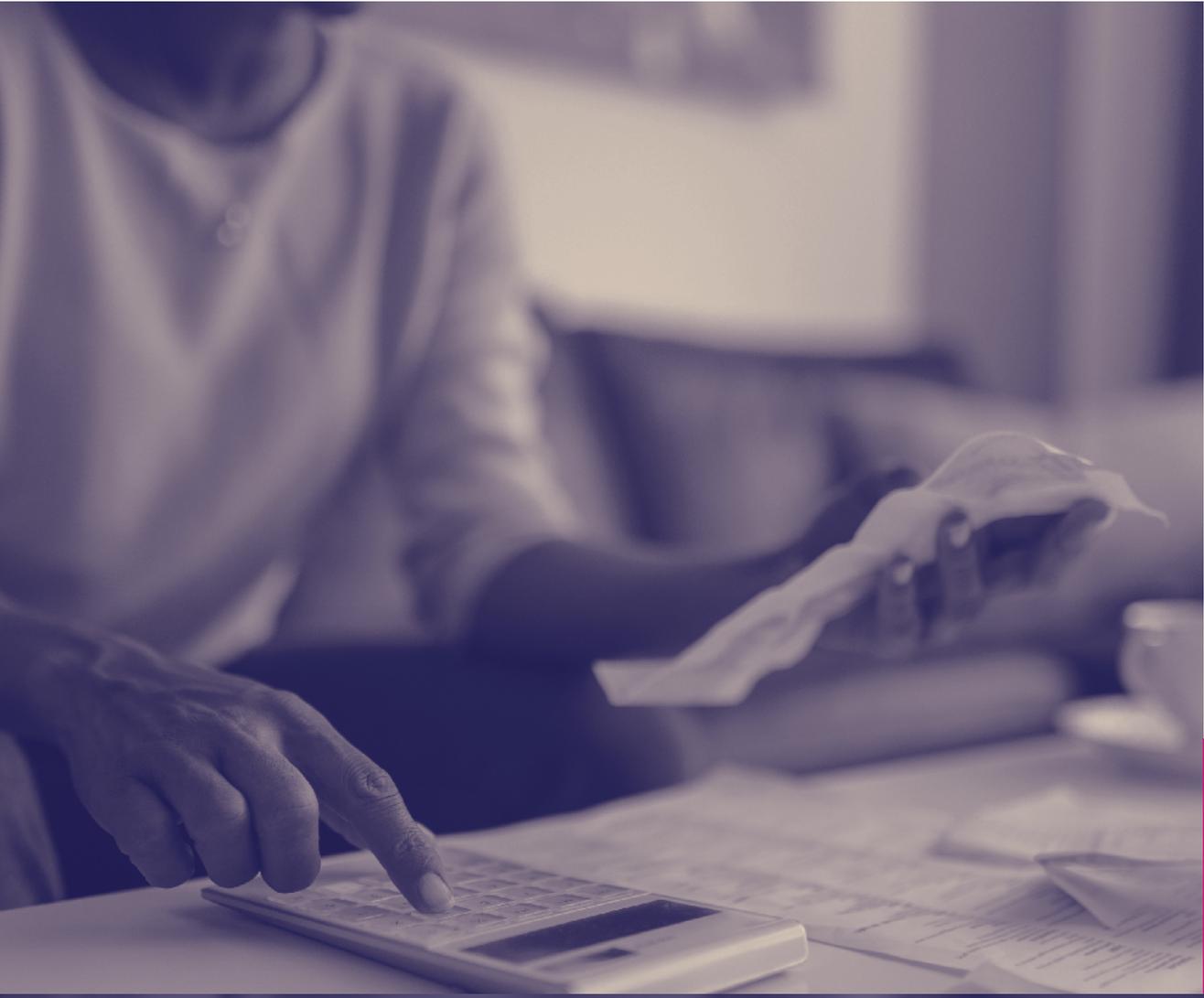


OCTOBER 2022



FALLING FASTER AMIDST A COST-OF-LIVING CRISIS

Poverty, Inequality and Ethnicity in the UK

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RUNNYMEDE

KEY POINTS

- Against the backdrop of the current cost-of-living crisis, new analysis finds that Black and minority ethnic people are 2.5 times more likely to be in poverty than white people, with racial inequalities most pronounced in Wales, Scotland, Northern Ireland and Yorkshire and the Humber.
- Progress towards closing the economic gap between white people and minority ethnic communities has stalled since the 2007-08 global financial crisis. Beneath the poverty line, average incomes for Black and minority ethnic people have fallen faster and deeper (by six percentage points) than they have for white people (by 1 percentage point) over the last decade, with this becoming particularly pronounced since the start of COVID-19.
- As a result, minority ethnic people are heavily over-represented amongst the lowest-income groups and currently experience much higher levels of food insecurity, material deprivation and fuel poverty.
- Despite only making up around 15% of the population in the UK, more than a quarter (26%) of those in 'deep poverty' (i.e. more than 50% below the poverty line) are from a minority ethnic background and make up a growing share of those on the lowest incomes. As a result, Black and minority ethnic people are currently 2.2 times more likely to be in deep poverty than white people, with Bangladeshi people more than three times more likely.
- Over the last decade, changes to the tax and social security system have been highly regressive, but also racialised. In real terms, white families now receive £454 less a year on average in cash benefits than they did a decade ago. But this rises to £806 less a year for Black and minority ethnic families and even higher to £1,635 for Black families. Black and minority ethnic women have been some of the worst affected and currently receive £1,040 less than they did a decade ago.
- These developments have left many Black and minority ethnic households disproportionately exposed to the current cost-of-living crisis. In nominal and relative terms, the 'Energy Price Guarantee' announced last month will lift more white households out of fuel poverty than Black and minority ethnic households. As a result, just under a third (32%) of White people are likely to experience fuel poverty this Winter compared to more than half (52%) of Black and minority ethnic people (rising to two thirds (66%) of Pakistani and Bangladeshi people).
- Black and minority ethnic people were most affected by the economic shocks associated with the 2007-08 global financial crisis and COVID-19. As we head into a new crisis of living standards, a renewed and reimagined commitment to protecting those in the deepest forms of poverty is needed if we are to close the economic gap and achieve racial equality.

Introduction

The rising cost of living in the UK is a social emergency, but not one that is being uniformly felt. Thus far, analysis of its impact has tended to talk in quite universalised terms and remains relatively indifferent to the racial inequalities that place minority ethnic groups in much stronger headwinds amidst soaring inflation and a stalling economy. It is widely recognised that low-income households are disproportionately exposed to the rising costs of

food, energy and housing (Johnson *et al.*, 2022). But, as demonstrated in this briefing, Black and minority ethnic people are much more likely to not only be in relative poverty,¹ but also deep poverty,² amidst the cost-of-living crisis. So, how did we get here? Well, longer-term progress made in reducing socio-economic disparities between white and Black and minority ethnic people in the UK has largely stalled in the UK since the 2007-08 global financial crisis.

Austerity and regressive changes to the tax-benefit system have widened holes in the social safety net

1. i.e. having an income that falls more than 60% below median incomes (after housing costs).

2. i.e. having an income that falls more than 50% below the relative poverty line.

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across the board but these holes have grown larger for Black and minority ethnic people, particularly Black and minority ethnic women. As we head into another recession, this briefing explores racial inequalities and discrimination that structure a disproportionate exposure to and risk of (deep) poverty amongst minority ethnic people today. We focus principally on the impact of the social security system and rising cost of utilities, and consider what lessons this could offer to more effectively protect the livelihoods of Black and minority ethnic people in the short- and long-term. Failure to respond to such challenges (and learn from the past) will mean the costs of this socio-economic crisis will, once again, fall disproportionately on the shoulders of minority ethnic people, widening the gap between them and white households in the years to come.

