

# **New Deal Intelligence Report Article**

## **Differences in New Deal Performance Between White Clients and Those from Ethnic Minority Groups**

**SCOTLAND**

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## DIFFERENCES IN NEW DEAL PERFORMANCE BETWEEN WHITE CLIENTS AND THOSE FROM ETHNIC MINORITY GROUPS

### Main Findings

1. Ethnic minorities form a much lower proportion of the combined NDYP/ND 25+/NDLP client population in Scotland (1.5%) than in the rest of Great Britain (13.6%). Furthermore there are substantial differences in the make up of ethnic groups between Scotland and GB.
2. Ethnic minority leavers from NDYP have been less successful in finding an unsubsidised job than White leavers (30% and 36% of leavers, respectively) – with significant disparities also identified for Black and Pakistani/Bangladeshi leavers, as well as those from “other ethnic groups”.
3. A similar disparity was found among leavers from NDLP: those belonging to an ethnic minority were less likely to move into a job (40% of leavers) than White clients (49%).
4. No disparity was found between White and ethnic minority leavers from ND 25+: the latter forming 1.1% of the client group as a whole, and also those who found unsubsidised employment. In contrast, across Great Britain, ethnic minority leavers are currently only 85% as successful as Whites in finding a job on leaving ND25+ (Key Indicator 3).
5. These results suggest that New Deal clients who are both young and belong to an ethnic minority, are less likely than White clients to move from Welfare to work.

### 1 Background on Ethnic Minorities in Scotland

Figures from the 2001 Census show that ethnic minorities made up 1.9% of Scottish population aged 16 and over at the time of the Census. Table 1, overleaf, shows the number of people by economic status for each ethnic group, from the Census. We see from this table that 65.2% of the total white population aged 16 and over were economically active. This is compared to 55.5% in all ethnic minorities combined. There was variation across the ethnic minority groups but none had an economic activity rate above that of the white population.

Of those who were economically active 6.1%<sup>1</sup> of the total white population aged 16 and over were unemployed compared to 8.3%<sup>1</sup> of ethnic minorities in total. The ethnic group with the lowest unemployment rate was Chinese (5.7%)<sup>1</sup> with the “other South Asian” group having the largest unemployment rate (10.9%)<sup>1</sup>.

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<sup>1</sup> Calculated as the percentage of economically active people aged 16 and over who are unemployed

**Table 1**

	Economically Active (aged 16+)	Economically Inactive (aged 16+)	% Economically Active (aged 16+)
Total White	2,384,733	1,275,386	65.2%
Total Ethnic Minorities	39,348	31,612	55.5%
<i>Of Which</i>			
Indian	7,080	4,255	62.5%
Pakistani/ Bangladeshi	11,395	11,029	50.8%
Other South Asian	2,228	2,137	51.0%
Chinese	7,034	5,514	56.1%
Total Black	3,743	2,271	62.2%
Any Mixed Background	4,042	2,809	59.0%
Other Ethnic Group	3,826	3,597	51.5%
Total Ethnic Minorities	39,348	31,612	55.5%

Evidence in later sections will show that the proportion of New Deal clients from ethnic minorities is lower than you would expect given the evidence from the Census. The reason for this may be that, for some reason, ethnic minority groups are not engaging with the New Deal programmes. Another possibility may be that ethnic minorities are less likely to be long term unemployed and hence are not becoming eligible for the new deal programmes. However there is currently not enough data to provide evidence as to why this disparity occurs.

## 2 Introduction

The Cabinet Office report “Ethnic Minorities and the Labour Market” published in March 2003 has thrown the issue of racial disadvantage in the labour market into sharp focus. The report describes differences in the labour market achievements between Whites and various ethnic minority groups, concluding that while some ethnic minority groups, such as Indians and Chinese, are doing well other groups appear to be disadvantaged in the labour market relative to White people. With this recent focus on ethnic labour market issues, and with the Task Force’s ‘Diversity Works’ group having updated its remit to focus on action, it seems an opportune time to compare the performance of White and ethnic minority clients on the New Deals in Scotland.

