

ECONOMIC EMPOWERMENT AND EQUITY OF OPPORTUNITY

Briefing May 2024

BRIEFING SCOPE


The problem of economic empowerment in black communities has a long history that is rooted in structural racism. It is beyond the scope of this short briefing to pay due comprehensive attention to all these issues and to conduct a full historical analysis. It is also beyond the scope of this briefing to do a full economic analysis. Here we simply outline some key issues that have emerged through key data and our engagement with Black communities. These are namely:

01. The ethnicity wealth gap
02. The ethnicity pay gap
03. Barriers to progression in the workplace
04. Housing inequality
05. Insecure work
06. A lack of business growth and access to finance



THE IMPORTANCE OF BLACK ECONOMIC EMPOWERMENT

BEO's Systemic Change Required report showed that the economy was top of Black people's concerns.¹ Participants to the research expressed significant concerns about economic or financial instability, rising food and energy prices and the impact this might have on lower income families. In particular, the older generation and participants with sexual orientation other than straight/heterosexual felt less financially secure. This is no surprise as research by the Runnymede Trust shows that 42% of the Black population are in relative poverty.



Black communities are 2.5 times more likely to be in deep poverty when compared to white communities.² In the context of the cost-of-living crisis, achieving economic empowerment will ensure that black communities are financially resilient and have wealth, even during times of financial uncertainty. However, we cannot achieve economic empowerment without addressing economic inequity and inequality.

BEO defines economic empowerment to be when black people in the UK have equitable resources to live with dignity, thrive in their pursuits and to have a better opportunity to build a positive future. This means creating an enabling environment that provides the diverse Black communities with a platform to achieve their potential.

01. THE ETHNICITY WEALTH GAP

The ethnicity wealth gap is far too wide. The ONS Wealth and Assets Survey in Great Britain show that black African households in GB are nine times less likely to be in the top quintile of total wealth (wealth above £865,000) compared to their White British counterparts.³ Median wealth for black African households is £34,000 compared to £314,000 for white households.⁴ Research from the Runnymede Trust showed that for every £1⁵ of British wealth, Black Caribbean households hold approximately 20p and Black African households hold around 10p in every £15. Wealth is extremely important in determining living standards and social mobility, and cushioning households against economic shocks such as COVID-19 and the current cost of living crisis.

02. THE ETHNICITY PAY GAP

Black people also experience significant wage inequality. For example, black male graduates experience a large pay penalty and are paid 17% less (equivalent to £3.90 less an hour or £7,000 a year for a full-time employee) than White male graduates, even after accounting for background characteristics and their job.⁶ Publishing ethnicity pay data within an organisation/company, together with a narrative and action plan will signal – to employees, customers and investors – that an organisation/company is serious about tackling racial inequalities. Currently there is no legal requirement for UK businesses to disclose their ethnicity pay data, and in March 2021, the Commission on Race and Ethnic Disparities published a report in which it called for ethnicity pay gap reporting to continue on a voluntary basis.

03. BARRIERS TO PROGRESSION IN THE WORKPLACE

Representation of black employees in public and private sectors remain woefully inadequate and static. Our Systemic Change Required report reveals that over 60% of Black respondents said they have been passed over for a promotion or employment due to their ethnicity.

In 2018, the government-commissioned McGregor-Smith review recommended that employers capture ethnicity data so that they can capture the progression of their employees, and for the government to implement mandatory ethnicity pay gap reporting for companies and businesses employing more than 250 people.⁸ There has been little progress in either of these recommendations. But this is an area where business leaders and employers themselves can make a huge difference.

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04. HOUSING INEQUALITY

Black households spend a higher proportion of their income on housing and are significantly less likely to be owner occupiers (less than half as likely to be owner-owners compared to the UK average). Rates of home ownership are considerably lower among black communities in comparison to most other ethnic groups (with the exception of Arab ethnic group).⁹ Home ownership rates for the black African, black Caribbean and black (Other) groups stand at: 20%, 40% and 37%.¹⁰ These rates are significantly lower than the home ownership across white British groups (68% owner occupiers).¹¹


05. INSECURE WORK

Research by TUC¹² showed that 1 in 8 black employees are in insecure work and that 42% of black employees are in temporary work. Interviews with Black workers tend to be in temporary work because they are unable to find a permanent job.¹³ The largest occupation that Black temporary workers were involved with, was caring and personal services (17.1%).

Black workers are also more likely to hold zero-hour contracts compared to any other ethnic group, with well over 1 in 16 (6.4%) of black workers on insecure contracts.¹⁴ Intersectional analysis reveals this figure to be worse for black women, who are twice as likely (6.7%) to be in insecure work compared to their white counterparts (3%).

06. A LACK OF BUSINESS GROWTH AND ACCESS TO FINANCE

Black-owned businesses are less likely to apply to and receive funding by traditional financial institutions such as banks and venture capital firms. While black-owned businesses represent 3.5% of the UK's population, only 38 black-owned businesses received venture capital funding in the last 10 years, representing just 0.24% of the total sum invested¹⁵. The situation is more marked for black female-owned businesses. In the past 10 years, only 10 black female entrepreneurs received venture capital funding, equating to 0.02% of the total amount invested across the 10-year period.



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Black business owners also have a lower median turnover compared to their white British counterparts; £25,000, compared to £35,000 for white business owners. The median turnover figure for black African entrepreneurs is even lower, standing at £17,000. Limited access to finance is worse for black female entrepreneurs, which was 16%. The 2020 British Business Bank survey¹⁶ revealed that 39% of black respondents stopped working on their business idea due to financial barriers.

CONCLUSION

As a result of the above challenges, nearly half (46%) of households where the head is black African/Caribbean/black British are in poverty compared to just under one in five of households where the head of the household is white¹⁷. Within disabled groups, 40% of disabled ethnic minority adults are in poverty compared with 23% of white British disabled adults.

Poverty rates for children are extremely concerning, before and after considering housing costs. 32% of children in households where the head of the household was from a Black ethnic group were in poverty before housing costs, but this increases to 48% in poverty after housing costs.¹⁸ Child poverty is a key social determinant of social mobility in this country.¹⁹

Despite the challenges there are some opportunities as the economic empowerment of black communities in the UK has the potential to lead to an improved economy for everyone. In 2017, the McGregor-Smith Review found that the potential benefit to the UK economy from full representation, participation and progression of BAME individuals across the labour market was estimated to be £24 billion a year, which represents 1.3% of GDP²⁰.

In May 2020, a report by McKinsey found that the most diverse companies (in terms of ethnic and cultural diversity) are now more likely than ever to outperform their less diverse peers on profitability²¹. Black and minority ethnic (BAME) communities also contribute as much as £25 billion to the UK economy.

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