Stalled progress in closing the gap

Poverty remains stubbornly high amongst minority ethnic people in Britain today (Khan, 2020). Relative poverty is typically understood in the UK as living on a net equivalised household income that falls more than 60% below median incomes (after housing costs). According to this measure, less than 1 in 5 white people (19%) are in relative poverty compared to more than a third (37%) of Black and minority ethnic people (Figure 1). Overall, Black and minority ethnic people are 2.5 times more likely to be in relative poverty than white people but this rises to 2.7 times for children from a Black and minority ethnic background (Figure 2). These differences are even more pronounced when focusing on Black,

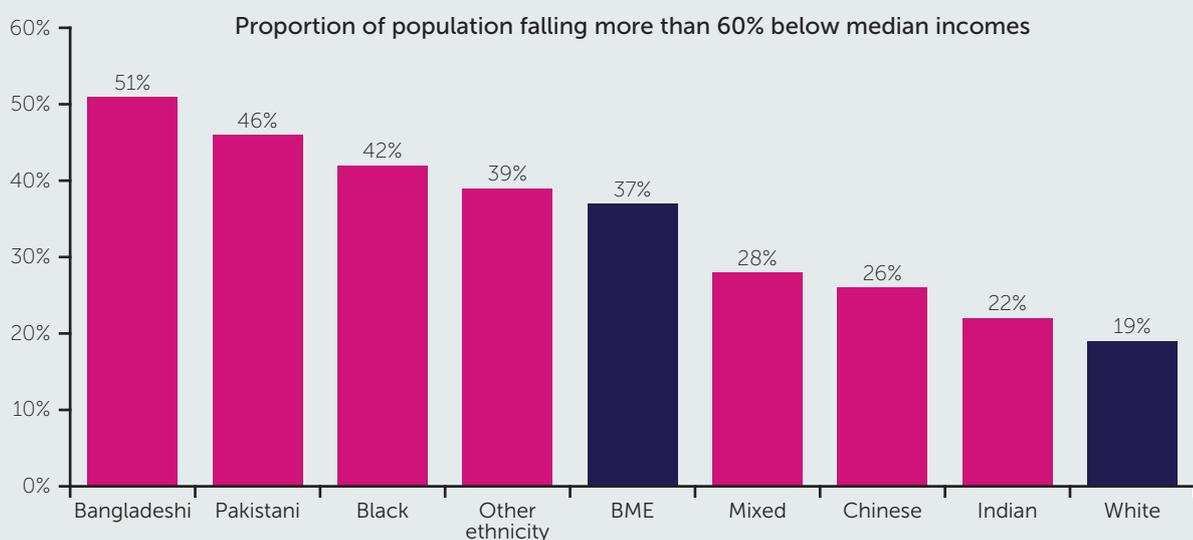
Data sources and breakdowns by ethnicity

The majority of the statistics presented in this briefing are based on analysis of the latest 'Households Below Average Income' (HBAI) data release. This dataset is derived from information collected as part of the Family Resources Survey – a nationally representative income survey of all those living in private households in the UK. All estimates by ethnicity are based on three-year averages because single-year estimates are considered too volatile. Breakdowns by ethnicity are based on the disaggregated information currently available in the latest harmonised data release. Publication of a more detailed disaggregation within the HBAI dataset would enable more granular examination of living standards by ethnicity. Mindful of this limitation, we are keen not to gloss over the diversity of experience present within different minority ethnic communities. Where further disaggregation is possible, this is offered so as not to homogenise the experience of, for example, people from an 'Asian' or 'Black' minority ethnic background.

Pakistani and Bangladeshi people exclusively who are respectively 2.7, 3.3 and 4.2 times more likely to be in relative poverty than white people.

Across all areas of the UK, Black and minority ethnic people are much more likely to be in relative poverty compared to white people, but there is nonetheless

Figure 1: Relative poverty rate by ethnicity



Source: DWP (2022a), own analysis

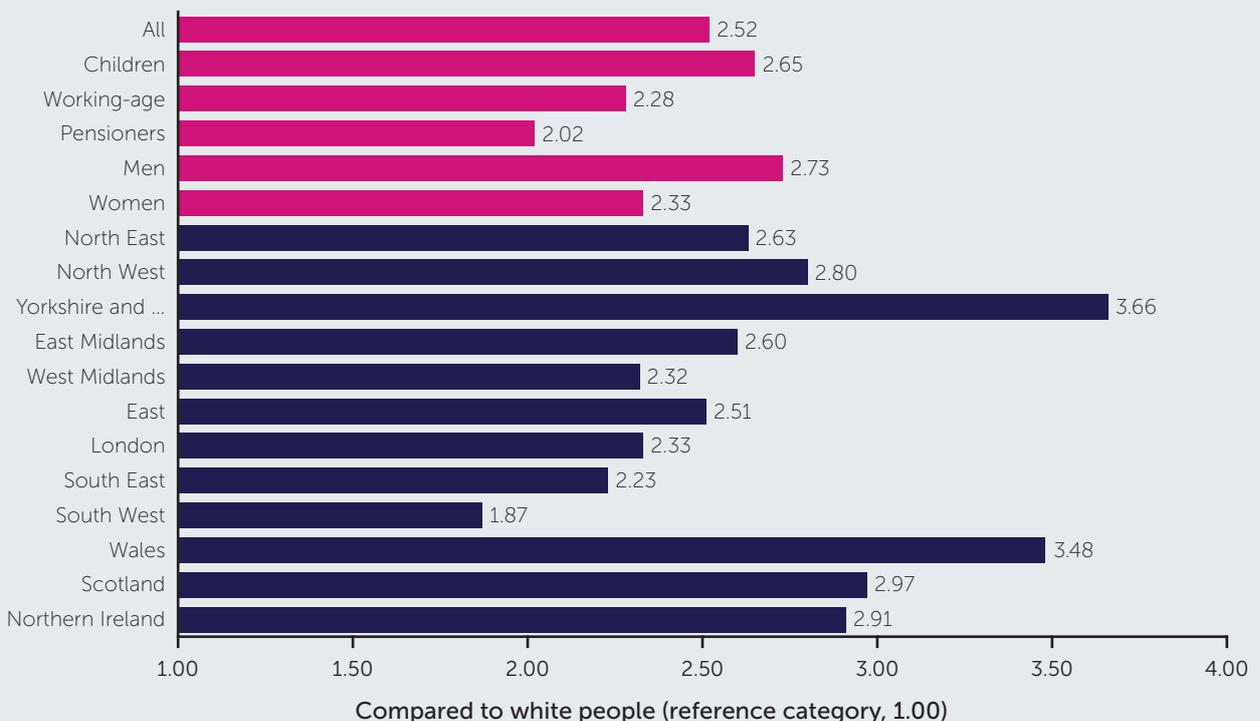
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considerable variation between regions. Compared to white people, the likelihood of Black and minority ethnic people being in relative poverty is much higher in Wales, (x 3.5) Scotland (x 3.0) and Northern Ireland (x 2.9) suggesting a heightened ethnicity penalty in the devolved nations (Figure 2). In England, the disproportionate risk of poverty amongst Black and minority ethnic people is highest in Yorkshire and the Humber (x 3.7) and the North West (x 2.8). In certain cases, these differences are explained by a slightly lower prevalence of poverty amongst white communities compared to the UK as a whole (e.g. Scotland and Northern Ireland). However, in other cases this is explained by differences in the demographic composition of the ethnic minority community living within a given region. In Yorkshire and the Humber for example, Pakistani people – a group known to be much more likely to experience poverty – make up a much larger share (38%) of the ethnic minority population than they do for England and Wales overall (15%) (ONS, 2021).³ Such trends point to the racial inequalities at play not only *between* but also *within* regions of the UK. Only when the government’s ‘Levelling Up’ agenda adopts a race equity lens will interventions make substantive headway in closing the considerable gap between different parts of the UK.

