act in 1965. The 1968 Act was the first to outlaw discrimination in housing and employment (finally making the 'no Blacks, no dogs, no Irish' signs illegal). Yet this legislation did little to provide a remedy for BME people discriminated against by employers, as they had to prove intent (Khan, 2018). In response to these difficulties, the Government passed the Race Relations Act 1976, introducing the concept of 'indirect' discrimination, while the Race Relations (Amendment) Act 2000, passed in the wake of the Stephen Lawrence Inquiry Report (Cohen, 2019), introduced the public sector equality duty. Together, this legislation focused more on *outcomes* for black and minority ethnic people, and less on the *intent* of the policymaker.

This legislation has undoubtedly had some effect in reducing discrimination, and so opening up opportunities for BME people in the labour market and thereby reducing racial inequality. Yet economic inequalities have remained stubbornly persistent, with the BME employment gap not much different to what it was in the 1980s.

To the extent that wider macroeconomic or social policy considered racial inequalities, these were subsumed within social mobility or human capital (education) policy. In other words, when policymakers addressed economic racial inequalities, they didn't adopt a 'systemic change' approach. In fact, race was not explicitly mentioned. The thought was that by making direct, and later indirect, discrimination illegal this would tackle the worst inequalities in the labour market. Although not usually explicitly linked to race, improvements in universal education and

an increasing number of managerial jobs associated with the economic expansion of the 1950s to 1960s opened up 'headroom' at the middle to top of the income distribution: there were more higher-wage jobs than there were middle-class graduates to fill them. Working-class people, including ethnic minorities, could benefit from the expansion of higher education and of managerial (better-paid) jobs.

The overall change in the labour market, increasing the relative numbers of better-paid vs low-paid jobs, perhaps lasted only a decade or so in Britain. This is sometimes called 'absolute' social mobility, to compare with 'relative' social mobility. The latter concept captures the 'relative odds' of a child ending up in the same position as their parent. Relative mobility is just as concerned about the outcomes of the best off as the worst off: in a purely (relatively) mobile economy, a person's parental background would be uncorrelated with their own outcomes (the literature refers to these as 'origins' and 'destinations').

Absolute social mobility is usually what politicians and commentators defend. Fewer endorse the comparative and 'zero-sum' nature of *absolute* social mobility, with the implication that people will be just as likely to *fall* down the rungs of the ladder as they will be to rise up it. The notion of 'systemic' change arguably suggests that relative mobility must increase. It might equally be argued that a more radical absolute mobility – that is, a fundamental redistribution of the jobs and rewards for those jobs available in the economy – could also accord with the idea of systemic change, particular where the absolute mobility is 'upwards'.

In addition to the employment, wage and savings data highlighted above, another important data point suggests the current approach is unlikely to reduce racial inequalities. Consider poverty figures by ethnicity. Among working age adults, 19% of white people in Britain are living in poverty (three-year rolling average to 2016–17). As with other indicators, poverty rates vary significant by ethnicity. While Indian, (22%), Mixed (28%) and Chinese (29%) households have higher working-age poverty rates, the numbers are much higher for other ethnic groups. Black groups, including both Caribbean and African, have nearly double the white working age poverty

figure, at 39%. For Bangladeshi and Pakistani working adults, the poverty rate is even higher (45% and 46%), indicating the need for economic policy to better tackle racial inequalities.

Child poverty rates suggest that, if anything, racial inequalities related to poverty are worsening. Child poverty has long-term negative effects throughout a person's lifetime, and given rising life expectancy the effects of present racial inequalities will last into the twenty-second century. Table 3 outlines the extent of child poverty among ethnic minorities, which has risen sharply since 2012 even as the Government has scrapped a focus on child poverty as a matter of policy. In 2017 nearly half of Black children and well over half of Pakistani and Bangladeshi children were living in poverty, yet there has been little public or policy discussion about these statistics, much less what might be done about them.