Jobcentre Plus uses Key Indicator 3 to compare the rate of job entries for white and combined ethnic minority clients on the New Deal for Young People and the New Deal 25 plus. This indicator takes the form of the ratio:

***Proportion of ethnic minority leavers to any job ÷ Proportion of white leavers to any job***

If the proportions are similar then this ratio will be close to 1 (parity of outcomes). A statistically significant ratio of greater than 1 indicates that EM clients have a lower rate of successful job outcomes than whites, and vice versa when the ratio is significantly less than 1.

In Scotland however, NDYP Key Indicator 3 has never differed significantly from a parity of outcomes, suggesting that the New Deal for Young People works as well for EM clients as for Whites. However, it is also possible that the number of EM clients on NDYP in Scotland is too small to obtain a statistically robust comparison. As mentioned earlier Ethnic minorities form only 1.9% of the Scottish Population aged 16 and over (2001 Census) and, not surprisingly, the numbers of EM clients on the main New Deals in Scotland are very small (Table 2). ***It is possible that a difference may exist in reality but is not apparent statistically because the sample is too small.***

**Table 2: Current and cumulative numbers of ethnic minority (EM) clients on the three largest New Deals in Scotland (at end of June 2003).**

<b>Programme</b>	<b>Current number of EM clients (June 2003)</b>		<b>Cumulative EM starters since programme began</b>	
	<b>number</b>	<b>% of current clients</b>	<b>Total number of starts</b>	<b>% of total starters</b>
New Deal for Young People	220	2.2%	1,900	1.7%
New Deal 25+	70	1.0%	350	1.1%
New Deal for Lone Parents	90	0.9%	420	0.8%
<b>Total</b>	<b>380</b>	<b>1.4%</b>	<b>2670</b>	<b>1.3%</b>

The small numbers of EM New Deal clients in Scotland raises the possibility that they may be advantaged or disadvantaged relative to White clients but that their numbers are simply too small to show this. What is clearly needed is a larger sample. This article presents an analysis of such a large sample - the whole client population going back to the start of each programme. Considering all of the historical data in this way results in approximately four times as much data as is used to determine Key Indicator 3 and substantially increases the statistical robustness of any comparisons.

### 3 Methodology

In order to maximise the numbers for comparative purposes, the whole back datasets were examined between the start of each programme and December 2002, i.e since April 1998 for NDYP, since July 1998 for ND 25+ and since October 1998 for NDLP. Even so there were still insufficient numbers in some ethnic minority groups to permit a valid statistical test. Consequently, all EM groups were combined to compare their success rate at finding unsubsidised employment through the programmes, compared to White clients. The constituent EM groups were also compared separately to Whites if their total numbers exceeded 100. Comparisons based on less than this were considered likely to be unreliable due to insufficient numbers.

#### **Statistical note: significance testing**

The numbers of leavers to unsubsidised employment and to all other destinations (back to benefits, other known destination and unknown destinations) were compared between White and EM clients using the  $X^2$  (*Chi-squared test*). The Chi-square test is a standard, commonly-used way of determining the probability that a difference could just have arisen by chance. In this instance, the test compares the actual numbers observed in the two groups (White and EM) for each type of leaver destination (job or other destination) with the numbers that would be expected if group did not influence destination.

By convention a difference is considered to be statistically significant if its probability of occurring by chance is less than 1 in 20. As will be seen later, some differences here were significant at less than 1 in 1,000 or 1 in 10,000.