Over the last quarter of a century, the proportion of Black and minority ethnic households living below the relative poverty line has fallen considerably from 46% to 36% (Figure 3). However, the vast majority of this decline took place during the early years of New Labour. Since the 2007-08 global financial crisis, progress in tackling Black and minority ethnic poverty has stalled with slight reductions principally driven by a changing poverty risk amongst ‘Mixed’ and ‘Asian’ minority ethnic groups. Despite considerable improvements in (higher) educational attainment and labour market participation amongst minority ethnic communities during the same period (Henehan and Rose, 2018), Black and minority ethnic households remain heavily over-represented amongst ‘the poor’ placing them at particular risk during the evolving cost-of-living crisis.

This is partly driven by an extended 15-year period of low wage growth, which has seen the gap between the richest and poorest widen across the UK (Corlett *et al.*, 2022). However, it is also because workers from a Black and minority ethnic background remain heavily over-represented in a number of low-paying, insecure occupations with fewer opportunities for (pay) progression.⁴ Whilst ‘ethnicity pay gaps’ have closed over the last decade for certain minority ethnic groups, they have grown for others, and remain

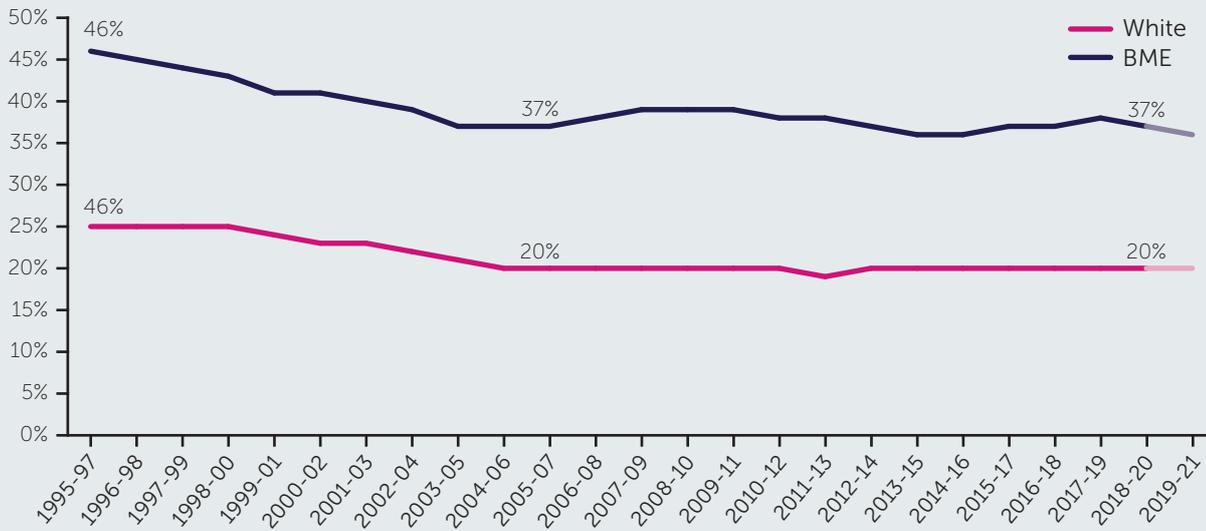
Figure 2: Relative likelihood of being in poverty for minority ethnic people



3. Of course, such differences are also affected by the nature and distributional effects of the local labour market, as well as variation in the cost of housing by region.
 4. The migration status and younger age profile of certain ethnic minorities is an important factor here.

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Figure 3: Relative poverty rate over time



Source: DWP (2022a), own analysis

considerable amongst Pakistani, Bangladeshi, white and Black African and white and Black Caribbean employees (ONS, 2020).⁵

Increasing (racial) inequalities below the poverty line

Over the last two decades, the relative poverty rate has remained somewhat stable for the population as a whole in the UK. However, if we look below the poverty line the severity of financial hardship has increased considerably with particular social groups worst affected (Edmiston, 2022). As a result, there has been increasing concern that the government's main measure of low incomes – a relative poverty threshold – does little to capture the changing profile or depth of poverty in the UK. In response, there is growing interest in mainstreaming additional poverty measures that capture how far people on a low income are falling below the poverty line (SMC, 2018; OSR, 2021; Schmucker *et al.*, 2022). However, there is little consensus on the appropriate terms of reference and a number of indicators are currently in circulation with little substantive rationale for their adoption.⁶ For the purposes of this briefing, several measures are used to explore varying degrees of privation below the poverty line by ethnicity. When outlining trends in the incidence of 'deep poverty' specifically, we have focused on those falling more

than 50% below the poverty line (SMC, 2020). Widely adopted in the U.S., this measure reflects a considerable distance from the poverty line to capture the most severe forms of privation whilst also managing issues of data volatility towards the very bottom of the income distribution.

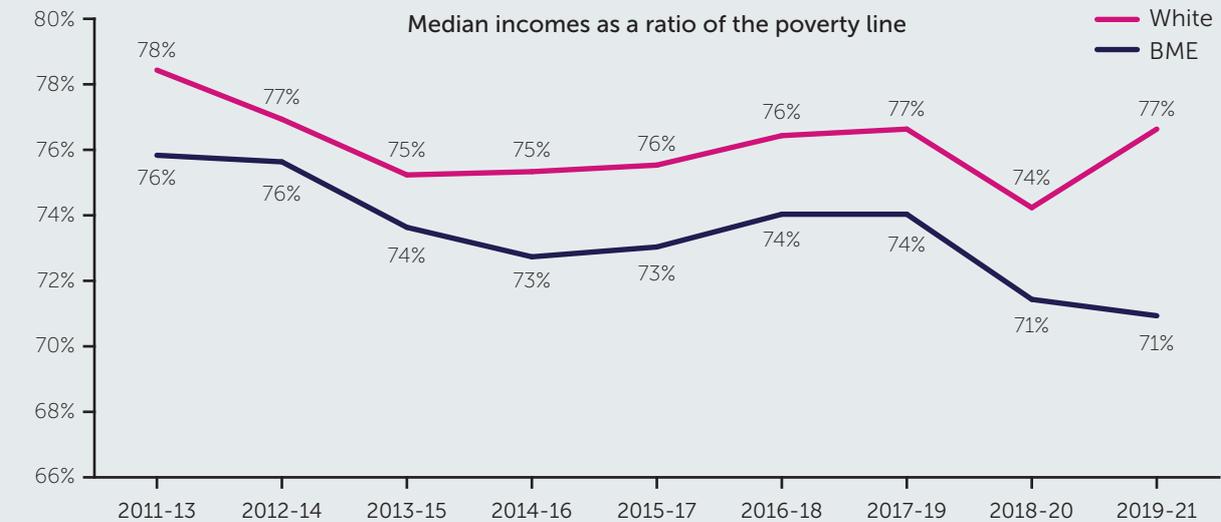
Reviewing trends over the last decade, it is clear that a changing profile and depth of poverty is negatively affecting minority ethnic communities much more so than white communities. As a ratio of the poverty line, average incomes for Black and minority ethnic people have fallen faster and deeper (by six percentage points) than they have for white people (by one percentage point) over the last decade (Figure 4). The result is increasing inequality below the poverty line between white and Black and minority ethnic households.

