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Editorial note

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Executive summary

Although average ethnic wealth disparities have been well documented in the literature, less is known about how these disparities vary among low-wealth and high-wealth households. Yet facets of discrimination and disadvantage are likely to affect people in different ethnic minority groups irrespective of their income or class position and it is likely that such factors have knock-on effects on wealth. Using data from *Understanding Society*, this paper analyses for the first time the scale and the drivers of ethnic wealth gap across the distribution emphasising how predictors of wealth have a differential effect across the distribution and demonstrating a need to move beyond average differences when studying wealth inequality. The main findings are as follows:

- **All ethnic minority groups with the exception of the people in the Indian ethnic group have substantially less wealth than the White British majority at all parts of the distribution, but with a large heterogeneity among them.** The typical (median) individual in the Bangladeshi, Black Caribbean and Black African ethnic groups have no significant levels of household net worth, while the median individual in the White British group has a household net worth of £140k and those in the Indian ethnic group £160k (almost as much household wealth as an individual in the Black African at the 90th percentile). The level of household wealth for the wealthiest 5% of the White British ethnic group amounts to £893k or more, nearly three times higher than the £304k reported for the wealthiest 5% of people in the Black African ethnic group. Striking differences are also observed at the lower end of the distribution. Indeed 11% of individuals in the Indian ethnic group and around 15% of the White British and Pakistani ethnic groups are in net debt, compared to 31%, 38% and 44% of people in the Black Caribbean, Bangladeshi and Black African ethnic groups respectively.
- **The relative role of net financial wealth and net housing wealth in explaining the ethnic wealth gaps varies across the distribution:** Differences in net financial wealth explain the largest share of the gap in total net wealth at the bottom and the top of the wealth distribution. By contrast net housing wealth explain the largest share of the gap in total net worth at the middle of the distribution.
- **With the exception of the Indian ethnic group all other ethnic minority groups are much less likely than the White British majority to own their home.** Homeownership rates are the largest among people in the Indian (73%) and the White British (at around 69%) ethnic groups and the lowest among people in the Black African (just 19%) the Bangladeshi (around 26%) and the Black Caribbean (37%) groups. Homeownership rates among people in the Pakistani and other Asians groups stands somewhere in-between at around 50%-56%.
- **Ethnic minority groups are also much less likely to hold high return investment accounts than the White British majority.** In particular, people in the White ethnic group are 3 times more

likely than people in the Black African and the Bangladeshi ethnic groups and over 2 times more likely than people in the Pakistani ethnic group to own investments accounts. Given the correlation between risk and return, and the correlation between risk that one is willing (or able to take) and wealth, the lower propensity of people from most ethnic minority backgrounds to own investment accounts can be seen as cause and consequence of the low wealth holdings among ethnic groups and could explain the existence (and persistence) of the ethnicity wealth gap.

- **People from certain ethnic minorities groups are not only more likely to hold financial debt (such as loans, overdrafts and amounts outstanding on mail orders and credit card debt), but also to hold high-cost debt.** Rates of financial debt holdings are highest among people in the Bangladeshi, Black African and Black Caribbean ethnic group (68%-70%) and lowest among people in the White British, Indian and Pakistani ethnic groups (all around 56-57%). Not only are more likely to hold financial debt but also some ethnic minority groups (e.g., the Black African and Black Caribbean ethnic groups) have high exposure to high-cost liabilities such as credit card debt and overdrafts.
- **A much higher proportion of homeowners from all ethnic minority groups have mortgage debt than the White British homeowners.** The ownership rate of mortgage debt is highest among homeowners in the Black African, Bangladeshi, Indian, Pakistani and other Asian ethnic groups and lowest among White British homeowners, a pattern that reflects that outright homeownership is the higher among White British homeowners.
- **The wealth disadvantage of ethnic minority groups with lower net worth relative to the White British majority continues to exist across the distribution, even after accounting for differences in observed characteristics between groups (such as age, household composition, income, education, region, and parental social class):** This suggests that the fact that the lower wealth holding of people in the Pakistani, Bangladeshi, other Asian, Black Caribbean and Black African ethnic groups is not solely driven by differences in observable characteristics.
- **The scale of the differences that is explained by differences in observable characteristics varies across the total net wealth distribution and across ethnic groups.** Differences in observable characteristics between ethnic minority groups with lower net worth relative to the White British majority explain a larger share of the ethnic wealth gap among low-wealth than among middle and high-wealth households.
- **Differences in observable characteristics explain a large share of the ethnic gaps in financial wealth especially at the lower part of the financial wealth distribution (except from people in the Black Caribbean ethnic group).** This finding suggests that at the lower part of the financial wealth distribution, it is the fact that ethnic minority groups have characteristics that are associated with lower levels of wealth (e.g. lower income, being younger) rather than other unobservable

factors (e.g. differences in savings propensity or differences in preferences towards debt holding) that account for their lower financial wealth (and particularly their high levels of indebtedness). Although more moderate in their effect, observable characteristics, also explain a non-negligible share of the wealth gap at above the median financial wealth percentiles (around a fifth to a third for most groups).

- **Differences in observable characteristics do not explain the housing wealth disadvantage of the Pakistani, Bangladeshi, other Asian, Black Caribbean and Black African ethnic groups but fully explain the housing wealth advantage that the Indian ethnic group has over the White British majority.** The fact that the housing wealth disadvantage of the Pakistani, Bangladeshi, other Asian, Black Caribbean and Black African ethnic groups is not explained by differences in observable characteristics, suggests that these ethnic minority groups have other unobserved disadvantages, which translate into substantially lower housing wealth relative to the White British majority. Future research is required to disentangle the effect of each of these factors.

