

NORTH EAST

RACE EQUALITY FORUM

RESEARCH BRIEFING

No.6



The Budget's Impact on Black and Minority Ethnic People

Summary

- Black and minority ethnic (BME) people are over-represented in several categories which are negatively impacted by the 2015 summer budget.
- More than 1.25M BME households and more than 4M BME people could be worse off.
- Inequality in the affected areas is likely to worsen for BME people, meaning the cumulative effect of the budget may become even more unfair with time.
- British Bangladeshi and Pakistani households are particularly affected, with up to half of Bangladeshi households losing £1,000 or more.
- Black African households will also be worse off, but even Indian and Chinese households are more likely to be affected because they have higher rates of low income households.
- There is limited evidence that government initiatives to protect BME people are effective.
- The Government needs to carry out a full Equality Impact Assessment on the budget.

Introduction

Analysis of the 2015 Budget, especially in the media, largely focused on how far the various measures impacted on low income groups. Government ministers agreed there are some winners and some losers, but the

Institute for Fiscal Studies suggests that low-income groups will generally have less weekly income. If BME people are merely equally affected by the budget, the IFS's estimate of 13 million households worse off implies at least 1.25 million BME



households, and 4 million BME people, will be worse off. However not all low-income groups are affected equally. The Runnymede Trust is concerned with the question of how the budget will affect ethnic minorities, a subject which has been less widely discussed.

While an increase in the minimum wage, taken in isolation, suggests an improvement for low-paid BME workers, this is counter-weighted by reductions in tax credits and the disproportionate impact of the budget on young people. As a result overall poverty and inequality may rise. This is further compounded by the specific areas where BME people are over-represented and where the impact of the budget is likely to be most severe. As with some previous legislation, the Government may not publish data for how the various measures affect ethnic minorities or conduct Equality Impact Assessments.

David Cameron has previously remarked that 'smart people in Whitehall' would never deliberately increase inequalities, but this fails to recognise how policy can unintentionally increase racial inequalities through indirect discrimination. The question isn't whether government deliberately makes BME people worse off, but rather whether the effects of policies, directly or indirectly, increase racial inequality in reality.

Due to the comparative lack of data on the impact of the 2015 budget on BME people, it is not possible to provide a fully costed assessment overall, but there are several areas where the evidence suggests they are likely to be worse off:

- *Tax credits*
- *Part time working*
- *Child poverty*
- *Apprenticeships*
- *BME young people*
- *BME people living in London*
- *Benefit cap*
- *Inheritance tax*

- *Households with three or more children*

The full report indicates why ethnic minorities are more or less likely to be affected by particular measures or where the budget may decrease racial inequalities. This account may be a partial one, good reason for the Treasury to conduct a proper Equality Impact Assessment. Some examples of impact follow:



Tax Credits

According to government data, tax credits account for 10% of household income for Bangladeshi/Pakistani people, 6% for Black households, and 2% of White households. In summary, cuts to tax credits are five times more likely to adversely affect some BME people. Cuts to/freezes in the value of tax credits will increase racial inequalities because they disproportionately affect BME families, already more likely to be living in poverty.

Part-time working

Tax credits are often associated with part-time working, and BME men in particular are more likely to be working part-time (especially Bangladeshi/Pakistani men). Most part-time workers on low incomes will be worse off, with only childless f/t workers on minimum wage clearly better off. Whilst 5% of White men worked part-time in 2011, the corresponding figures were 9% for Indian men, 10% for Black Caribbean men, 12% for Black African and Chinese men, 18% for Pakistani men and 35% for Bangladeshi men (only 35% of Bangladeshi men being employed full-time, compared to 72% of White men).

Child poverty

BME households are more likely to be living in poverty. This is particularly notable for BME children; nearly 50% of Pakistani and over 40% of Bangladeshi children live in poverty, and all BME groups having higher child poverty rates than white British children. Because BME households have slightly more children, the budget is likely to increase BME child poverty further from already high levels. If White British child poverty also increases racial inequalities may narrow.

Young people

Many commentators have noted the disproportionate effects of many of the budget's proposals on young people who, due to the younger age profile of BME people, are likely to be disproportionately impacted. The median White British age is 42 but it is much lower among BME groups, including only 16 for the Mixed: White and Black African group. Overall the median age for the Mixed population is only 18, and 23 for Black Other, 24 for Bangladeshi, 25 for Pakistani, 27 for Arab and 28 for Chinese and for Black African people in Britain (2011 data). Youth unemployment is around double among BME people, having risen by 49% over the past 5 years compared to a 2% fall among young white people. This indicates why the budget's inability to extend support to young people will likely increase racial inequalities. One particular benefit change - housing benefit - will particularly affect BME young people. Other areas where changes will disproportionately affect BME people are in the benefits cap, apprenticeships and large families.



Thanks to Omar Khan and the Runnymede Trust for the briefing on which this is based. For more detailed comment, download the full report at Runnymede Trust [link below].
<https://www.runnymedetrust.org/projects-and-publications/employment-3/budget-2015-impact-on-bme-families.html>

Contact: For further information, back copies of Information Briefings or Research Briefings, or to join the Network, email gary.craig@galtres8.co.uk

The North East Race Equality Forum is a Network of around 300 individuals and organisations in the North East Region committed to promoting racial equality in the context of social justice. No one organisation is necessarily committed to every idea published in the name of the Forum. The Forum is supported by the 'Race', Crime and Justice Regional Research Network, which includes researchers from each University in the region.