The roll-out of welfare austerity under the Conservative-Liberal Democrat coalition government and Conservative government is widely recognised as highly regressive, but changes to the tax-benefit system are also heavily racialised and gendered in terms of their distributional effects (Hall *et al.*, 2017; Williams, 2021). There are problems with the reliability of household income data collected during the first year of COVID-19 but evidence suggests the pandemic widened the economic gap between white and Black and minority ethnic households living below the poverty line. Emergency social security measures and financial support,

5. At an aggregate level, the 'ethnicity pay gap' has fallen since 2012 but there are notable exceptions where the difference between the average median hourly pay of white employees and certain ethnic minorities (e.g. Black Caribbean) has grown over the last decade (ONS, 2020).

6. Reflecting the muddled nature of deep poverty analysis in the UK at present, some of these indicators reproduce the problems associated with a threshold measure of low incomes and/or conflate lower income thresholds (e.g. 50% of median incomes) with international measures of relative poverty.

Figure 4: Poverty gap by ethnicity



Source: DWP (2022a), own analysis

such as the £20 uplift to Universal Credit, were unable to fully mitigate the effects felt by Black and minority ethnic people during COVID-19. Black and minority ethnic households were disproportionately affected by labour market disruption through successive national and regional 'lockdowns' with less employment protection and a much greater likelihood of job and income loss (Hu, 2020). Compared to white men, Bangladeshi men were four times more likely to be employed in shut-down sectors of the economy during COVID-19, Pakistani men were almost three times more likely, and Black African and Black Caribbean men were both 50% more likely to work in sectors affected by COVID-19 (Platt and Warwick, 2020). Nearly 1.4 million people were excluded from financial support altogether if they were affected by No Recourse to Public Funds (NRPF), with the vast majority (an estimated 82%) affected being from a Black, Asian or minority ethnic background (Pinter *et al.*, 2020; Smith *et al.*, 2021).

COVID-19 also accelerated and intensified the move towards a 'digital-by-default' benefits system, placing additional demands and pressures on those without adequate digital access or support (Sechi, 2020). Since the pandemic, local organisations providing charitable aid and welfare rights advice have pivoted many of their services to remote and hybrid forms of provision, threatening equality of access for key marginalised groups. For Black and minority ethnic communities, who are more than two times more likely to rely on ancillary support when claiming benefits, these developments have been particularly damaging with many 'falling through the cracks'

or 'off the radar' as 'walk-in' services have been withdrawn (Edmiston, 2021: 12, 26). The impact of the pandemic then both reflected and reinforced system-level inequalities that tend to disadvantage certain minority ethnic communities in the UK. As detailed below, experimental statistics demonstrate that government interventions introduced during the pandemic didn't go far enough to address this (Figure 5).

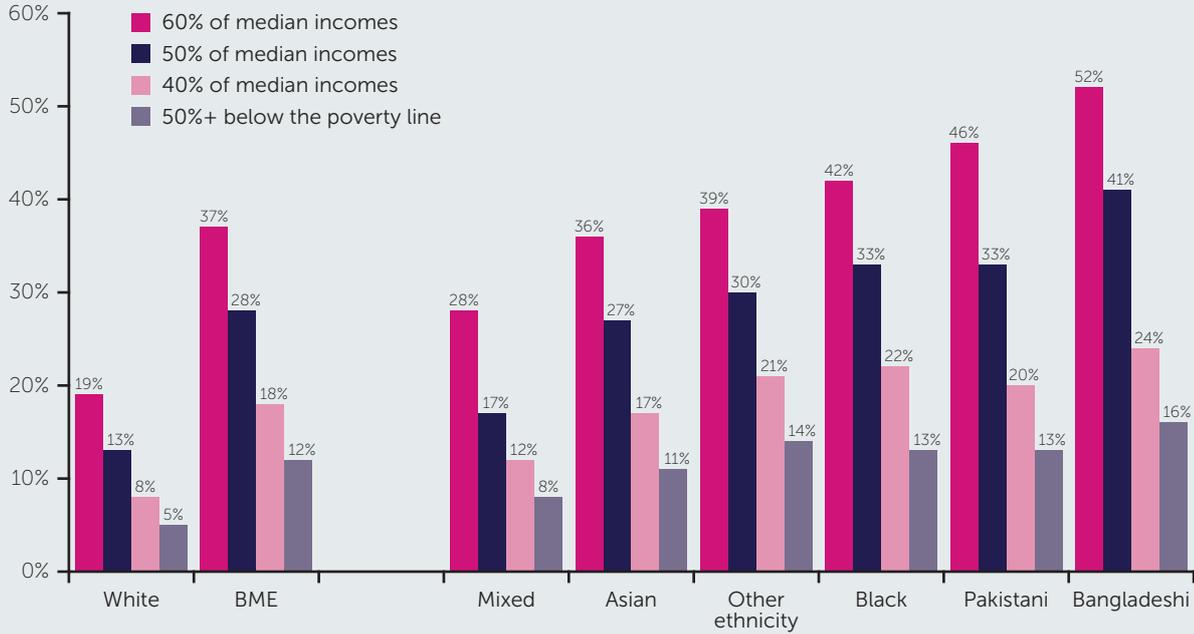
Whilst commentary tends to centre on the universalised impact of the cost-of-living crisis, Black and minority ethnic communities have been subjected to disproportionate cuts and much greater disruption in their employment, benefits and earnings in recent years, which puts them at considerably more risk of falling into deep poverty. In the chart below, raw differences in the likelihood of being in deep poverty relative to white people are shown in pink, and figures controlling for selected socio-demographic characteristics are shown in blue (Figure 6). Holding age and gender constant, minority ethnic people are much 2.2 times more likely to be in deep poverty than white people. However, there is considerable variation with the odds of being in deep poverty increasing by almost 40% for Indian people whereas Bangladeshi people more than three times more likely to be in deep poverty.⁷

Despite making up around 15% of the population, more than a quarter (26%) of those in deep poverty are from a Black and minority ethnic background according to the latest available data and make up a growing share of those on the lowest incomes.

7. OR_{Indian} = 1.39, and OR_{Bangladeshi} = 3.20 respectively (with controls).

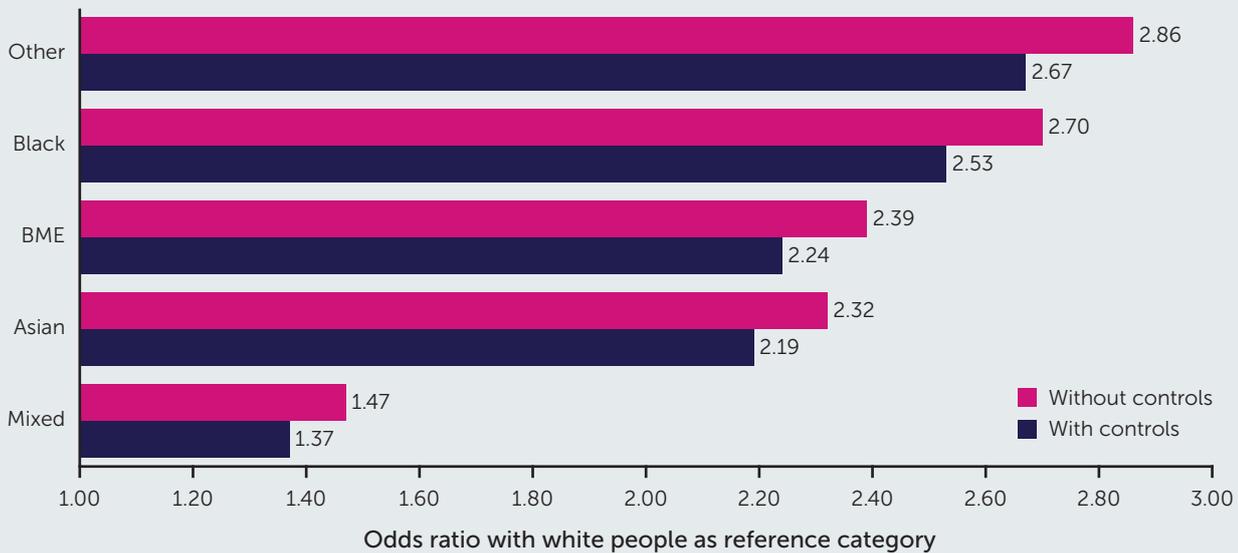
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Figure 5: Degree of poverty by ethnicity