### 4 Results

#### **4.1 Ethnic composition of the New Deal client populations in Scotland and the rest of Great Britain**

The proportion of ethnic minority clients among all those to have started one of the three ND programmes considered here, is nearly ten times as high in the rest of Great Britain at 13.6% (261,093 clients), as in Scotland at only 1.5% (3,087 clients). There are also substantial differences in the make-up of the EM client group between Scotland and the rest of Great Britain (Chart 1). The main differences are:

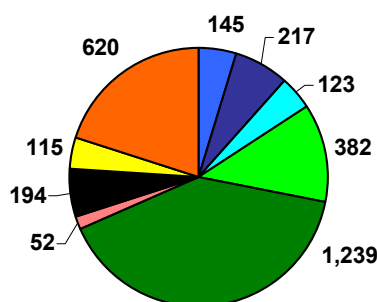
- Pakistani/Bangladeshi (nearly all Pakistani) people form 40% of ethnic minority clients in Scotland while Black people form only 16%, a situation that is reversed across the rest of GB (22% Pakistani/Bangladeshi, 44% Black).
- Chinese people form only a small proportion of the EM total in Scotland at 6%, but this is still a much bigger component than in the rest of GB at 1.5%

Other ethnic groups including Indians, other south Asians and people of mixed race have been more or less equally represented in Scotland and the rest of GB.

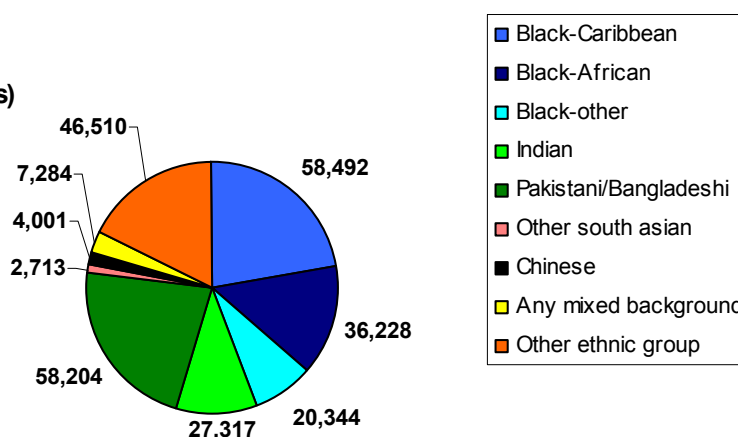
These differences in the ethnic make up of the New Deal client populations of Scotland and the rest of GB, may have implications for the tailoring of policy designed to address EM issues, to the Scottish situation.

**Chart 1: Ethnic composition of the combined NDYP, ND 25+ and NDLP client population in (i) Scotland and (ii) the rest of Great Britain**

**(i) Scotland**  
(3,087 ethnic minority clients)



**(ii) Rest of Great Britain**  
(261,093 ethnic minority clients)



## 4.2 New Deal for Young People

Of the 37,309 leavers who had found unsubsidised employment up to the end of December 2002, only 1.4% were from the ethnic minority community despite EM clients forming 1.7% of starters to NDYP to date (Table 2).

To the end of December 2002, 36% of all leavers from New Deal for Young People found unsubsidised employment. However, as indicated in Table 3, the programme was significantly less successful in delivering jobs for ethnic minorities as a combined group (30% of leavers), as well as Black (28%) and Pakistani/Bangladeshi (31%) clients, and those in a combined category of less common ethnic groups (27%). These rankings can be seen in Chart 2. The disparity between the White and ethnic minority leavers appears to be smaller in Scotland (6 percentage points) than in the rest of GB (10 pp; Chart 2) although the difference is not quite statistically significant (the probability of the difference being due to chance being just under 1 in 20; Chi-squared test). However, with EM clients currently

forming a larger proportion of the NDYP client population (2.2%; Table 1) than they have in the past (1.8%), the problem in Scotland may be building.

Among the groups with large enough numbers to test, only Indian leavers were not significantly disadvantaged compared to White leavers. However, with only 32% leaving to an unsubsidised job compared to 36% of whites it cannot be certain that the non-significant of this difference was not just due to the relatively small number of Indian leavers (211).