Abstract

Using data from *Understanding Society*, this paper investigates for the first time the scale and the drivers of ethnic disparities in wealth across the net worth distribution (until recently assessed at the mean or the median). The analysis reveals that apart from people in the Indian ethnic group, all other ethnic minority groups have substantially less net worth than the White British group across the distribution and are less likely to hold high-return assets and more likely to hold financial debt. The picture in terms of housing wealth is similar: the Indian ethnic group comes out as the group with the higher housing wealth than any other ethnic group. By contrast, in terms of net financial wealth all ethnic minority groups including the Indian ethnic group have substantially less wealth (including very high levels of indebtedness) than the White British group. The wealth disadvantage of ethnic minority groups with lower net worth holdings relative to the White British group, is reduced but remains substantial across the distribution, even after accounting for differences in observable characteristics. The scale of the differences that is explained by observable characteristics varies across the distribution and across groups but their effect is generally stronger at below the median. Analysis by wealth component shows that observable characteristics explain a larger share of the ethnic gaps in financial wealth than the ethnic gaps in housing wealth. This is especially the case at below the median financial wealth levels where the financial wealth disadvantage of most ethnic groups, is fully explained by differences in observable characteristics. By contrast, differences in observable characteristics have a negligible effect in explaining the lower net housing wealth of ethnic minority groups with lower housing wealth across the housing wealth distribution, suggesting that ethnic minority groups face unobserved disadvantages, which translate into lower housing wealth. By contrast, differences in observable characteristics fully explain the housing wealth advantage of people in the Indian ethnic group.

Keywords: ethnic minority group, wealth, housing, assets, debt, inequality, decomposition

JEL: D31, E21, E24

1. Introduction

Ethnic wealth disparities in the UK are large (Byrne et al, 2020; Khan, 2020; Bangham, 2020) and potentially increasing (Kanabar, 2022; Broome and Leslie, 2022). According to data from the most recent Wealth and Asset Survey (WAS) in 2016-18, Black African households held only £34,000 in net worth at the median, far less than the £314,000 held by white households (ONS 2020; Khan, 2020). Equally large are the wealth gaps for people in the Bangladeshi, Black Caribbean and Pakistani ethnic groups. The fact that ethnic minority groups have considerably less wealth than the White British majority is of concern because ethnic wealth inequalities can have adverse effects in various domains of an individual's life, like education, health, life expectancy, employment prospects and earnings but also because wealth is a crucial factor behind the transmission of advantage across generations. Moreover, the ethnic wealth disadvantage and in particular high levels of indebtedness and low levels of assets among ethnic minority groups can exacerbate the negative effects of income shocks on living standards of ethnic minority groups, which may further exacerbate existing inequalities – a highly relevant aspect in the context of the cost-of-living crisis.

Despite recent advances in the measurement of wealth and evidence on how average wealth holdings varies across ethnic groups (e.g. Khan, 2020; Bangham, 2020), data limitations and in particular the small sample size of ethnic minority groups in the Wealth and Assets Survey (the major survey for analysing wealth in the UK) mean that we know little of how ethnic wealth disparities vary among low- and high-wealth households and what lies behind the ethnic differences in wealth at different parts of the distribution. In this paper I analyse how ethnic wealth disparities vary across the distribution acknowledging that forms of discrimination and disadvantage are likely to affect people in different ethnic minority groups irrespective of their income or class position (Henahan and Rose, 2018; Platt and Zuccotti, 2021) – though to a differing degree – and these in turn may have knock-on effects on wealth. In doing so the paper provides a better understanding of both the magnitude and the drivers of ethnic wealth disparities at different parts of the distribution.

The starting point of the analysis of this paper, as in most analyses of wealth accumulation, is the lifecycle model. According to this, wealth accumulation in any given period depends on past labour market outcomes as well as on past savings, consumption and investment decisions, with wealth following a hump-shaped pattern being low during the younger and older ages and peaking during the middle years. Ethnic groups differ in many ways along these lines that might affect their wealth accumulation and their effects may vary across the distribution. First, as it is widely documented and analysed in the literature, ethnic minority groups have a substantial earnings disadvantage and lower labour force participation rates compared to their White British counterparts (e.g. Khan, 2020;

Longhi and Platt, 2009; Longhi, et al., 2013; Longhi and Brynin, 2017; Brynin and Guveli, 2012; Henehan, 2018; Byrne, 2020) and thus a lower capacity to save and accumulate wealth. Second, ethnic minority groups may have different consumption and saving propensities or different investment behaviour compared to the White British population. In turn ethnic differences in saving propensities and in investment behaviour may arise from cultural factors or by the fact that people from different ethnic backgrounds face different types of risks which may lead to them having different motives for precautionary and lifecycle savings. Existing evidence suggests that most ethnic minority groups are less likely to hold their wealth in the form of housing, financial assets, or business assets (Bangham, 2020). However, to the best of my knowledge no study to-date examines directly the extent to which these differences reflect differences between ethnic groups in the tendency to hold particular asset types (with differing degrees of risk and returns) or reflect the effect of resource constraints or differences in the saving propensity and investment behaviour among them. Another factor that may further contribute to the wealth disadvantage of ethnic minority groups relative to the White British majority is that they have a lower probability of receiving inheritances, especially larger inheritances. Furthermore, ethnic minority groups may have very different demographic composition than the White British majority (e.g. by being younger or living in larger households) and this may further contribute to the ethnic wealth gap. Similarly, ethnic differences in educational attainment may also contribute to the ethnic wealth gap, given the positive correlation between education and wealth accumulation (which may arise over and above the labour market returns to education including factors such as the investment behaviour and financial behaviours). Over the last two decades there have been important improvements in the educational attainment of many ethnic minority groups (Platt and Zuchotti, 2021) which may (or may have) contribute(d) towards closing the ethnicity gap in wealth. The extent to which this is realised depends on the extent to which the returns to education in the labour market and in other wealth generating domains do not differ across different ethnic groups. Existing evidence produced mixed results on this issue with some studies suggesting that the labour market returns to education are lower for some ethnic minority groups than the White British majority and others finding no evidence to support this (Zwysen, and Longhi, 2021; Britton, et al, 2021). Another potential driver of the wealth disadvantage of many ethnic minority groups in the UK is their high concentration in London, an area characterized by large and increasing inequalities in homeownership opportunities (which in turn is largely driven by the large reduction of affordable housing and skyrocketing house prices).¹ Given that owning one's home is arguably

¹ These in turn are driven in part by London's growing role as global investment destination but more importantly by a series of government policies including the implementation of the Right to Buy policy, the Long-Term Voluntary Transfers of housing stocks to housing associations, the expansions of the private redevelopment stock (Power, 2017).

one of the vehicles of wealth accumulation, inequities in homeownership opportunities have knock-on effect on wealth inequality. Beyond the factors mentioned above (residential location, age, income differences,), the homeownership opportunities of different ethnic groups may be also influenced by a number of other structural factors, including restrictions in social housing access (imposed for example by residency requirements), discrimination in the rental and the mortgage market.