Source: DWP (2022a), own analysis

Figure 6: Likelihood of being in deep poverty by ethnicity

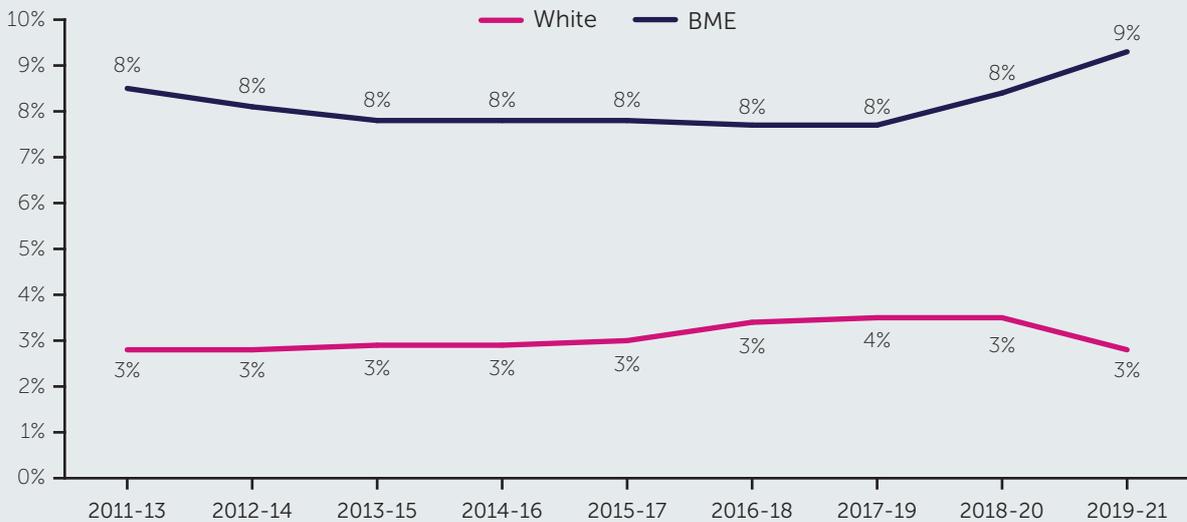


Source: DWP (2022a), own analysis

The Runnymede Trust's Colour of Money report (2020) highlights how such trends relate to the racial inequalities that are 'embedded in the current economic system' and reflects the systemic roots of these unequal outcomes. The levels of financial resilience within Black and minority ethnic communities are therefore insufficient to protect them against the worst excesses of the current crisis of living standards that is evolving (Zacharek, 2022).

A disproportionate exposure to and risk of deep poverty means minority ethnic communities are much more likely to go without in the UK. Given increasing uncertainty about the quality of income data in population surveys, multi-dimensional indicators of financial hardship can sometimes provide a more reliable measure of poverty. Such approaches not only have the potential to better capture the extent and severity of poverty experienced, but also some of the social outcomes

Figure 7: Proportion of children falling below 50% of median incomes and experiencing material deprivation



Source: DWP (2022a), own analysis

associated with it. The Department for Work and Pensions has developed one such indicator to identify children living in a household with an equivalised income below 50% of median incomes (before housing costs), who also experience material deprivation (i.e. lacking access to essential items and services, adequate accommodation and opportunities for development). Over the last decade, progress in reducing more severe forms of multidimensional poverty amongst children has stalled. Experimental statistics suggest the proportion of Black and minority ethnic children falling below 50% of median incomes and experiencing material deprivation has started to climb (to 9%) whilst it has dropped amongst white children (to 3%) (Figure 7).

Across many high-income countries, income surveys used to construct official poverty statistics typically identify private households as their target population. The UK is no exception and the Family Resources Survey underpinning so much distributional analysis does not currently sample homeless people or those residing in care homes, hospitals, military accommodation, immigration removal centres, communal student establishments, mobile accommodation, prisons, hostels and temporary accommodation. Evidence suggests that this group that are currently 'missing' from official poverty statistics differ considerably in terms of their socio-demographics from those currently captured by government income surveys. Not only are they more likely to be migrants or from a Black and minority ethnic background, they are also much more likely to experience more severe forms of privation (ONS, 2015; Bramley *et al.*, 2018). Such conventions surrounding government reporting on

low incomes mean the living standards of white, domiciled citizens are better captured by and served through official poverty statistics, than is the case for mobile populations, Black and minority ethnic people and migrants. Reflecting on the trends outlined above, it is likely that the incidence and severity of deep poverty is much greater if we account for those currently excluded by design from population income surveys, particularly amongst Black and minority ethnic people.

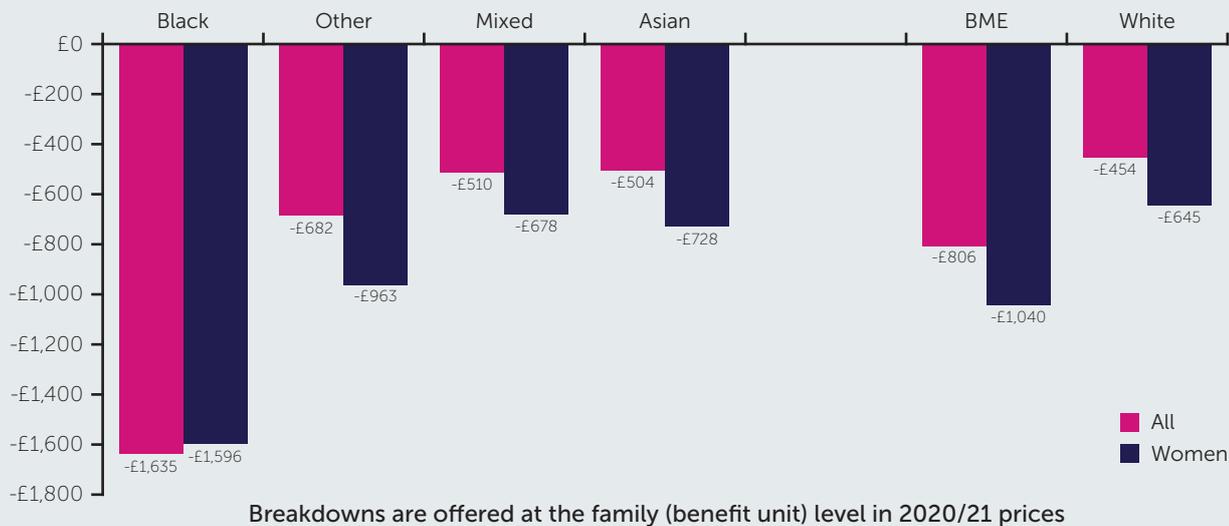
Slipping through the growing gaps in our social safety net

Such marked differences in the prevalence and risk of (deep) poverty by ethnicity are explained by systemically rooted inequalities. Beyond a differential exposure to low-wage and insecure work, changes to the tax-benefit system over the last decade have systematically disadvantaged Black and minority communities who are more likely to live on a low income and therefore rely more on social security to top up their incomes. Amongst the working-age population, 44% of Black and minority ethnic families currently receive some form of social security compared to 40% of white families, with this rising to 51% of Black (Black African, Black Caribbean and Black British) families.