**Table 3. Child poverty rate by ethnic group (after housing costs)**

Ethnic group	Child poverty rate (%)
White	26%
Indian	27%
Chinese	31%
Mixed	41%
Black	47%
Pakistani	54%
Bangladeshi	60%

Source: Family Resources Survey, 2016/17, three-year rolling average

Ethnic minority child poverty is also an example of what happens when policymakers don't understand data, or perhaps view racial inequalities as a low priority. The DWP had suggested redefining poverty by including measures of drug and alcohol abuse, family breakdown and educational attainment. No one would deny that these are outcomes worth measuring, and that we should be concerned about their prevalence. But these are *not* measures of poverty. In fact, the two groups with the highest child poverty figures, Pakistani and Bangladeshi, are those *least* likely to experience drug and alcohol abuse or divorce, while Bangladeshi educational attainment has recently risen faster than any other group. The implication of the DWP's new definition was that Bangladeshi children are less likely to be poor because their parents are less likely to drink and divorce, even as the income data suggested a worsening of their economic position, and rising Bangladeshi child poverty.

## A different economy: Ensuring racial inequalities are analysed and addressed

We cannot fully model the effects of any proposed changes to the economy on each and every ethnic group, not least because many of those changes are difficult to model overall. What we can do instead is suggest how we might approach thinking about those proposed changes. First, we should ask which groups or individuals are most likely to benefit from any proposed changes, and assess whether ethnic minorities (or other groups) are more or less likely to share the characteristics of those most likely to benefit. Second, we should ask whether the proposed change is positive, negative or neutral with respect to addressing discrimination. Although the analysis is based on an assessment of *racial* inequalities, the typology deployed here could be extended to other groups too (i.e. women, disabled people, or by region or sector of the economy).

It is possible or even likely that a different economic model, different sorts of economic institutions, or different market regulations would deliver racial equality. But it's not good enough merely to assert or affirm that consequence; the ability of an economic model to achieve its intended benefits can only be assessed by demonstrating how it would impact different groups.

Consider the surprisingly popular proposal of basic income. The idea has a long pedigree, with prominent support from Thomas Paine in the eighteenth century, and ranging from the right (in the form of a negative income tax) to the left (as argued by Philippe Van Parijs). There is extensive commentary on the topic elsewhere, but three points are relevant here.

First, as with any economic idea no matter how radical, a key question is: who will this apply to? Many radical thinkers have been 'internationalists', but in a world of nation states the question of the respective rights of and benefits for citizens and migrants is an urgent one, as is how long it takes migrants to qualify for the full benefits of citizenship (and this extends to all proposed policy or systemic changes, not just basic income). On the one hand, the term 'citizen's income' suggests non-citizens might not benefit from basic income, but on the other hand the briefly implemented Child Trust Fund (or 'Baby Bond') was provided to all babies born in Britain regardless of their parents' citizenship. In this sense, a basic income may plausibly be viewed as an 'integration' policy, one that affirms to everyone

that they equally share in the benefits of belonging, and that the State equally supports their citizenship in tangible and, perhaps more idealistically, civic ways too.

A second important feature of basic income that may be particularly relevant for ethnic minorities is the opportunity it provides for people to reject or say no to low-paid, low-progression work. While basic income is unlikely to be provided at a sufficiently high level without significant taxation, the ambition is for it to allow people to live and develop alternative skills and training to get more highly paid jobs or simply a job that better matches their preferences. Given that ethnic minorities are much more likely to be working in low-paid jobs, including when they have university degrees, and less likely to be working in sectors in which they have qualifications (particularly migrants, among whom economists refer to 'deskilling'), the benefit of being able to pursue different training or education, or even develop social networks, may be particularly valuable.

The third and final relevant aspect of basic income is one that is somewhat contentious: that people can choose not to work. On the one hand this may de-stigmatise those who cannot work because of impairments or due to caring, and so may further underscore the value of unremunerated but interpersonally and socially beneficial interactions and activities. On the other hand, people living with impairments may feel the analogy to their condition is unwarranted or even insulting, while if too many people 'choose' not to work the wider economic cost may be too much. But from the point of view of racial equality, one potential benefit of people being able to pursue un-remunerative socially relevant activities is that this could include work to improve understanding across different ethnic or other groups, and even to reduce racist attitudes. The literature on 'contact' theory suggests that the form of contact matters in successfully overcoming difference and combatting prejudice: it is better when it is sustained, face-to-face and meaningful, and people not having to work 40 or more hours per week obviously creates more time for this sort of contact (Everett, 2013).