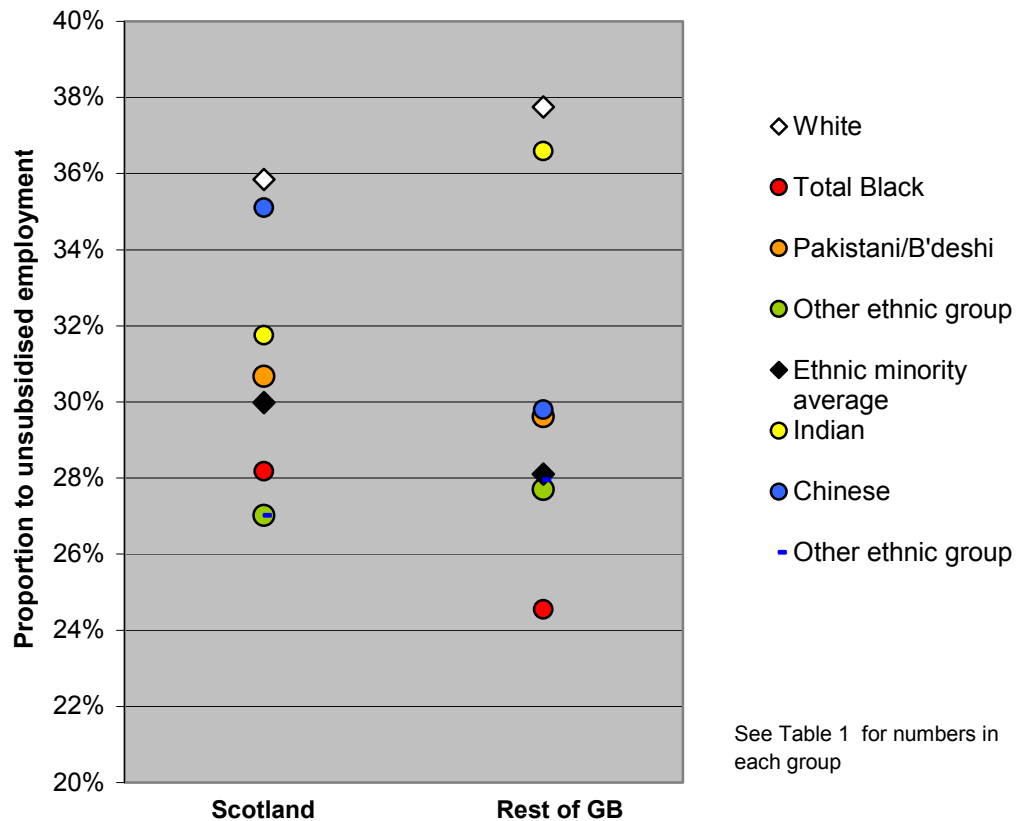
**Table 3: Comparison among ethnic groups, of proportion of leavers from New Deal for Young People into unsubsidised employment**

<b>ETHNIC GROUP</b>	<b>Leavers to unsubsidised employment</b>	<b>Total leavers</b>	<b>% to unsubsidised employment</b>	<b>Significance of comparison with White</b>
<b>White</b>	36,048	100,564	<b>35.8%</b>	
<b>Combined ethnic minorities, of which:</b>	519	1731	<b>30.0%</b>	<b>****</b>
Total Black	71	252	28.2%	*
Indian	67	211	31.8%	Not significant
Pakistani/Bangladeshi	242	789	30.7%	**
Other south asian	3	21	ss	Not tested
Chinese	33	94	ss	Not tested
Any mixed background	16	42	ss	Not tested
Other ethnic group	87	322	27.0%	<b>***</b>
<b>Unknown</b>	742	1,973	37.6%	Not tested
<b>Total</b>	37,309	104,268	<b>35.8%</b>	

**Notes:**

1. Source: New Deal Evaluation Database, DWP
2. "ss" small sample, denotes groups for which total leavers numbered less than 100.
3. Differences tested for statistical significance using the  $X^2$  (Chi-square) test.
4. **Significance levels:** \* denotes a probability of less than 1 in 20 that the result could have happened by chance, with \*\* signifying a probability of less than 1 in 100, \*\*\* a probability of less than 1 in 1,000, and \*\*\*\* a probability of less than 1 in 10,000.

