

Equality and Human Rights Commission
Research report 108 | Pay gaps research

The ethnicity

pay gap

Executive summary

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Executive summary

Introduction

This research report explores the ethnicity pay gap, which is defined as the difference between the average hourly pay of ethnic minorities and White British people. It is usually expressed as a percentage difference, with White British people's earnings representing 100%. As well as looking at differences in pay and trends over time, the research identifies the characteristics that explain those differences such as age, occupation and level of education. The research is intended to further debate and highlight areas where intervention may be needed.

Key findings

- The ethnicity pay gap is a longstanding phenomenon. Previous research has shown that people from ethnic minorities tend to earn less, overall, than White people. This is often associated with social disadvantage and is arguably also caused by discrimination. New arrivals to the country may have a poor command of English, possess qualifications which are not generally recognised by employers and be unfamiliar with the UK's culture; these factors affect pay. Immigrants to Britain often work in low-paid occupations and are overqualified for the job they do.
- Before exploring pay gaps, it is important to consider that employment rates – the percentage of a group with a paid job, excluding the self-employed – vary between ethnic groups, and by gender. Among both men and women, White British people have tended to have the highest employment rates in the period 2002-2014, at around 70%, although Indian people have also had noticeably high employment rates. The employment rates of Pakistani and Bangladeshi women have been consistently low – below 30%.
- According to analysis of Labour Force Survey (LFS) data in the period 2002-2014, the mean hourly pay of different ethnic groups varied considerably. Gaps also varied depending on whether people in ethnic minorities were born in the UK or abroad. Among men, the overall picture was fairly clear. The White British group tended to outperform ethnic minorities in terms of pay – but with a few

exceptions. All Indian and Chinese men (that is, both foreign-born and British) and British-born Black African men had similar earnings to White British men. However, all other groups earned noticeably less. Pakistani and Bangladeshi males had particularly severe pay gaps, especially those born outside the UK.

- The pay landscape for women in the same period was more complex. Ethnic minority women generally earned more than White British women, with all Indian, all Chinese, British-born Black Caribbean and British-born Black African women experiencing notable pay advantages. Only two groups had a clear pay disadvantage: these were Pakistani and Bangladeshi immigrant women. However, British-born Pakistani and Bangladeshi women experienced no such disadvantage. Along with female immigrants in the Black African and Black Caribbean group, their pay was found to be fairly similar to White British women's.
- There are different ways to analyse and quantify pay gaps. In this report the analysis is largely based on a statistical predictive model which collated pay data in the period 2002-2014 and is presented in section five. As with the above, this model found that pay gaps are much larger for ethnic minority men born abroad than for those born in the UK. Male Bangladeshi immigrants experienced the largest pay gap of 48%, meaning they earned around half what White British men earned. British-born Bangladeshi men have a 26% pay gap. Pakistani immigrant men experienced a 31% pay gap, while British-born Pakistani men experienced a pay gap of 19%. For immigrant and British-born Black Caribbean men the pay gaps were 17% and 7% respectively. Black African immigrant men had a pay gap of 19% while British-born Black African men earned roughly the same as White British men. Indian and Chinese men's earnings were similar to those of White British men, whether they were born abroad or in this country.
- Based on the same model, pay gaps for ethnic minority women were much smaller than those for ethnic minority men, and some groups had a pay advantage. Female Bangladeshi immigrants and Pakistani immigrants both experienced around a 12% pay gap compared with White British women. All other groups either experienced no pay gap or a pay advantage. Black African British women had a particularly large pay advantage, earning 21% more than White British women.
- This research also analysed change in mean hourly ethnic pay gaps over time in pounds and pence (putting aside country of birth as a factor). 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. The male cohort is characterised by consistent pay gaps for ethnic minority men over time, albeit very small ones for certain groups such as Chinese and Indian men.

Among women, the pay gaps (and advantages) have remained fairly static, and were much smaller than those experienced by men. Looking at the most recent period of analysis, 2007-2014, Bangladeshi men experienced the largest pay gap, earning £4.32 less per hour on average than White British men. Similarly, Bangladeshi women fared the worst when compared with White British women: they experienced a pay gap of £1.53 per hour. Chinese women, however, earned £1.29 more on average.

- The occupational pay gap is the average pay gap within individual occupations, in which people do broadly similar work. Among men, ethnic minorities typically earn less within occupations than their White British counterparts. The picture for women is more mixed, with certain ethnic minorities outperforming women in terms of pay. However, among both men and women, Bangladeshi and Pakistani people have experienced a large and growing occupational pay gap over time.
- Several ethnic minorities have high proportions of people being paid less than the Living Wage.¹ In the period 2011-2014, almost half of Bangladeshi men and around a third of Pakistani men were paid below the Living Wage. This compares with under a fifth of White British men. Among women the differences were less stark, although low pay is much more prevalent for women than men. Around 30% of White British women were paid below the Living Wage, compared with almost 40% of Bangladeshi women and just over a third of Pakistani women.
- The statistical analysis of drivers of ethnic pay gaps reveals some common patterns across ethnic groups, as well as some differences. Part of the pay gaps experienced by Bangladeshi and Pakistani people (both men and women) can be explained by the data. Both sexes are more likely to be found in low-paid occupations. In addition, Pakistani and Bangladeshi British-born men in these groups tend to be younger than their White British counterparts, and this reduces pay.
- Black African immigrant men tend to be segregated into low-paid occupations and have low qualifications – both factors drag down pay. Both British-born and immigrant Black Caribbean men are over-represented in low-paid occupations and under-represented among people with high qualifications. However, these factors account for only a small proportion of the pay gaps for these two groups: the rest is unexplained. This means there are other factors at play, one of which may be discrimination, although it was not possible in this research to quantify the effect this may have had.

¹ The Living Wage is set independently by the Living Wage Foundation and is based on the cost of living in the UK. Paying the Living Wage is voluntary. It is higher than the National Minimum Wage, which is a legal requirement for employers and is set by Government.

- There are factors which mitigate ethnic pay gaps. London has the highest numbers of people from ethnic minorities; as salaries in London are generally higher than elsewhere, this narrows the national pay gap but masks pay differences within regions. Some ethnic minorities also have higher qualifications than White British people and receive better pay on average. Some work fewer hours overall; this helps to lift their actual hourly pay, even if they still face a pay gap overall.

Background

In 2015 the Equality and Human Rights Commission ('the Commission') commissioned research into the causes of, and potential solutions to, the gender, ethnicity and disability pay gaps. A suite of reports has been produced including a summary report of findings from the entire project. These are available on the Commission's [website](#).

The Commission holds the view that pay gaps reflect broader inequalities in society and tackling them is an important way to achieve a fairer society. The analysis in this report builds on our previous research on pay gaps and complements our extensive online guidance on fair and equal pay.

Methodology

Firstly a brief literature review was conducted to establish what is already known about ethnicity pay gaps. The statistical analysis then followed, which is based on historical data from the LFS covering the period 1993-2014. The LFS is a quarterly household survey of the employment circumstances of the UK population and is administered by the Office for National Statistics (ONS).

This is used to measure pay gaps for the largest ethnic groups: Indian, Pakistani, Bangladeshi, Black African, Black Caribbean and Chinese people compared with White British people.

The LFS data was used not only to establish the relative pay of different groups but also to identify the personal characteristics that are associated with differences in pay, such as level of education. These variables are referred to in the report as 'drivers' of pay gaps, although it is only possible to say that these are explanatory factors rather than the cause of the pay gaps. This analysis identifies, based on the data available, how much of the pay gap can be explained and how much is left unexplained. For a full account of the methodology see Chapter two.

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