While basic income is currently more popular than it has been in years, other economic reforms have a stronger track record of support, and indeed of implementation. One of the most common is to increase the voice and power of workers or employees. This can take different forms, including more radical democratic structures – various kinds of cooperatives or jointly owned businesses – and

greater (but not equal) employee representation on boards or other decision-making bodies (see the proposal by Shadow Chancellor John McDonnell at the 2018 Labour Party Conference).

Unions have been the most common and successful way of increasing worker voice, particularly with respect to term and conditions (wages and benefits). There is evidence that unionisation is positively correlated with more redistributionist policies, and so it seems plausible that unionisation or other forms of worker empowerment, up to and including democratisation, would also tackle racial inequalities in the economy.

Historically, unions haven't always been supportive of ethnic minority workers. In fact, unions have often been antagonistic to migrants in particular, who are seen to provide a cheaper source of labour, and may also have different cultural traditions. For example, the Bristol Bus Boycott in the early 1960s was necessary in part because the union blocked the employment of ethnic minority drivers. In the intervening years, unions have become more supportive of ethnic minority and migrant workers and are now often advocates of race and other equality grounds. However, some unions remain more 'traditional' in their outlook and do not easily accommodate diverse memberships, whether in terms of gender, race or migration background. Any form of workplace participation or democracy must first ask who gets to be included in such structures and decision-making, who defines who 'we' are and who doesn't belong or has to prove they belong, and whether these structures are genuinely open to everyone.

As challenging for unions today is the decline of manufacturing and the growth of sectors of the economy that do not offer the sort of collective assembly-line work and mutually produced products, nor the sort of employer–employee relationship, particularly in terms of conditions and pay, needed for a union to thrive. The 'gig' economy covers a wide range of activities, not all of which are negative, but workers typically don't work in the same space or contribute together toward common work, and they have more precarious if not zero-hour contracts. Organising workers in this space, or designing institutions that could enhance employees' voices, is no easy task.

It also appears that BME workers are more likely to participate in the 'gig' economy – up to 25% compared to 14% of the general population. Part of this will be out of choice but, as with self-employment, part of this will be because of

discrimination in other parts of the labour market, so that ethnic minorities have to take whatever job is on offer regardless of the terms and conditions or whether it matches their skills and preferences. So, even if unions or other forms of worker participation become more viable, there are concerns about whether these will equally benefit ethnic minorities, and, to the extent that it's more difficult to organise unions or other institutions in these new and other sectors of the economy where ethnic minorities are more likely to be located, those new forms of unionisation may prove less effective.

While there is certainly scope for expanding workplace participation, and to reinvigorate unions in a different world of employment, these may be viewed as a less systemic and more traditional way of responding to economic inequalities. As with equality law, there may be questions about how effective these are in terms of their current application, but the deeper challenge is that these sorts of measure are simply remedial, redistributing only a small part of the benefits and rewards that flow from different kinds of jobs (and lack of jobs).

Overall, the post-war approach can be described as a 'downriver' one: to redress the most severe economic inequalities arising from the labour market, and to protect those who are most vulnerable to destitution and poverty. This was relatively effective in addressing the low levels of inequality in Western Europe in the three to four decades following the Second World War. In addition to the challenges of recreating the unions or alternative worker participation that made this system possible, the domestic policies of redistribution occurred in an international environment of economic growth and little competition from Asia and Africa due to their relatively low levels of investment – including in human capital and skills (in large part a function of their economic role under colonisation). These international political and economic circumstances have fundamentally changed, with significant reductions in global poverty and inequalities, especially since the 1980s.