**Chart 2: Proportions of leavers into employment**



Source: New Deal Evaluation Database, DWP

### 4.3 New Deal 25 plus

Ethnic minority clients formed 1.1% of the 8,777 leavers who found an unsubsidised job, similar to their proportion among the client population generally (Table 2).

Due to the very small numbers in most EM groups, it was only possible to make useful statistical comparisons between Whites (16% leavers to unsubsidised jobs) and Pakistani/Bangladeshi (17%), “Other ethnic groups” (13%) and all ethnic minority groups combined (16%). *None of these comparisons revealed a significant difference and so there is no evidence from these figures (Table 4) that ethnic minority clients experience fewer job outcomes than White clients.* In contrast, across Great Britain, ethnic minority leavers are currently only 85% as successful as Whites in finding a job on leaving ND25+ (Key Indicator 3 for the year to June 2003).

**Table 4: Comparison among ethnic groups, of proportion of leavers from New Deal 25+ into unsubsidised employment**

<b>ETHNIC GROUP</b>	<b>Leavers to unsubsidised employment</b>	<b>Total leavers</b>	<b>% to unsubsidised employment</b>	<b>Significance of difference with White</b>
<b>White</b>	8,485	53,547	15.8%	
<b>Combined ethnic minorities, of which:</b>	99	637	15.5%	<b>Not significant</b>
Total Black	11	75	ss	Not tested
Indian	18	68	ss	Not tested
Pakistani/Bangladeshi	34	198	17.2%	<b>Not significant</b>
Other south asian	1	10	ss	Not tested
Chinese	9	56	ss	Not tested
Any mixed background	4	46	ss	Not tested
Other ethnic group	22	167	13.2%	<b>Not significant</b>
<b>Unknown</b>	193	1,047	18.4%	
<b>Total</b>	<b>8,777</b>	<b>61,977</b>	<b>14.2%</b>	

**Notes:**

1. Source: New Deal Evaluation Database, DWP
2. "ss" small sample, denotes groups for which total leavers numbered less than 100.
3. Differences tested for statistical significance using the X<sup>2</sup> (Chi-square) test.
4. **Significance levels:** \* denotes a probability of less than 1 in 20 that the result could have happened by chance, with \*\* signifying a probability of less than 1 in 100, \*\*\* a probability of less than 1 in 1,000, and \*\*\*\* a probability of less than 1 in 10,000.

#### **4.4 New Deal for Lone Parents**

Of the total 20,415 leavers into unsubsidised employment, only 0.6% were from an EM group compared to 0.8% of those who started NDLP (Table 2). Since the start of NDLP, only 329 EM clients have left the programme, with 108 Pakistani/Bangladeshi clients forming the only group large enough for statistical analysis. The success of Pakistani/Bangladeshi clients at moving into unsubsidised employment (44% of leavers), was not significantly different from that of Whites (49%). *However, as a combined group, the proportion of ethnic minority leavers into a job was only 40% compared to 49% for Whites, with a probability of less than one in ten thousand that this result could have happened by chance (Table 5).*

**Table 5: Comparison among ethnic groups, of proportion of leavers from New Deal for Lone Parents into unsubsidised employment**

<b>ETHNIC GROUP</b>	<b>Leavers to unsubsidised employment</b>	<b>Total leavers</b>	<b>% to unsubsidised employment</b>	<b>Significance of difference with White</b>
<b>White</b>	19,167	39,019	49.1%	
<b>Combined ethnic minorities, of which:</b>	131	329	39.8%	<b>***</b>
Total Black	31	73	ss	Not tested
Indian	15	48	ss	Not tested
Pakistani/Bangladeshi	47	108	43.5%	<b>Not significant</b>
Other south asian	3	8	ss	Not tested
Chinese	6	15	ss	Not tested
Any mixed background	6	14	ss	Not tested
Other ethnic group	23	63	ss	Not tested
<b>Unknown</b>	1,117	2,558	43.7%	Not tested
<b>Total</b>	20,415	41,906	48.7%	