This paper makes use of data from the *Understanding Society* survey to build a better understanding of the scale and the drivers of the ethnic wealth gaps in the UK. The major advantage of *Understanding Society* over the Wealth and Assets Survey (WAS) is that in addition to rich data on wealth, it includes ethnic minority migrant booster samples allowing separate consideration of how the wealth holdings of different ethnic minority groups vary across the distribution and for different components of wealth. This is important because both the drivers and the implications of ethnic wealth inequalities may be very different depending on whether one focuses on low, mid or high wealth households and this may differ for different types of wealth (e.g. financial vs housing wealth).

The paper proceeds as follows. The first section describes the data and the sample underlying the analysis. The second section first documents differences in asset ownership and in wealth composition across different ethnic groups, then examines how the wealth holdings of different ethnic minority groups compare to those of the White British majority across the distribution and investigates the contribution of different wealth components to the observed wealth gaps. The third section describes and presents results from a decomposition analysis, which aims to uncover the relative contribution of differences in income, education, demographics, parental social class and regional distribution in explaining the gaps in total net worth between different ethnic minority groups and the White British majority at different parts of the total net worth distribution. Decomposition results are presented for total net worth as well as for its two main subcomponents namely the net financial and net housing wealth. Due to sample size limitations, most analyses are conducted for the pooled sample of foreign and UK-born ethnic minority individuals (although the appendix also present some baseline results for the sample of UK-born individuals only). As in most analyses of wealth inequality that use data from one point in time, the analysis cannot disentangle all the alternative drivers underlying the ethnic gaps in wealth. Nevertheless, looking at different wealth components allows getting a better sense of the relative role of unobserved factors (such as savings and investment behaviours, intergenerational transfers) versus the effect of socio-economic and demographic factors in driving ethnic differences in wealth. The final section concludes by providing a summary of the results and discussing the policy implications of the findings.

2. Data

The main source of data used in this study is *Understanding Society: The UK Household Longitudinal Study* (ISER, 2020), which since wave 1 (2009/11) follows all eligible adult respondents in participating households annually, providing rich information on the social and economic circumstances of people living in the UK. Data collection for each wave takes place over a 24-month period and the first wave occurred between January 2009 and January 2011.² Currently waves 1-11 of the survey are available from the UK Data Service. In addition to providing rich data on wealth, *Understanding Society* includes ethnic minority migrant boost samples, which allows us to consider separately the wealth of different ethnic minority and migrant groups and their wealth holdings across the distribution. The initial ethnic minority boost (EMB) sample included in *Understanding Society* includes over 4,000 households. In wave 6 a further immigrant and ethnic minority (IEMB) boost sample of around 3,000 households was added in the survey intending to refresh the EMB sample by providing additional respondents from the five target ethnic minority groups (Indian, Pakistani, Bangladeshi, Caribbean, and African) (McFall et al 2020).

Measures of wealth in Understanding Society

Understanding Society provides data about the wealth and debts that people hold as well as how they subjectively feel about their finances to give a broader picture of household finances. Information on wealth, assets and debts that people hold were first collected, as part of a wealth module, in wave 4 and have been collected since then on a rotating 4-year basis (therefore currently wealth holdings data are available in waves 4 and 8). As part of the wealth modules, individuals were asked whether they held assets falling in any of the three broad asset categories i.e., savings, investments and debt. Savings are defined as interest-bearing deposit accounts³; investments include shares, unit trusts and Personal Equity Plans⁴, while debt includes a wide range of products including loans, overdrafts and amounts outstanding on mail orders and credit card debt⁵. In addition, for each type of broad asset,

² Although the years of adjoining waves overlap, respondents are interviewed around the same time each year and thus the data represent annual information.

³ More specifically information is recorded for the following savings accounts: Savings or deposit accounts (with a bank, post office or building society); National Savings; ISA - cash only; ISA - stocks and shares, or PEPs; Premium Bonds and Other types of savings accounts

⁴ National Savings Certificates / National Savings Bonds (Capital, Income or Deposit); Unit Trusts Investment Trusts (excluding ISAs/PEPs); Company stocks or shares, UK or foreign (excluding ISAs/PEPs); and Other investments (e.g. gilts, government or company bonds or securities, stock options)

⁵ More specifically debt products recorded by *Understanding Society* include: Hire purchase agreements; Personal loans from a bank; Catalogue or mail order; DWP/SSA Social Fund loan; Any other loans from private individual;

information is recorded on whether different types of assets are held and the total amount held, as well as the total amount held in investments and debt and on outstanding amount in credit cards. For savings and debt and credit card debt, questions are asked at individual level and then each individual is asked if any savings are held jointly with someone else (along with the household member with whom the savings or debt are held jointly). Respondents reporting sole and joint wealth holdings are asked to specify the amount of sole wealth holdings (and in 2005 the person with whom they hold their wealth jointly). For investments, questions are asked at household level and then each household is asked if any investments are held jointly with someone else outside the household and to indicate the amount that is held by household members. Respondents who indicate that they have assets in any of the asset categories are asked for the exact amount of their wealth holdings for each category, while those who either do not know or refuse to give an answer, are routed to a series of questions that attempt to put bounds on their asset holdings. To deal with missing and banded value of wealth I impute missing or banded values in wealth holdings using a conditional hot deck imputation method. The imputation is undertaken at the benefit unit level⁶ given that wealth that is held by individuals may be owned jointly with other family members but also because the assumptions required for imputing wealth are best performed within the benefit unit level, especially when there are incompatible answers between respondents of the same benefit unit about their joint wealth holdings. For each benefit unit with missing wealth value, asset holdings for each asset type are imputed by assigning a random value from all observations with matching characteristics (defined in terms of the age and employment status of the head of the benefit unit, and whether the head or his/her spouse have completed any higher education and in the case of benefit units with banded information the wealth range defined by the bands). When two adults in a benefit unit give incompatible answers for their joint wealth holdings, we calculate the maximum and minimum value of wealth that reflects the answers of both respondents and then impute a value using the standard imputation procedure for households that give a banded value for the wealth. This imputation procedure is used to impute values separately for each financial wealth component (savings, investments, debt). Based on these imputed wealth data a measure of household financial wealth holdings is constructed for each household in the survey by summing up the financial wealth holding of all families in the household.

Unlike financial wealth data, which are recorded every four years, data on housing wealth holdings are currently recorded in each wave. Recorded information includes the value of the main property

Overdraft; Student loans; Credit card debt. The amount recorded for credit card debt includes amount outstanding on credit cards (for respondents who report that are paying less than the full amount every month on their credit card).