In the UK, more egalitarian policies were underpinned by a political and social consensus that taxation and government expenditure would seek to redistribute incomes, a consensus that was in part underpinned by strong labour unions that were often directly affiliated with social-democratic political parties. As that consensus has weakened, we've seen a fairly rapid rise in inequality from the 1980s to the 2000s, though there is some dispute about whether this has now stabilised or continues to decline following a

brief plateauing during the recession that began in 2008.

Current policies on 'social mobility' are perhaps the last, deflated gasp of this redress-based response. Social mobility policies as currently construed do little to address significant inequalities, and almost none of the policy focus on it addressed racial inequalities.

Part of the problem is that social mobility policies currently only tackle absolute rather than relative social mobility. As has been said, relative social mobility refers to the relative likelihood that any person in the income or wealth distribution ends up in the same position as their parents. A fully relatively mobile society would mean that parental and child outcomes would not be correlated, or perhaps, more pointedly, that children with well-off parents would experience downward social outcomes compared to their parents.

Given the extent and nature of current racial inequalities, a focus on relative mobility would undoubtedly reduce those inequalities by increasing the likelihood that lower income individuals would improve their economic position inter-generationally. If a focus on *relative* mobility proves impossible, policymakers must at least better address how absolute mobility policies could be more successful, or how those policies need to be linked to wider macroeconomic thinking to be successful.

Absolute mobility occurs when there is a change in the number and kinds of jobs, or in the distribution of the kinds of jobs available in the labour market. In the post-war period the British economy created more managerial and middle-class jobs than there were middle-class young people in the population. As a result, there was greater *absolute* mobility and therefore working-class and ethnic minority people could fill jobs that were previously difficult for them to secure.

To deliver this change in absolute mobility, policymakers will arguably need to go beyond the above sorts of policies, and seek a different sort of economy. Rather than simply reducing the level and extent of inequalities or even 'failures' in the economy, it seems better to ask: can we change the way the system works so that such failures don't happen in the first place?

Obviously, if this could be achieved it would most likely reduce racial inequalities. However, this somewhat depends on the sort of systemic changes that are envisaged. Political philosophers distinguish between

'sufficientarians' and 'egalitarians' in an attempt to separate what they believe are different moral or social intuitions. 'Sufficientarians' may appear to be 'egalitarians' in the current political world, but they are more concerned that everyone (in a country, or in the world) has enough – enough welfare or resources to live a good enough life. They are not, strictly speaking, 'egalitarians', because they are then relaxed about whether or not people have more or less than each other, once everyone has enough.

This is obviously a somewhat utopian distinction, in that we live in a world where hundreds of millions, if not a billion or more, people don't have enough. But it matters for thinking about racial inequalities, and for redesigning our economy. If that redesign delivers on sufficiency (a hugely challenging and laudable aim), there is no guarantee that whatever inequalities exist over and above that line of sufficiency will *not* correspond with race. That is, it's possible, particularly given where we're now starting from, that a larger proportion of ethnic minority people will be living closer to the 'sufficiency line' while fewer will be living above it, and fewer still at the very top.

Another idea that has had some recent policy interest is 'predistribution'. Here the idea is that rather than adjusting people's final income through the tax and benefits system, we should instead focus on ensuring wages or pre-tax income are more equitable (Hacker, 2013).

Whatever the promise of predistribution as a policy agenda, it highlights a further important and useful point: that wider social attitudes, interactions and values both underpin and flow from the sort of economy in which we live. To agree predistribution would require chief executives and other senior leaders *voluntarily* to agree to cap their incomes, unless the idea is to introduce a maximum income policy through legislation (say, that no person earns more than 50 times another person). Such a economy would clearly require strong solidarity across society, though it's unclear how far this would need to be developed in advance of such a policy, and how far a policy of predistribution would itself generate the relevant social and interpersonal cooperative attitudes.

## 6. Lessons for Friends Provident Foundation existing work on developing a fair and resilient economy

This report provides evidence that BME people and communities systematically have poorer economic outcomes from their interactions in the economy. Unless these systemic failures and their drivers and sources are identified and addressed, we are in danger of replicating them in any attempt to design a fair and resilient economy.