**Notes:**

1. Source: New Deal Evaluation Database, DWP
2. "ss" small sample, denotes groups for which total leavers numbered less than 100.
3. Differences tested for statistical significance using the X<sup>2</sup> (Chi-square) test.
4. **Significance levels:** \* denotes a probability of less than 1 in 20 that the result could have happened by chance, with \*\* signifying a probability of less than 1 in 100, \*\*\* a probability of less than 1 in 1,000, and \*\*\*\* a probability of less than 1 in 10,000.

## 5 Discussion

Even when data are taken over the whole duration of the individual programmes, they are still insufficient to provide a meaningful analysis for some EM groups. However, some useful comparisons are possible for others and a few general conclusions can be drawn.

This analysis of the success of New Deal for EM clients has confirmed broad similarities with the national pattern of racial disadvantage in the labour market, but has also shown that the ethnic make up of unemployed clients differs substantially in Scotland.

Ethnic minority leavers from the New Deal for Young People have experienced a lower rate of positive job outcomes than have White leavers (by 6 percentage points, or 16%; Table 3). Within the combined EM group it was also possible to distinguish poorer success for Black leavers (by 8 pp, or 21%), Pakistani/Bangladeshi leavers (by 5 pp, or 14%), and leavers from "other ethnic groups" (by 9 pp, or 25%). All differences were statistically reliable (Table 3).

There was however, no firm evidence of similar differences among the New Deal 25+ client group, despite there being a reasonable number of EM leavers in the analysis.

As with NDYP, ethnic minority leavers (combined) from the New Deal for Lone Parents seem to be disadvantaged relative to White leavers, with a distinctly lower rate of positive job outcomes (by almost 10 pp, or 19%; Table 5). Numbers were only large enough among one constituent group, Pakistani/Bangladeshi clients, to allow a similar comparison and this did not reveal a significant disparity.

These findings suggest that New Deal is less successful at moving young people from Welfare to Work when they belong to an EM group (particularly Blacks and Pakistani/Bangladeshis) but that the disparity does not extend to older clients participating in ND 25+.

These findings are broadly in line with those of the Cabinet Office Report "Ethnic Minorities and the Labour Market (March 2003) that the same have poorer labour market achievements than Whites, with significantly higher unemployment rates and lower earnings than Whites. The ethnic minorities doing least well on New Deal in Scotland are Blacks (total) and Pakistani/Bangladeshi and the Cabinet Office Report also found these to be the most disadvantaged groups in the labour market. On the other hand, the report also found that Indian and Chinese people were doing well in the labour market and is also *suggested* by the present analysis, although it needs to be emphasised that the number of New Deal clients in these groups is very small in Scotland, and that no firm conclusion can be drawn.

The Cabinet Office report concluded that ethnic minority disadvantage still persists in the labour market in the United Kingdom. The report recommends that this be tackled through interventions on a broad front including targeted action on schools, jobs, housing and discrimination - all of which are contributory factors. This type of problem is likely to assume greater political significance at a national level, where ethnic minorities form 8% of the population (UK) and 14% of New Deal clients (GB). Indeed, Jobcentre Plus has a remit to focus in this operational year, on ethnic minorities in specific wards throughout GB with high concentrations of both unemployment and ethnic minorities. The Anderson Ward in Glasgow is one of those selected, where all job entries by ethnic minority clients attract 6 extra points.

In the foreword to the Cabinet Office Report, the Prime Minister considers that *"...the Government can no longer apply the same policies across the board. Instead we need a much more fine-grained approach with interventions tailored to meeting the different needs of particular groups."* . On this basis, development of remedial policies in this area needs to take account of the Scottish situation.