⁶ Benefit unit is defined as a single adult or a married or cohabiting couple and any dependent children.

owned by the households (based on value that the household respondents expect to get if they sold it), the original purchase price of the house, the year of house purchase, the amount of the original mortgage, any additional mortgage taken out, the years remaining on their original mortgage, and the last amount of mortgage payment as well as the total amount outstanding mortgages or loans on the main property (currently recorded in wave 1 and in each wave from wave 6 onwards).⁷ The measure of net housing wealth used in this paper is defined as the value of the main property owned by the households (based on value that the household respondents expect to get if they sold it), net of any outstanding mortgages or loans on these assets (but does not include any other properties or land owned by the household). The measure of net worth used here is defined as the sum of net financial and net housing wealth.

Sample

The analysis of the paper is based on wave 8 of *Understanding Society* which incorporates both the initial EMB and the IEMB samples to maximise sample size. The sample is restricted to individuals aged 18 or older with non-missing information on wealth. Despite the large ethnic minority sample included in *Understanding Society*, the fact that wealth is characterized by a high degree of dispersion means that sample sizes for some ethnic groups is too small to derive reliable estimates of their wealth holding especially at the tails of the distribution. Ethnic groups with small sample size are therefore grouped together to minimize this problem.

The resulting eight ethnic groups along with their sample sizes are:

- White British (English, Scottish, Welsh, Cornish or Irish): N=23,838
- Other White: N=1,692
- Indian: N=1,214
- Pakistani: N=1,067
- Bangladeshi: N=585
- Other Asian (grouping Chinese and any other Asian or British Asian ethnic groups): N=428
- Black Caribbean: N=540
- Black African (grouping Black African and any other Black or Black British ethnic groups): N=744

⁷ In waves 2-5 information about the outstanding mortgage debt is not recorded. I estimated the amount of outstanding mortgage debt for exiting homeowners who did not change home between waves during this period using information on outstanding mortgage debt from wave 1 along with information about the remaining years of the mortgage, the amount of monthly mortgage payments and the years left to pay-off the mortgage. For those who become homeowners between waves I use information about the original amount of the mortgage, the remaining years left on the mortgage along with information about the amount of the last monthly mortgage payment for the estimation.

- Other (grouping mixed ethnicity ethnic groups, gypsy and travellers, Arabs and any other ethnicity ethnic group): N=802

3. Ethnic wealth gaps: an investigation across the distribution

Previous research on ethnic differences in wealth focused on how the mean or the median wealth holdings differ between racial and ethnic minority groups. This section goes beyond the mean and looks at the wealth differential between different ethnic groups across the distribution.

Asset ownership rates

Before considering this however, it is useful to examine differences in the portfolio composition of different ethnic groups' wealth. Previous work has identified low homeownership rates but also generally the balance towards low return assets as one of the drivers of low wealth holdings of ethnic minority groups. This is confirmed by Figure 1, which shows a substantial heterogeneity in the portfolio composition of different ethnic groups but also that the portfolios held by ethnic minority groups are more concentrated in low-average-return assets. Differences exist for all wealth types but given the substantial returns to housing wealth in the UK, most notable are the differences in homeownership rates (similar patterns have been documented by Commission on Race and Ethnic Disparities, 2021; Bangham, 2020). The group with the highest homeownership rates is the Indians (74%) followed by people from the White British group (around 69%) while at the other extreme the lowest homeownership rates are among the Black Africans (just 19%), the Bangladeshis (around 26%) and the Caribbeans (36%). The homeownership rates among Pakistanis, other Asians and Other ethnic group stands somewhere in between at around 50 percent.

Substantial differences also exist between ethnic groups regarding the ownership rates of savings and investment accounts. In descending order the groups most likely to hold savings accounts are: the White British (79%), Other Asian (74%) and Indian (73%), followed at some distance by Other (65%), Black African (60%), Pakistani and Bangladeshi (at 53% and 56% respectively).

The proportion holding investment accounts is much lower for all ethnic groups, but again with substantial differences between ethnic groups: around 19% and 17% of people of White British and Indian ethnicity respectively live in households which own investment accounts compared to 6%, 7% and 9% respectively of people of Black African, Bangladeshi and Pakistani ethnic group respectively. A somewhat higher proportion of people of Caribbean and Other Asian ethnic origin live in households owning savings accounts but still substantially lower than the White British ethnic group.

Ownership rates of mortgage and financial debt also vary substantially between ethnic groups. Among homeowners, ownership of mortgage debt is lowest among people in the White British ethnic group (47%), reflecting their higher outright homeownership rates (which itself is related to their earlier entry in the housing ladder). At the other extreme, people in the Black African ethnic group not only have the lowest homeownership rates (as seen above) but also the majority of Black African homeowners (a staggering 88%) have mortgage debt (suggesting that only 12% of Black African homeowners own their home outright). Differences in the rates of financial debt holdings are smaller but still substantial: the highest debt holding rates again are found among people in the Bangladeshi, Black African and Black Caribbean ethnic groups (68%-70%) and the lowest among people in the White British, Indian and the Pakistani ethnic groups (around 56%-57%). Breakdown by debt type (Figure 2) further shows that people belonging in some ethnic minority subgroups (most noticeable being the Black Caribbean and the Black African ethnic groups) are relatively more likely than others to use expensive forms of credit including overdrafts and credit card debt. Differences in the rates of student loan debt are also noteworthy but these mainly reflect differences in the age composition and university participation of different ethnic groups (Department for Business, Innovation & Skills, 2015). Student loans facilitate the financing of human capital investments of credit-constrained students, which can generate large labour market and wealth returns (Modigliani, 1966). However, ethnic minorities enjoy lower returns to education (Shaw et al., 2016; Lessard-Phillips *et al.*, 2014; Zwysen and Longhi, 2018; Britton et al, 2021) and are less likely to attend universities known to confer higher returns in the labour market (Belfield et al., 2018).⁸ The differential returns of the educational investments in turn may perpetuate the ethnic wealth disadvantage.