This chapter relates the report's analysis and evidence to the Friends Provident Foundation's work on rethinking the economy more generally. As the Foundation recognizes, BME and other disadvantaged groups are often left behind in terms of the *content* of current rethinking on the economy and in terms of their involvement in the *process* of shaping that content. More specifically, BME underrepresentation in influential sites of public debate and opinion (whether universities, think-tanks, broadsheets or unions) means that they are not as involved in discussions and debates about what alternative or reshaped economies might look like.

There are, of course, various existing ways of including people in economic decision-making. The idea of 'participatory budgeting' is that local people should decide the priorities for allocating spending. Friends Provident Foundation (FPF) currently support such a project ('Power to Participate'), focused on community energy, and it may be worth learning how communities ensure everyone is able to participate in such projects, particularly those groups that are currently under-represented.

One key recommendation of this report is aimed at advocates of universal service provision, who often view universal services as a straightforward elaboration of the principle of equality. However the evidence suggests they need to be more cautious in assuming that their approach (universal services) always in fact delivers on that principle (equality). More specifically, there are specific, historic and structural forms of inequality and injustice, and so it is necessary to consider how those non-random inequalities can be *undone*, not just how we might construct an ideally fair economy and society. A further consequence or conclusion is that to deliver on the principle of equality for everyone, we often need targeted approaches, approaches that are designed to increase *equity*.

Another question regards the particular assets or characteristics of BME communities that might

contribute to creating a fairer and more sustainable economic system. One important point is not to view communities as only having 'deficits' and instead to recognize that despite their disadvantage these individuals and communities have assets or strengths as well. This is particularly necessary to achieve meaningful BME participation in and contribution to shaping a fairer and more resilient economy.

An alternative claim is that non-Western or non-individualistic cultures may be more likely to share goods collectively, or otherwise less likely to view things solely through a monetary lens. There are also, within Britain, various cultures that seem to value cooperation more, and these can cut across ethnicity. It's certainly possible that people who have experienced racism are both more sceptical about the ability of the state and other institutions to deliver fairness, and also more inclined to see the necessity of collective action in improving everyone's lives.

In general we should be cautious about overstating the cultural differences between different ethnic minority groups. Due to the history of migration to Britain, many BME people do have more access to the wider global economy, for example through remittances (Khan and Nandi, 2012), inheritance or property ownership. This may be an asset in terms of thinking not just about investment but about the connections to wider social movements that may be necessary to drive economic change internationally (given the difficulty of any single nation state in adapting their economic system on their own).

Another increasingly important question is how far questions of environmental justice consider or correspond to questions of racial justice. The green movement appears to have less BME representation than it could, and there are questions about whether its current messages and tactics engage people and communities that are economically disadvantaged. This is not, however, inevitable and BME activists and groups are doing more to link the cause of racial justice with that of environmental justice.

The focus on the local is a further opportunity or challenge for rethinking the economy. BME people are clustered in particular localities, so they could be disproportionately positioned among any benefits that a focus on local diversity brings.



Conversely, if local economic inequalities widen, or if particular localities are less aware of or sensitive to longstanding racial inequalities, local economic policymaking may worsen those inequalities.

Another issue is raised in the 'Just Transition' project. There is sometimes a view about the extent to which a future economy will either increase costs or reduce consumption, thereby affecting poorer people more than richer ones. While this is often a critical or even dismissive way of engaging with wider arguments about the current economy, the costs of transition are likely to be real. And given current racial inequalities, we might expect ethnic minorities to be more affected by those costs.

Economics as a discipline is often depicted as being committed to a somewhat implausible theory of human nature, in which individuals act rationally on the basis of self-interest to maximise their well-being. While this is something of a caricature, in recent years a 'behavioural revolution' has grounded much economic and policy thinking on how human beings *actually* behave. The idea is that if policymakers think and act in a similar way to how people think and behave this will result in more appropriate and better policy.