Whilst tax-benefit changes have disadvantaged those with the least the most, these have also proven particularly damaging to the income security of Black and minority ethnic families. On average,

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Figure 8: Real terms change in average (mean) cash benefits received between 2011-2020 by ethnicity



Source: DWP (2022a), own analysis

white families now receive £454 less a year in cash benefits than they did a decade ago. But this rises to £806 less a year for Black and minority ethnic families and even higher to £1,635 for Black families. Black and minority ethnic women have been some of the worst affected and currently receive £1,040 less a year in cash benefits (Figure 8).⁸

During this period, a four-year freeze to working-age benefits, an under-occupancy penalty for those in social housing, a (lowered) benefit cap and two-child limit for means-tested support have all increased the risk of poverty amongst low-income families with a disproportionate effect on ethnic minority people. For example, Black, Pakistani and Bangladeshi families are all more likely to live in households with three or more children and are therefore most likely to be affected by the two-child limit (Stewart *et al.*, 2021). There is also evidence to suggest that the sanctioning regime in operation for those in receipt of Employment Support Allowance and Jobseeker's Allowance has disproportionately affected Black and minority ethnic claimants. In terms of adverse sanction decisions, white JSA claimants were less likely (45%) to be subject to these compared to Black and minority ethnic JSA claimants with Chinese (52%) and Black (53%) claimants the most likely. And a similar pattern is observable for amongst claimants of Employment Support Allowance (Figure 9).

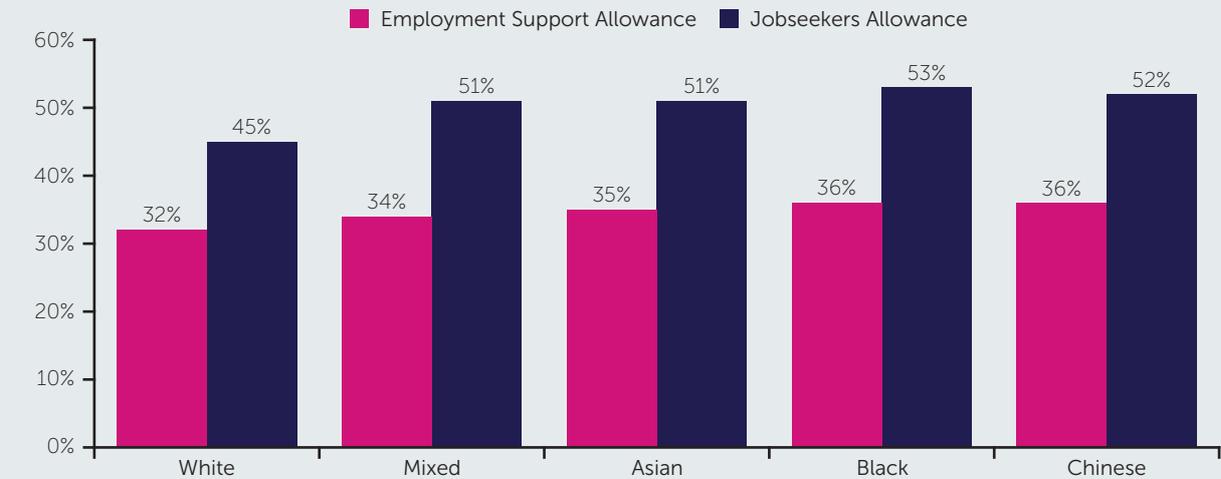
These trends have made Black and minority ethnic households especially vulnerable to the economic shocks and upheavals associated with COVID-19.

Those in deep poverty were much more likely to experience job and income loss and the key worker status of many Black and minority ethnic households also placed them at greater risk of catching COVID-19 during the first year of the pandemic (Platt and Warwick, 2020; SMC, 2020). Taken together, this has intensified the poverty experienced by particular minority ethnic groups, changing the nature of low-income dynamics and the response needed through government intervention.

In many ways, food insecurity reflects some of the worst consequences of poverty and therefore provides a direct and responsive measure of material hardship (Garratt, 2020). Figures on foodbank use are a useful proxy for measuring food insecurity but people struggling financially are not always inclined or able to gain referral to a foodbank (MacLeod *et al.*, 2019; Bramley *et al.*, 2021: 91). The Department for Work and Pensions has recently introduced a new set of measures to establish the prevalence of food insecurity in the UK. Data are only available for 2020 and 2021 but experimental figures suggest that food insecurity is considerably higher amongst Black and minority ethnic people (11%) compared to white people (6%), with Black people more than three times more likely to experience food insecurity (Figure 10). Across the board, the incidence of food insecurity increases significantly for Black and minority ethnic children with this peaking to almost a quarter (24%) of all Black children. Against this backdrop, the real terms value of working-age

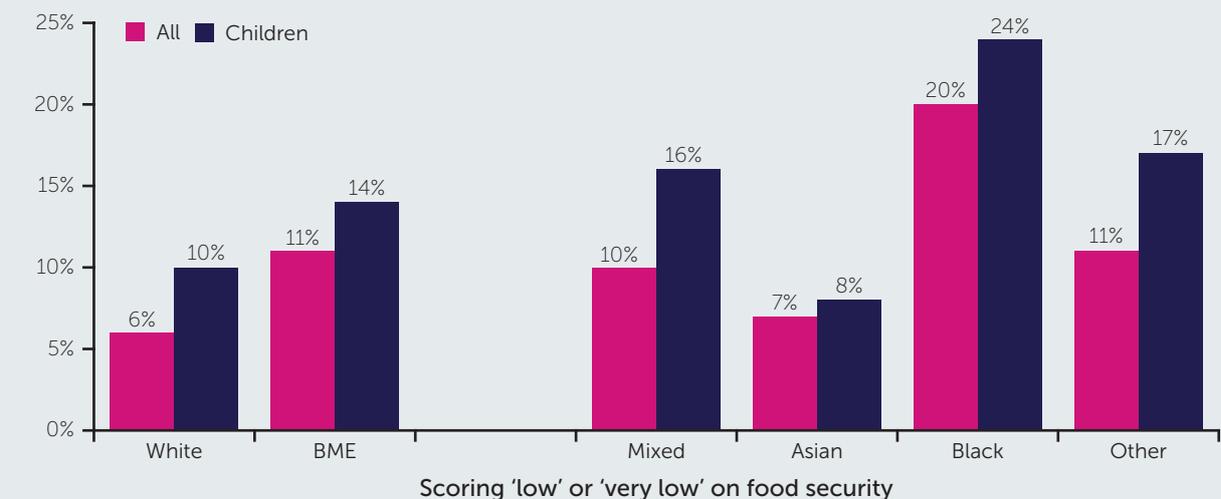
8. The two reference periods are 2011 and 2020 given temporary social security measures introduced during the first year of the pandemic and data quality issues associated with the Family Resources Survey conducted during COVID-19. Calculations are based on the total benefit income received by families (at the benefit unit level).

Figure 9: Adverse Sanction Decisions by Ethnicity, 2000-2022



Source: DWP (2022b), own analysis

Figure 10: Food insecurity by ethnicity



Source: DWP (2022a), own analysis

benefits is currently in free fall. A failure to uprate benefits in line with current inflation means we are witnessing the biggest reduction in the real-terms value of social security in fifty years (Matejic, 2022). With growing holes in our social safety net over the last decade, Black and minority ethnic families already experiencing heightened financial and food insecurity, now face the strongest headwinds in the coming months.