Total net wealth

Confirming evidence from earlier studies based on WAS, *Understanding Society* reveals that average household net worth holdings (i.e. defined as the sum of total household gross housing and financial assets minus total household liabilities on these assets i.e. financial debt and mortgage debt) exhibit a great deal of heterogeneity across different ethnic groups. People in the Indian and White British ethnic groups have the highest average household net worth levels (£260k and £246k respectively) which is more than twice that of individuals in the Pakistani (£114k) and Black Caribbean ethnic groups (£118k). People in the Black African ethnic group at the other extreme are

⁸ Rates of access to higher-tariff universities for BAME students have improved significantly over the years (UCAS, 2021).

the least well-off among all groups with a mean net worth (£44k) about six times lower than the White British and the Indian ethnic group.

As shown in Figure 3 which plots the various percentile points of the distribution of net worth for each group, individuals in all ethnic minority groups (except from the Indian ethnic group), have a substantial wealth disadvantage over their White British counterparts across the distribution. In absolute terms this disadvantage increases as one moves towards higher wealth percentiles while in relative terms it is the largest at the lower end of the distribution. The ethnic minority group with the smallest (absolute) wealth gap relative to the White British majority across the distribution is the Other Asian and that with the largest the Black African (followed closely by the Bangladeshi group). Individuals in the Pakistani, Black Caribbean and the Other ethnic groups stand in between. Differences in net worth between the White British at one extreme and the Black African and the Bangladeshi ethnic groups at the other, are striking at all parts of the distribution. For example, the median White British individual lives in a household that has almost as much wealth as a Black African individual at the 90th percentile. Remarkable differences are also observed at the lower end of the distribution where all ethnic minority groups are found to have substantially higher levels of negative net worth than the White British. Negative net worth holdings are the largest among the Black African, the Bangladeshi and the other Asian ethnic groups whose net worth at the 10th percentile amounts to -£26k, -£20k and £18k respectively, which is 13-19 times lower than that of the White British ethnic group (-£1.4k). Negative net worth stretches higher up the distribution for all groups but even more so for ethnic minority groups. Indeed, as shown in Figure 4, 12% of people in the Indian ethnic group and around 15% of people in the White British and Pakistani ethnic groups hold negative net worth, compared to 31% of people in the Black Caribbean ethnic group and 38% and 44% of those in the Bangladeshi and Black African ethnic groups.

In the analysis above is based on the pooled sample of foreign- and UK-born ethnic minority groups. Foreign-born ethnic minorities may have lower wealth than the UK-born ethnic minorities so it is useful to examine whether similar patterns are found if we exclude foreign-born individuals. Indeed as shown in Figure A1 in the appendix, the patterns are very similar if we exclude foreign born individual. The Indian wealth advantage increases across the distribution and though even those ethnic minority groups born in the UK continue to experience lower net worth than White British majority.

Net financial wealth

Different wealth components are associated with differing levels of risks, liquidity, returns and income and consumption generating flows and thus may have different implications on a household's ability to smooth consumption, build on equity and insure against income and lifetime risk. Thus, in

order to understand the source of the racial and ethnic disparities in wealth and their implications for living standards and for the reproduction of intergenerational inequalities it is important to examine the distribution of the two main components of wealth – net financial and net housing – separately. Figures 5 and 6 present the results. Several findings are worth highlighting. First, both figures show ethnic gaps that are striking and present across both distributions. Although the absolute differences in wealth are larger for net housing wealth than for financial wealth at the median and the upper mid of the distribution (50th and 75th percentiles) the reverse is true at the upper and the lower part of the distribution (i.e. at 10th, 25th and 90th percentiles). Second, it is worth noting that the ratio of the White British's wealth to each of the ethnic minority group's wealth increases more at higher wealth percentiles for financial wealth than for housing wealth, indicating that the upper part of the distribution is more compressed among ethnic minority groups, in relative terms, for housing wealth than for financial wealth. Worth noting are also the gaps at the lower part of the net financial wealth distribution where all ethnic minority groups have higher net financial wealth debt than the White British majority. At the 10th net financial wealth percentile people from the White British ethnic group have net financial debt of the magnitude of -£11k, substantially lower than most ethnic minority groups and especially the Bangladeshi and Black Africans ethnic groups (whose net financial debt amounts to -£33k and -£30k respectively) followed by other Asians, Indian, Black Caribbean and Pakistani ethnic group (at -£28k, -£19k, -£17k and -£15k respectively). People in the Bangladeshi and Black African ethnic groups not only have higher levels of net financial debt but also a higher proportion among them hold net financial debts around one in two compared to around one in three people in the White British, Indian, Pakistani and Other Asian ethnic groups (30-36%). This result in combination with the results presented above concerning the composition of debts of different ethnic groups reveals the nature and the scale of the debt problem faced by ethnic minority groups in the UK and highlights both their vulnerability to various income shocks (due for example to health or employment risks) and their exposure to reduced opportunities, life chances and economic insecurity. Ethnic wealth gaps at the upper part of the net financial wealth distribution are also striking both in relative and in absolute terms.

Net housing wealth

Given the homeownership gaps documented above, it is not surprising to see that there are large ethnic gaps across the net housing wealth distribution (Figure 6). With the exception of the people in the Indian ethnic group who have substantially higher housing equity levels than the White British ethnic group, most other ethnic groups have substantially lower housing equity levels across the distribution than the White British ethnic group. Again, the largest gaps across the distribution are found for the Black African and Bangladeshi ethnic groups and the smallest for those of Pakistani

and the Black Caribbean ethnic groups. People in the other Asian ethnic group also have substantial lower housing wealth holdings than the White British group at the median, but the gaps get progressively smaller at higher wealth percentiles and are not existent at the 95th percentile, indicating a larger degree of dispersion at upper part of the distribution for these ethnic minority groups than for the White British ethnic group.

The relative contribution of net financial wealth and net housing wealth in the total net worth gap at different parts of the distribution

Figure 7 examines the two components simultaneously to assess how much each of them contributes to the average ethnic wealth gaps in each decile of the net worth distribution. The results illustrate substantial heterogeneity with respect to the relative contribution of these two components to the gap across the net worth distribution. For most groups, gaps in net financial wealth holdings are making the largest contribution to the net worth gap in the lowest three and the highest two-three deciles of the net worth distribution whereas net housing wealth is the main contributor of the observed gaps at the middle of the distribution (between the 4th and the 7th decile groups).