While the behavioural revolution has undoubtedly led to better policymaking, it doesn't necessarily challenge the existing economy – or, more specifically, the inequalities that the economy reproduces. Studies showing that Black students do worse on tests depending on how they're framed may result in better test outcomes and employment prospects for Black people, but this doesn't directly address the prejudices or inequalities that drive the worse test outcomes in the first place. That is, it may be true that many of our existing behaviours are deeply embedded in how human beings are socialised (or in evolutionary psychology), but that doesn't mean some of those behaviours are bad or unjust and need directly challenging.

There is also a danger that policy decision-making reverts to researchers, implicitly suggesting that economic and policy decision-making is a more-or-less apolitical zone. If people disagree on priorities and outcomes, it's less obvious that the main issue for policymakers is simply to 'nudge' people in the 'right' direction. Behavioural economists and policymakers can and do acknowledge these challenges, as their insights are relevant not just for designing social policies, but also for thinking about the best way to influence people's attitudes and values.

Two current FPF projects connect this somewhat academic discussion on economics and policymaking to the previous section on participation. The 'Learn' and 'What Just Happened?' projects seek to make economics more accessible, so that citizens can better use it to participate in the most consequential decisions affecting all of us: how resources are allocated, invested and spent. The Public Interest Research Centre's 'Strengthening Stories for a New Economy' takes a similar approach, and there's strong evidence for the need to reframe how people understand what the economy is.

The first question is whether or not such stories or reframing currently address racial inequalities. The second, related, question, is whether foregrounding 'race' can make reframing more difficult, as it can increase the salience of divisions, or that a particular social issue (say poverty or crime) is associated with an 'other'. There is some evidence of this tension in the United States, where the FrameWorks Institute has found that (positively) reframing criminal justice work can be undermined when people are reminded that Black people are disproportionately likely to be affected (Nall Bales and Cogburn, 2014).

Another big question about how we redesign the economy regards measurement. What we measure shows what we value, and there's a strong stream of criticism about measures such as gross domestic product (GDP) per capita for focusing too much on economic growth at the expense of other important values, such as the environment, happiness or human rights. The concept of 'purchasing parity' has been introduced to account for the fact that the cost of living varies between different countries, though this is still a consumption- or resources-driven measure.

Although there was a brief interest in 'happiness' indicators, they have somewhat fallen out of favour. It is certainly worth asking what people can do with the resources they've got, and not 'fetishising' resources or money without asking what people actually do with those resources. More robust work on well-being has been developed for a number of years, and questions have been included in major surveys, including the comparative European Social Survey. In 2012 the New Economics Foundation analysed the Annual Population Survey, finding that ethnic minorities reported lower levels of well-being (Abdallah, 2012). This accords with previous data showing that ethnic minorities have worse reported health outcomes as measured in the Census and health-based surveys.

In other words, there is both a 'subjective' and an 'objective' aspect to well-being. To the extent that

well-being tracks health inequalities, these more 'objective' features will show ethnic minorities in Britain to be experiencing lower levels. However, evidence from the United States suggests that the 'subjective' aspect of well-being may result in some counterintuitive results. Some studies have shown that African-American and Hispanic-American respondents report higher levels of personal satisfaction. This of course reflects genuine attitudes, and arguably relates to community and individual values. At the same time, there is also evidence that disadvantaged groups 'adapt' their preferences to their expectations, or invest more in education and aspirations. These positive outcomes may be in response to discrimination or prejudice, and they could also reflect levels of segregation, where groups establish different ways of valuing what matters. Even where this is rational, one challenge is that policymakers are then confronted with an 'inequality' of well-being where those more disadvantaged are 'happier' than those who are 'advantaged' – should we really be suggesting that we redistribute happiness from Tiny Tim to Scrooge, given the latter is so miserable despite his riches, while the former is happy despite his poverty? And if African Americans are happier than White Americans in part as a collective and individual response to the long history of racial injustice, how do or should we think about a 'happiness gap' as we seek to dismantle racial inequalities?

