

Low Income Dynamics among Ethnic Minorities in Great Britain

Ricky Kanabar

ISER, Essex

[Email:rkanabar@essex.ac.uk](mailto:rkanabar@essex.ac.uk)

Alita Nandi

ISER, Essex

Victor Hernandez-Perez

ISER, Essex

We investigate low income dynamics among ethnic minorities in the UK, whilst simultaneously controlling for initial conditions and non-random attrition. Using a first order Markov model developed by Cappellari and Jenkins (2004) we use data from Understanding Society, a large representative longitudinal household survey comprising an ethnic minority boost sample to analyse the differences in poverty entry and poverty persistence between and within the main ethnic groups in the UK. Results suggest that ignoring the presence of initial conditions and/or non-random attrition underestimates the magnitude of poverty persistence, particularly for Indian and Bangladeshi groups. Indeed, with the exception of the Pakistani group, the hypothesis that conditional poverty status, initial poverty status and non-random attrition are uncorrelated is strongly rejected. Results also suggest that we can strongly reject the absence of genuine state dependence i.e. scarring effects for black African and white majority groups. Stylised examples for individuals with particular characteristics show that differences in poverty persistence, poverty entry and duration in poverty or non-poverty exist not only between, but also within members of the same group, highlighting significant within group heterogeneity. Results suggest periods of non-poverty, in addition to periods of poverty, are important from a policy perspective. Specifically, policymakers should design anti-poverty or anti low-income policies which also function in periods of non-poverty and not only design policies which activate once an individual is already in poverty.