The analysis of this section reveals the existence of stark ethnic divisions in people's net worth, and substantial heterogeneity between ethnic minority groups. The results also underscore the importance of homeownership in explaining ethnic differences in household wealth accumulation especially in the middle of the distribution. This is in line with previous research, which has highlighted the centrality of homeownership and its duration on overall household wealth accumulation. However, the results also clearly reveal stark differences across the distribution: at the top two-three decile groups (depending on which ethnic minority group we compare) the largest part of the ethnic net worth gap is attributable to differences in net financial wealth holdings while at the bottom three deciles to differences in net financial debt holdings. Overall, the observed patterns appear to reflect a mixture of differences in debt exposure (and more worryingly high-cost liabilities), and homeownership access constraints (most likely due to a combination of high housing costs and high house prices) constraining wealth accumulation of ethnic minority groups relative to the White British majority.

4. Understanding the source of the ethnic wealth gap

Methodology

It is clear from the results presented so far, that the gaps in wealth between people of different ethnicities are substantial and present across the distribution. This section seeks to examine the extent

to which these gaps are explained by differences between groups in observed characteristics (including a range of demographic and socio-economic factors). For this assessment, I use the decomposition method introduced by Firpo, Fortin and Lemieux (2018) – FFL thereafter.⁹ The FFL method is a regression-based method, which allows extending the Oaxaca-Blinder method beyond the mean to any distributional statistic such as percentile differences, the Gini coefficient and others. The technique relies on the estimation of a regression, where the dependent variable is replaced by a recentered influence function (RIF) transformation and so any distributional statistics can be decomposed based on the regression results. Thus, the FFL method enables using the Oaxaca Blinder method to decompose the ethnic wealth gaps at different parts of the distribution into the part that is explained by differences in the distribution of characteristics between ethnic groups and the unexplained part and further dividing these two components into the contribution of each covariate. This is particularly useful for the purpose of this paper as it allows disentangling how differences in the distribution of each characteristic and difference in the returns are contributing to the ethnic wealth gap across the distribution.

In this paper I focus on the differences in the percentiles of wealth between each ethnic minority group and White British majority:

$$\Delta_{P\tau} = [(\hat{\alpha}_w - \bar{X}'_w \hat{\beta}_w) - (\hat{\alpha}_w - \bar{X}'_e \hat{\beta}_w)] + [(\hat{\alpha}_w - \bar{X}'_e \hat{\beta}_w) - (\hat{\alpha}_w - \bar{X}'_w \hat{\beta}_w)]$$

Where $\Delta_{P\tau}$ is the difference in percentile τ of the wealth distribution; $\bar{X}'_w, \bar{X}'_e$ are the average observed characteristics of White British (w) and ethnic minority group (e) respectively; $\hat{\beta}_w$ and $\hat{\beta}_e$ are respectively the coefficients obtained from the regression of the RIF variables of percentile P_τ on the set of explanatory variables for the White British (w) and each of the ethnic minority groups (e). The first terms in the equation captures the effect on the ethnic wealth gap at P_τ caused by differences in the distribution of characteristics between each ethnic group and the White British majority (explained component). The second term corresponds to the effect of the differences in the coefficients between each ethnic minority group and the White British majority (unexplained

⁹ I also implemented decompositions using the semi-parametric decomposition approach proposed by DiNardo, Fortin, and Lemieux (1996). Similarly, to the FFL method the DFL allow considering gaps across the entire wealth distribution and enable decomposing the ethnic wealth gap into the part that is explained by differences in the distribution of characteristics between ethnic groups and the unexplained part. The DiNardo, Fortin, and Lemieux (1996) approach involves comparing the wealth distribution of one group with a counterfactual distribution that mixes the characteristics of the group in question with the wealth function of a comparator group, and thus enables us to construct counterfactuals of the total distribution under different scenarios. Unlike the FFL however, the DFL does not allow to divide the both the compositional and the wealth structure effect into the contribution of each covariate. For this reason, the discussion in this paper focuses on the FFL decomposition.

component). For both the characteristics and the coefficients effects, the contribution of each explanatory factors can be distinguished.

In the decomposition implemented in this paper, I consider the contribution to the gap of a range of factors, which can be thought as important determinants of wealth accumulation. These include the following: (1) income (captured by dummies indicating deciles of the equivalised household disposable income); (2) educational attainment (by six dummies indicating the educational attainment of the household head or his/her spouse whichever was higher); (3) region of residence (captured by a London dummy); (4) the age of the household head to capture lifecycle differences in wealth accumulation (5) controls for the family type and household size; and (6) parental social class. In all decompositions, we use the White British as our base ethnic group and compare it to each of the ethnic minority groups.¹⁰ I implement this decomposition first for total net worth and then for each of its subcomponents separately, considering both differences in the extent of ownership of different types of assets, the degree of indebtedness as well as levels of wealth holdings.

Table 1 presents descriptive statistics for the variables used in the decomposition. In relation to the households' demographic characteristics, we observe that on average, each of the ethnic minority groups is younger than the White British group (average age of 56 years). The youngest ethnic minority group is the Black African (reflecting most likely their different migration and fertility patterns) who have an average age of 48 years and the oldest group the Black Caribbean (average age 54 years old). Most ethnic minority groups tend to have higher level of education in comparison to the White British ethnic group (except from people in the Bangladeshi ethnic group). For example, 46% and 48% of people in the Indian and Other Asian ethnic groups respectively have a degree while 11% and 9% respectively have no qualifications compared to almost 18% of their White British counterparts.¹¹ Lone parenthood also differs substantially across ethnic groups. The Black African and Caribbean ethnic groups have the highest lone parenthood rates at around 16%-17%. This is more than three times higher than the White British, Pakistani and Other Asian ethnic groups and eight times higher than the Indian and Bangladeshi ethnic groups. Considering differences in the geographic distribution, we see that ethnic minority populations are much more concentrated in London (by four to five times) than the White British population. There is also some clustering among

¹⁰ I conducted some sensitivity analysis using ethnic minority group as an alternative base group. The results from this alternative decomposition implied even lower effect of characteristics in explaining the ethnic wealth gap. The discrepancy in the estimated effect arises because wealth differences among ethnic minority groups are much less sensitive to differences in income and demographics than wealth differences among whites (see discussion in Gittleman and Wolff (2004) for the US).

¹¹ Studies that examine the educational attainment of ethnic minority groups point include Dustmann et al, (2011); Platt, (2007); Platt and Zuccotti (2021).

the Indian and the Pakistani ethnic groups in the West Midlands and among other Asians in the South-East, but this is much smaller in magnitude. In terms of income distribution, we see that except from people in the Other Asian ethnic group all other ethnic minority groups do worse than their White British counterparts, having substantially lower incomes and being more heavily represented at the lower part of the income distribution (especially the Pakistani and Bangladeshi and the Black African ethnic groups). Finally, in relation to the parental social class we see that Black Caribbean and Bangladeshi are the two groups with the most disadvantaged social class origin than any other group. For people in the Indian, Pakistani, and Black African ethnic groups the disadvantage arises from high levels of parental worklessness.