The current cost-of-living crisis

The changing profile and depth of poverty has positioned minority ethnic communities at greatest

risk during this cost-of-living crisis. Analysis from earlier on this year suggests that Black and minority ethnic people are facing costs that are 50% higher than white people (Tims and Caddick, 2022). Compared to white households, Black and minority ethnic households have less wealth, savings and income at their disposal to absorb these additional costs, with Black African and Bangladeshi households having the lowest level of wealth by a considerable margin (Khan, 2020). In addition, Black and minority ethnic people are not only more likely to be in fuel poverty but more severe forms of fuel poverty, which undermines their capacity to manage future energy price increases (HM Government, 2022). The cost of wholesale energy is projected to soar in the coming months. The latest figures from Ofgem and Cornwall

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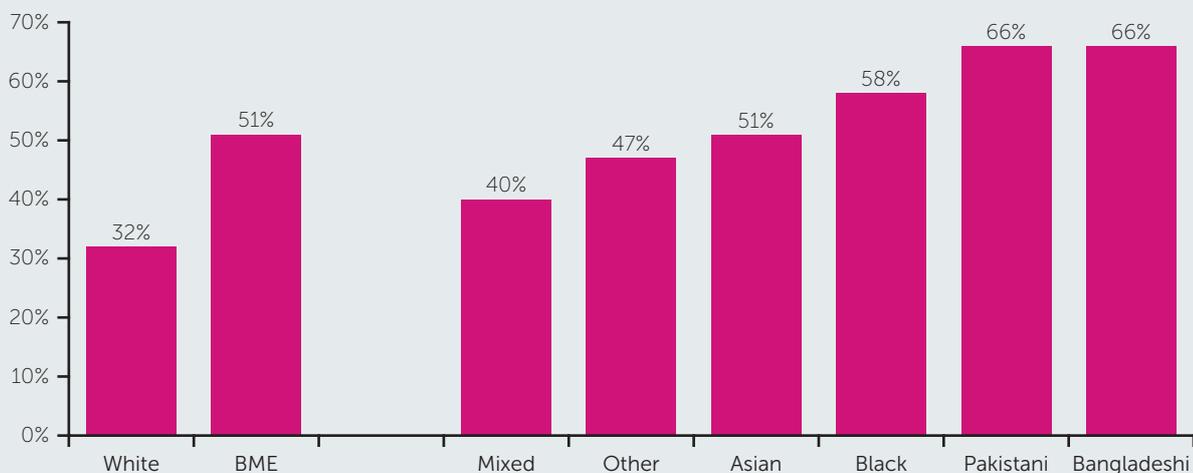
Insight detail how the energy price cap is going to rise by 80% in October to £3,549, and is set to rise even further to £6,600 in April 2023 (Corlett and Try, 2022). In response, the government has announced an 'Energy Price Guarantee' that will hold the typical household energy bill at an annual level of £2,500 for a period of two years (worth around £1,800 for each household over the next 12 months) (Adam *et al.*, 2022). This is a significant (and costly) intervention that comes some way to protecting against the rising cost of wholesale energy. Despite such measures however, the typical household will face energy bills that are 96% higher compared to this time last year (£1,277).

As a result, the latest analysis to take account of the 'Energy Price Guarantee' estimates that fuel poverty will rise considerably to 38% this winter, with a significant jump also anticipated in the spring (Bradshaw and Keung, 2022). According to this measure, households can be understood to be living in fuel poverty if they have to spend more than 10% of their net income on energy bills (Bradshaw and Keung, 2022). Undoubtedly, fuel poverty will be lower than it otherwise would have been this Winter as a result of the 'Energy Price Guarantee'. However, as a universal subsidy the intervention will disproportionately benefit higher income households who typically consume more energy (Adam *et al.*, 2022). White households are also more likely to benefit, with a much greater proportion being lifted out of fuel poverty compared to Black and minority ethnic households as a result of the 'Energy Price Guarantee and £400 energy rebate. Specifically, these measures are likely to reduce fuel poverty rates amongst white people by 53% this winter, but only by 35% for Black

and minority ethnic communities. A consequence is that just under a third (32%) of white people are likely to experience fuel poverty this winter compared to more than half (51%) of Black and minority ethnic people, and rising to two thirds (66%) of Pakistani and Bangladeshi people (Figure 11).⁹ Such developments present a grave and disproportionate risk to Black and minority ethnic people (especially those on a low income) with destitution a serious possibility for many over the coming winter. For those towards the lowest end of the income distribution, the rising cost of fuel and energy will push many into negative incomes. A new system allowing cheaper access to broadband for social security claimants was recently announced. A similar system of social tariffs could be developed and extended into the energy market to mitigate the level and intensity of fuel poverty as well as minimising the tax burden of intervening in the wholesale energy market (NEA, 2022; Bradshaw and Keung, forthcoming).

Reflecting the scale and nature of the cost-of-living crisis, enquiries for support, referrals and guidance related to fuel have risen dramatically at Citizens Advice over the last 12 months. Enquiries concerning fuel (gas, electricity, oil, coal, etc) from white clients have increased by +57% over the last year which is extraordinarily high but is still lower than the increase in enquiries from ethnic minorities (Figure 12). Fuel enquiries from 'Mixed' and 'Other' ethnic minority groups have jumped by +66% and +82% respectively, underlining the need for urgent, targeted action that better supports the livelihoods of those on the lowest incomes, who at present, are more likely to be from a Black and minority ethnic background.

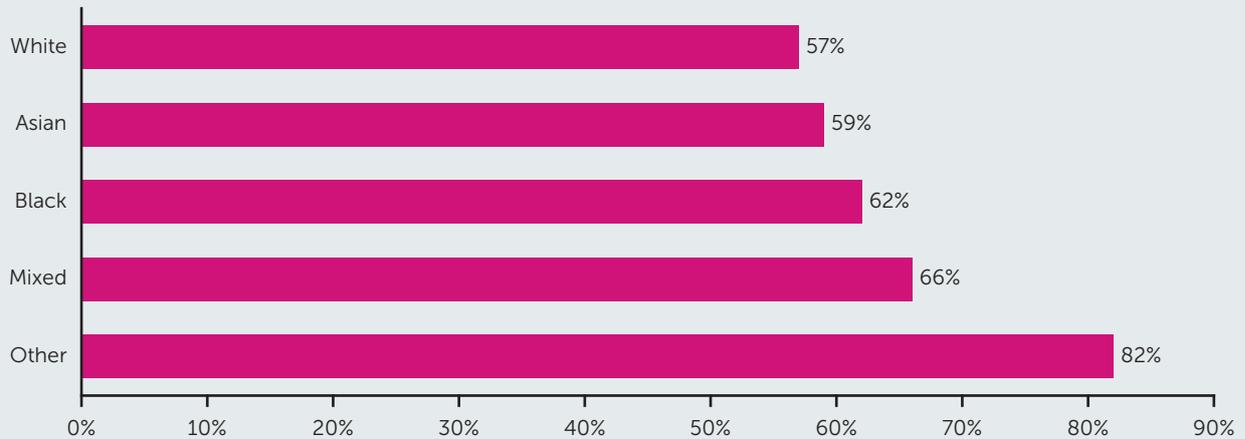
Figure 11: Fuel poverty rate by ethnicity from October 2022



Source: DWP (2022a), own analysis

9. Following Bradshaw and Keung (2022), calculations are based on median net equivalised household incomes after housing costs. Estimates by ethnicity are based on a three-year average of disposable incomes (2019-21) and the typical cost of energy after the Energy Price Guarantee and £400 energy rebate.