The UN uses a Human Development Index (HDI), which was explicitly developed to counter a focus on GDP but has less to say about 'happiness' (United Nations, 2019). The thinking underpinning it, based on the work of the Pakistani economist Mahbub ul Haq and the Indian economist/philosopher Amartya Sen, is to measure 'beings' and 'doing': what people actually are able to do and the way in which they are able to pursue their own values and interests, rather than just the amount of resources they've got. There are now also 'inequality adjusted' and 'gender inequality adjusted' versions of HDI, which alter the overall HDI scores.

An arguably extended version of the HDI approach is the Social Progress Index (2018), which doesn't explicitly seek to measure non-economic variables but instead focuses on three main domains: basic human needs, foundations of well-being, and opportunity. Among its measures, the Index includes some 'inclusiveness' measures within its 'opportunity' domain. These include two that address racial inequalities: 'Discrimination and violence against minorities' and 'Equality of political power by social group'. A variant of the first measure is also gathered by the Minority Rights Group, who publish an annual report of *Peoples Under Threat* (2017). This is of

course a very important measure, not least as it outlines the pervasiveness and extent of the threat of violence and loss of life for minorities around the world. The second indicator is arguably more useful for exploring how a better economic system addresses racial inequalities: by measuring how far their voices are included in decision-making institutions, wherever those institutions take place and whatever they are.

A final and increasingly important way of rethinking the economy is the 'circular economy'. This is particularly prominent within the environmental movement, and concerned with sustainability. A current FPF project, 'A Circular Economy for a Fairer Footprint', mentions both increased re-use, and reduced waste. This suggests wider systemic change in how we create and use resources and products, but it also references a more radical concept: *over*-consumption.

The idea that human beings have become too focused on consumption is hardly new, but it has taken on a new urgency both as environmental sustainability has become more pressing and as human interactions seem to be replaced or driven by the need for ever-increasing consumption. In response, some have criticised this focus on 'over' consumption as either too austere or for suggesting that people living in less well-off countries or circumstances should restrain their own consumption based on the ideals of better-off consumers in the West.

It's hard to agree that limiting or even reducing current consumption somehow suggests a life in a monastery: most of the rise in wages has been spent on consumer goods that appear to have added little to human well-being or happiness. John Maynard Keynes was far from alone in expecting people to spend much more time on leisure activities as our productivity and income increased. However, as we have instead used almost all of our increased productivity and income on further consumption, it may be time to ask whether people in the Global North are now consuming too much, and whether there should be a more explicit attempt to reduce individual consumption.

Nonetheless, it's important to reflect on how many ethnic minorities (and other relatively disadvantaged groups) currently feel they often experience *under*-consumption. This is partly about relative expectations in a consumerist society, but it also reflects genuine need: poverty rates for all ethnic minorities are higher than for White British people, and with 60% of Bangladeshi children currently living in poverty, any project that centres on the need to reduce consumption must consider how that squares with tackling racial disadvantage in Britain today.

## 7. Conclusion

For many anti-racist activists, the economy is viewed as a major source – perhaps the major source – not just of inequalities of opportunity, but also of racial inequalities and even racist violence. The idea of ‘race’ is usually dated to the seventeenth century, when Europeans began the transatlantic slave trade, transporting Africans to North and South America. To justify this economic exploitation, especially at a time when Enlightenment philosophers were advancing universal theories of human equality, required a complex apparatus that is viewed as the origin of racist thinking. This sort of thinking was also at the heart of colonial projects, which were in turn the basis on which European economies – especially Britain’s – then developed. Taking this view, it’s not just the story of India or Jamaica that requires reference to colonialism and racism, but the story of Britain, including how our many institutions – especially the economy – developed.

Perhaps more controversially, some race-equality campaigners continue to view the economy and indeed the State as the primary way racism is reproduced in twenty-first century Britain. They tend to focus less on interpersonal attitudes, and criticize those who focus too much on individual prejudice and not enough on the structural explanations for racial inequalities.