Overall, the evidence from these descriptive statistics suggest that ethnic minorities differ substantially in terms of their demographic and socio-economic characteristics and these differences could be driving the way that wealth holdings differ across ethnic groups. The next section isolates the impact of these factors using the decomposition method described above to understand how much of the ethnic wealth gaps can be attributed to these differences and how much remain unexplained.

Results

Results of the decomposition for net worth are presented in Table 2. Each panel of this table breaks down the overall gap in wealth between the White British and each of the ethnic minority groups at different wealth percentiles into the part explained by differences in the observable characteristics (aggregate compositional effect) and the unexplained part (or the wealth structure effect which captures differences in the coefficient between the White British and each of the ethnic minority groups). Subsequent rows of each panel show the detailed decomposition results for each of the covariates.

Overall, the results illustrate substantial heterogeneity regarding the overall impact that differences in characteristics have in explaining the wealth gaps of different ethnic minority groups and the White British majority and the relevance of each factor in driving these differences at different parts of the distribution. Considering the results for the Indian ethnic group first, it emerges that differences in characteristics make a negative contribution to the wealth advantage that people in the Indian ethnic group have over the White British counterparts at the 10th and the 25th percentiles but a positive contribution to the Indian wealth advantage at above the median. This means that if people in the Indian ethnic group had the same characteristics as their White British counterparts, their wealth advantage at the 10th and 25th percentile would increase further (reflecting the fact that at these wealth levels they have characteristics that are associated with lower wealth) whereas at above the median wealth levels it would turn into a wealth disadvantage (reflecting the fact that at these wealth levels

the Indian ethnic group have characteristics associated with higher wealth holdings compared to their White British group). Differences in the coefficients between the two groups made a positive contribution to the gap (increasing the Indian wealth advantage) at the 10th and 25th percentile and a negative contribution at above the median wealth levels (i.e. decreasing it).

A general pattern that emerges when examining all other ethnic minority groups is that the effect of differences in characteristics in explaining the ethnic wealth gaps are concentrated at lower end of the distribution and get progressively smaller before eventually turning negative at higher wealth percentiles. For example, we see that while differences in characteristics explain the largest proportion of the ethnic wealth disadvantage of most ethnic minority groups at the 10th percentile, at the 25th percentile they explain around 69% of wealth gap for people in the Pakistani ethnic group and only just around 10%-20% of gap for all other groups. At the 50th percentile, characteristics continue to explain a sizeable share of the wealth disadvantage of the Pakistani ethnic group but explain an even lower share of the wealth disadvantage of people in the Bangladeshi, Black Caribbean and Black African ethnic groups. At the 75th percentile, although differences in characteristics continue to explain a sizeable share the wealth disadvantage of the Pakistani ethnic group, for all other groups the characteristic effect turns positive, suggesting that differences in observable characteristics at these wealth levels work to narrow (rather than to widen) the ethnic wealth gap for these groups. At the 90th percentile, the effect of characteristics is insignificant for the Pakistani ethnic group while for all other groups it contributes further towards the reduction of their wealth disadvantage. Again the returns to characteristics counteract this positive characteristic effect significantly widening the gap.

The detailed decomposition results presented in subsequent rows of the table provide further interesting details regarding the source of the ethnic wealth gaps. Again, there are also stark differences in the relative strength of different covariates both across the distribution and across ethnic groups.

Differences in the age composition play the largest role of all characteristics in explaining ethnic wealth for all ethnic minority groups. The effects of age differences are largest for the Other Asian (more than accounting for their wealth disadvantage across the distribution) and for the Pakistani ethnic group (explaining a large share of their wealth disadvantage relative to the White British majority across the distribution and especially at the lower end). Differences in the age composition have a smaller role in explaining the wealth disadvantage of all other ethnic groups, although some significant effects are found at both ends of the distribution for the Bangladeshi and Black African ethnic groups and at the top end for the Black Caribbean ethnic group. The returns to age contribute

significantly to the wealth disadvantage of the Bangladeshi ethnic group throughout the distribution while they contribute to the reduction of the wealth disadvantage of Pakistani and other Asian ethnic groups at all parts of the distribution. For the Black Caribbean and the Black African ethnic groups, the returns to age differ across the distribution, making a positive contribution to the gap at the lower end of the distribution but no significant contribution at other parts of the distribution.

Differences in the household composition explain some of the lower wealth holding of Pakistani, Bangladeshi, Black Caribbean and Black African ethnic groups at the lower end of the distribution but have a very modest role or even a negative role in explaining the gaps at other parts of the distribution. For the Other Asian group differences in household composition relative to the White British group make a negative contribution in explaining the gap throughout the distribution with very strong negative effect at the top end of the distribution. For all groups the returns to household composition are either lower than or not significantly different from the returns estimated for the White British group.

Income differences also explain some wealth disadvantage of ethnic minority group but for many groups the effect is not as large as is often assumed. In particular, as shown in Table 2, while income disparities play a large and significant role in explaining the Pakistani wealth disadvantage at all parts of distribution they have a more moderate role in explaining the Bangladeshi, Black Caribbean, and Black African wealth disadvantage (and mostly at the lower end of the distribution) and even a negative role in explaining the Other Asian wealth disadvantage (i.e. income differences contribute to the reduction of the wealth disadvantage of people in the Other Asian group compared to their White British counterparts). For most groups however (except from the Bangladeshi), the coefficient effect of income is negative suggesting that the wealth returns to income are lower for people in the ethnic minority groups than for their White British counterparts, contributing significantly to the wealth disadvantage of all ethnic minority groups.

Reflecting the fact that ethnic minority groups are concentrated in London, which is characterised with above average wealth holdings, generally, differences in the regional distribution have either an insignificant or a positive effect to the ethnic wealth disadvantage of most ethnic groups (i.e. they make an insignificant or a negative contribution in explaining the ethnic wealth disadvantage). By contrast, the coefficient effect is negative for all ethnic groups suggesting that the wealth returns to region are much lower for ethnic minority groups than for the White British ethnic group.