Figure 12: Increase in fuel enquiries by ethnicity, 2021-2022



Source: Citizens Advice (2022), own analysis

Conclusion and recommendations

This briefing has demonstrated the need to look below the poverty line to fully understand what is happening to people from a Black and minority ethnic background in Britain today. Beneath the surface of stalled social progress, the depth of poverty has increased considerably for Black and minority ethnic people since the 2007-08 global financial crisis. Over the last decade, changes to the tax-benefit system have been highly regressive and racialised with Black and minority ethnic people, especially women, losing the most (in nominal terms and as a proportion of their overall income). As a result, Black and minority ethnic people make up a growing share of those in deep poverty. Any attempt to respond to the cost-of-living crisis needs to reflect on how minority ethnic people – both those captured in official poverty statistics *and* those currently outside the sampling frame of population income surveys – stand to be affected by or excluded from government interventions and support.

Crisis social security measures introduced during the pandemic (e.g. the £20 uplift to Universal Credit) helped protect against the deepest forms of poverty amongst those entitled to support.¹⁰ However, such measures did not go far enough to compensate for the disproportionate labour market disruption experienced by Black and minority ethnic people during COVID-19. Neither were such measures able to reverse longer-term trends that have placed ethnic minority people at much greater risk of (deep) poverty over the last decade.

As a result, the economic gap between white and Black and minority ethnic households has widened with people from a Black, Pakistani and Bangladeshi background some of the worst affected. As we head into a new crisis of living standards that will affect the lowest income households most, a renewed and reimagined commitment to protecting those in the deepest forms of poverty is needed if we are to close the gap between white and Black and minority ethnic people and achieve racial equality.

While the increased household support announced in the Chancellor’s mini-budget on 23rd September is welcome, the tax-cutting measures – including cancelling a planned corporation tax rise, reversing the National Insurance rise, and a cut to stamp duty – are deeply concerning. These cuts come at a time of costly borrowing, placing immense pressure on our public finances with inadequate support for those who need it most. The structural barriers to tackling poverty, which have persisted over the past two decades, need to be addressed. As such, we have outlined measures necessary in the short-term to ward off the worst effects of this evolving crisis, whilst pointing to longer-term priorities to better capture and protect the living standards of ethnic minority communities in the years to come.

Immediate changes:

- 1. Appropriately target support to the communities most in need:** During this new crisis of living standards, the UK government needs to target resources where they are most urgently needed via the social security system. Whilst we recognise the short-term, piecemeal nature of such interventions, cost-of-living

10. Of course, those affected by No Recourse to Public Funds were unable to benefit from such provisions and as a result experienced profound changes to their living standards during COVID-19 (Gardner, 2021).

FALLING FASTER AMIDST A COST-OF-LIVING CRISIS

payments to means-tested social security recipients (currently worth £650) should be significantly enhanced and extended to help the lowest-income households meet rising costs of food, housing and energy and avoid a situation of falling into negative incomes. The government should also adequately resource the Household Support Fund and target additional funds towards local authorities with the highest rates of child poverty. Such approaches to targeting would respond more quickly and effectively to the harmful consequences of soaring inflation. Universal forms of household support - such as the Energy Price Guarantee (EPG) - are both costly and ineffectual at getting resources to those who need them most, to close the gap between white and Black and minority ethnic people. Poorly targeted support is not only socially, but also fiscally, irresponsible. The expenditure committed via EPG (with a considerable portion going to higher-income households) will burden the UK government with an extraordinary level of public debt during a period of soaring borrowing costs.

- 2. Develop a broader tax base that is socially progressive in the years to come:** The government should rethink how the blanket interventions proposed by the Truss administration are going to be funded. Swingeing cuts to income and corporation tax are likely to be repaid through future cuts to public services and social security; both of which will disproportionately harm the living standards of minority ethnic communities. The European Union has proposed taxing the excess profits of energy giants to soften the blow of soaring energy prices. The UK should follow suit with a Windfall Tax on the excess profits of energy companies to ensure targeted interventions are effectively funded through a broad tax base that is socially progressive and sustainable in the long-term.
- 3. Strengthen and expand social security measures:** The social security safety net should be significantly strengthened to protect Black and minority ethnic groups against existing and future crises. In the immediate term, a real-time uprating of social security in line with rising inflation would address the growing gap between entitlement and need and protect against deepening poverty amongst Black and minority ethnic communities. In line with COVID-19 precedents, the government should permanently reintroduce and extend the £20 uplift to all those relying on Universal Credit (as well as other mean-tested legacy benefits). Recent announcements threatening to reduce

benefit levels for certain Universal Credit claimants represent a continuation of punitive activation measures that are known to be highly counter-productive at supporting people into (more) work. Such approaches should be abandoned. In addition, welfare reforms such as the (lowered) benefit cap and two-child limit should be scrapped as these increase poverty risk and disproportionately affect certain Black and minority ethnic households. Such changes would help compensate for longer-term trends in the tax-benefits system that have been highly regressive and racialised.

- 4. Improve access to support for communities with diverse needs:** The 'digital-by-default' benefits system and move towards remote forms of welfare rights advice have undermined equality of access for many hyper-marginalised groups since COVID-19. As a result, many Black and minority ethnic people are unable to access the benefits they are entitled to due to issues of digital access or are struggling to access support that helps them compensate for its failures. Community-centred services that cultivate trust and tailor services to the diverse needs of Black and minority ethnic people are sorely needed. Tailored, in-person and flexible services must be delivered *with* minority ethnic people to ensure equal access to social security, welfare rights advice and support.
- 5. Scrap No Recourse to Public Funds:** During the pandemic, up to 1.4 million people were excluded from financial support altogether with the vast majority (82%) affected being from a Black, Asian or minority ethnic background. The UK government should suspend the NRPF condition with immediate effect to prevent widespread destitution amongst those currently affected in the coming winter. At a minimum, the Home Office should publicly report on ethnicity data of those with NRPF.

Longer-term changes:

- 6. Expand measurements to better understand deep poverty:** Our research finds that Black and minority ethnic communities are at greater risk of falling into deep poverty and further attention is needed to better capture the distributional effects of government policy. The Department for Work and Pensions should extend and enhance government reporting on low incomes to better capture the changing profile and depth of poverty.
- 7. Collect and disclose 'hidden statistics':** In its review of income-based poverty statistics, the Office for Statistics Regulation recognised that household surveys, which underpinning official

RUNNYMEDE TRUST BRIEFING

poverty statistics, contain numerous data gaps and lack 'robust, granular data on ethnicity or sub-regional breakdowns' (OSR, 2021). The UK government should ensure the non-private-household population – who are more likely to be from a Black and minority ethnic background – are better captured and served through official poverty statistics. A failure to do so excludes a 'missing minority' from distributional analysis making the most acute forms of financial hardship (particularly amongst Black and minority ethnic communities) less readily visible and open to government scrutiny.

8. **Apply a racial lens to 'levelling up':** Across all regions of the UK, our research finds that Black and minority ethnic people are much more likely to be in relative poverty compared to white people. The Government needs to apply a race equity lens to its 'Levelling Up' agenda. It should acknowledge and address the regional patterns of inequalities that are long-standing but have been deepened by the COVID-19 crisis.

9. **Tackle income inequality:** workers from a Black and minority ethnic background continue to be over-represented in low-paying and insecure employment and this is a major factor in their poverty profile. The government needs to review its approach to minimum and living wage and ensure that all workers are paid a real living wage that takes account of the cost of living. There is also a need for stronger employment protections for workers on insecure contracts so that they can plan for and maintain a reliable and secure income. Furthermore, the government should tackle pay inequality by mandating ethnicity pay gap reporting in a way that is nuanced and attentive to ethnicity groups and gender intersections. This should be a first step towards greater transparency and accountability and require further action to address the persistent pay and progression inequalities that impede the incomes of Black and minority ethnic workers.

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