One other important issue for this report and its recommendations is the need to focus on reparative justice, perhaps even a transfer of resources, from the UK (and Europe) to the former colonies, or minimally to consider how the recommendations of this report can be squared with ongoing global rules and systems that disadvantage many of those living in the Global South (and so also continue to reproduce racial inequalities here in the UK via immigration policy and the stereotypes about, for example, people living in Africa).

While such views have long been common among race-equality activists, they been heard less among the wider public or policymakers. As there is more appetite for rethinking the economy, and for thinking about systemic change, there may now be an opportunity to re-engage with race-equality activists to ensure any new systems or institutions can be redesigned to take account of the racial inequalities

of the past. In other words, we should reflect on how racial inequalities are embedded in the current economic system, not just as we think about a transition (during which time those inequalities will linger), but also as we envision a future economic system that will need to guard against racial (and other) structural inequalities from the ‘old’ system.

Systemic change can sound vague, especially when addressing ‘the economy’. A recent publication for Lankelly Chase helps outline how we can both plan and do systemic change, and how this report and its recommendations fit into that change (Abercrombie et al., 2015). It offers six principles, three around planning for systemic change, and three around ‘doing’ systemic change. Our report has centred on ‘planning’, namely by understanding needs and assets (principle 1) and mapping the systems (principle 3), including not just the economy but also the institutional basis of racial inequalities in Britain. While writing this report hasn’t involved engaging multiple actors (principle 2), it has made a number of suggestions on how FPF and others might ensure BME voices and experiences are included in their existing and future projects. This also relates to principles 4 and 5 that count as ‘doing’ systemic change, namely doing it together, and distributing leadership. Too many institutions and discussions continue to have few BME voices, and as the population increases there is a need to ensure younger, more diverse perspectives are heard before ploughing ahead with ‘doing’ systemic change.

This approach and the other analysis and recommendations of this report accord with FPF’s thinking on the subject. In particular, by focusing on *social* as well as financial capital, there are better routes into BME communities, and the danger of operating with a ‘deficit’ model can be mitigated. At the same time, BME individuals and communities currently experience a lack of financial capital, and it’s important not to sidestep the important question of economic investment in, for example, housing, training, security and desistance (in terms of a social investment response to criminal justice) and community organisations. Perhaps funders such as FPF could better link those who are thinking through environmental sustainability with those BME communicates that often have strong social capital but less access to productive resources.

The final issue is institutions. Anti-racist groups have a long and impressive history of self-organization, education and resistance, and their activities have created the pressure that led to legislative and policy change. Yet that movement is weak in terms of institutions. There is no national umbrella organization that can express the needs and views of Britain's 8 million ethnic minorities (in part, as this report suggests, because of differences within the broad 'BME' category).

While there is undoubtedly real interest in 'social enterprise' among BME entrepreneurs, some of this is displaced from finance or loan capital, which many still struggle to access. This highlights the danger of 'new' institutions being somewhat mismatched with BME needs, and also raises the longstanding concern that BME groups will be guided toward second-choice or less influential/'prestigious' institutions.

For new systems, or a new economy, not to replicate the existing inequalities will require listening carefully to BME voices and perspectives. These may need to be supported as free-standing institutions and/or ensure that racial inequalities are not a mere 'add

on' to existing work and thinking, but drive our vision of a new economy. The persistent and widespread nature of racial inequalities derives from the deep and pervasive racial stereotypes that emerged to justify the economic domination first of people of African descent (via enslavement and then colonialism) and then of Asian descent (via colonialism). The fact that in 2018 people with Asian or African sounding surnames have to send in twice as many CVs just to get an interview indicates how crudely but subliminally these stereotypes play out.

It's therefore worth emphasizing that racial inequalities will need to be considered in the re-imagining and transition phases, but *also* even if (or when) most just, inclusive economic systems are up and running. To ensure it properly accounts for existing racial and structural inequalities, systems thinking on the economy will need to develop short-, medium- and long-term strategies. If the source of racial injustice in the twenty-first century is the economic injustice or domination of the global economy established in the seventeenth century, then a more just economy is the only way to sustainably achieve racial justice.

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