Similarly, to region, ethnic differences in educational attainment make a negative contribution in explaining the wealth disadvantage of most ethnic groups (except from the Bangladeshi ethnic group).

The returns to education also differ substantially across groups and across the distribution being positive for some groups and negative for others and with no clear patterns across the distribution.

Finally, as concerns the effect of parental social class the results show that while differences in the distribution of parental social class explain relatively little of the wealth disadvantage of most groups the coefficient effects suggest that the returns to parental social class are higher for most ethnic minority groups than for their White British counterparts.

Table 3 and 4 show the results of the decomposition for the net financial wealth and net housing wealth respectively. Comparing the two tables we see that characteristics play a large role in explaining ethnic wealth disparities in financial wealth. Positive compositional effects are found across the distribution, with the effects being especially large at below the median wealth levels (more than accounting for the observed differences in wealth for all groups except from the Black Caribbean ethnic group). This finding suggests that the low levels of financial wealth holdings and high levels of indebtedness, are not due to ethnic groups having different attitudes towards savings and debt but rather due to the fact that they are younger, live in larger households and have lower incomes than their White British counterparts. If anything at the bottom of the financial wealth distribution differences in the returns to characteristics between ethnic groups work to narrow rather than to widen ethnic wealth gaps for most ethnic minority groups.

In contrast to the results for financial wealth, compositional differences either play a much smaller role or even work to narrow the housing wealth disadvantage of ethnic minority groups with lower housing wealth relative to the White British majority. Thus, it appears it is the returns to the characteristics (rather than differences in characteristics) that are driving the gaps in housing wealth. By contrast, compositional differences account for the largest share of the higher housing wealth that the Indian ethnic group have over the White British group. Looking at each characteristic separately, it is clear that for most groups, it is the lower returns to region, income and demographics that are mainly driving this pattern while the returns to education, parental social class are either working to reduce the wealth gap or have an insignificant impact.

5. Conclusions

This paper aimed to make several contributions to advance our understanding of the racial and ethnic disparities in wealth in the UK and the contribution of wealth-relevant characteristics (including income, education, parental social class and various demographic characteristics) in explaining these disparities. In line with prior research, the evidence presented here suggests that ethnic minorities in

the UK are not equally disadvantaged. On the one hand, the Indian ethnic group have higher wealth holdings than the White British group in most parts of the distribution (except from the high end of the distribution) whereas all other ethnic minority groups have substantially lower wealth holdings across the distribution and more importantly higher levels of indebtedness at the lower end of the distribution compared to the White British group. The wealth disadvantage of people in each of the ethnic minority groups with lower wealth levels compared to their White British counterparts increase throughout the wealth distribution (albeit the magnitude of the increase differs substantially among them), and are especially large for the Bangladeshi, Black African and Caribbean ethnic groups. Disaggregation by wealth component has shown that at the middle of the wealth distribution differences are mostly attributable to housing wealth whereas at the top and bottom quartiles due to differences in financial wealth and financial debt respectively.

For all ethnic minority groups with lower wealth holdings relative to the White British group, their wealth disadvantage is reduced but remain substantial across the distribution, even after accounting for differences in observable characteristics (income, demographics, education, parental social class and differences in the regional distribution). The scale of the wealth gap that is explained by differences in observable characteristics varies across the distribution and across different ethnic minority groups. However, as a general observation, it appears that differences in characteristics mattered relatively more for low-wealth than for middle-wealth households while they had a negligible effect for high-wealth households. Decomposing the gaps of each wealth component separately I found that the unexplained effects in total net worth are operating mostly through housing wealth. For financial wealth, differences in observable characteristics over-explain the ethnic wealth gap at the lower end of the distribution for all ethnic groups (except from the Black Caribbean) and although more moderate in their effect they explain a non-negligible share of the financial wealth gap at higher financial wealth levels (20%-30%). This finding suggests that at the lower part of the financial wealth distribution, it is the fact that ethnic minority groups have characteristics that are associated with lower financial wealth (e.g. having lower income, being younger) rather than other unobservable factors (e.g. differences in savings propensity or in propensity to hold debt) that drive the ethnic disadvantage in financial wealth (and particularly their high levels of indebtedness). By contrast, the lower housing wealth holding of ethnic minority groups with lower housing wealth compared to the White British group is not explained by differences in observable characteristics. It is likely that at least some of the large unexplained gap in housing wealth is due to differences between ethnic groups in the probability of receiving inheritances or inter vivos family transfers for house purchase. The length of time that different ethnic group have been in the UK may also play some role but the extent of the differences in housing outcomes of groups with similar migration patterns

suggest that this is not the main explanation. Structural factors such as restrictions in social housing access (imposed for example by residency requirements) and discrimination in the rental market may further constraint the homeownership opportunities of ethnic minority groups by creating disproportionately high housing costs. Alternatively, the homeownership opportunities of ethnic minority groups may be further constrained by discrimination in the mortgage market. Future research is required to measure and disentangle the effect of each of these factors.

Overall, the findings about the large heterogeneity in levels and drivers of the wealth holdings of different ethnic groups highlights how grouping all ethnic minority groups together can lead to loss of crucial information about the specific vulnerabilities of specific ethnic groups, limiting the design of appropriate measures to address them. This is crucial given the importance of wealth on various domains of life (education, health, life expectancy, employment prospects, earnings, and intergenerational mobility) and its implications on households' capacity to sustain the negative effects of income shocks. This is particularly relevant in the context of the cost-of-living crisis currently unravelling (Broome and Leslie, 2022).

In light of the findings of the paper, strategies that can be developed to boost the wealth holdings and protect disadvantaged ethnic minorities from over-indebtedness include the following.

Strategies to increase exposure to housing returns

- Strengthen and expand shared equity policies or introduce some other financial instrument to increase ethnic minorities' homeownership and their exposure to housing returns;
- Increase support for public housing policies to support tenants especially for the most disadvantaged and ethnic minority groups;
- Explore reforms to capital gains tax to help limit the excessive gains disproportionately benefiting people from advantaged ethnic backgrounds and use the revenues to fund policies facilitating access to homeownership for more disadvantaged groups;

Strategies to decrease exposure to high-cost liabilities and boost savings

- Address ethnic gaps in earnings and labour force participation;
- Address any barriers of access to formal credit which may increase to cost of borrowing;
- Work with relevant stakeholders to increase the availability and use of affordable credit, as well as of appropriate financial products and services that boost savings

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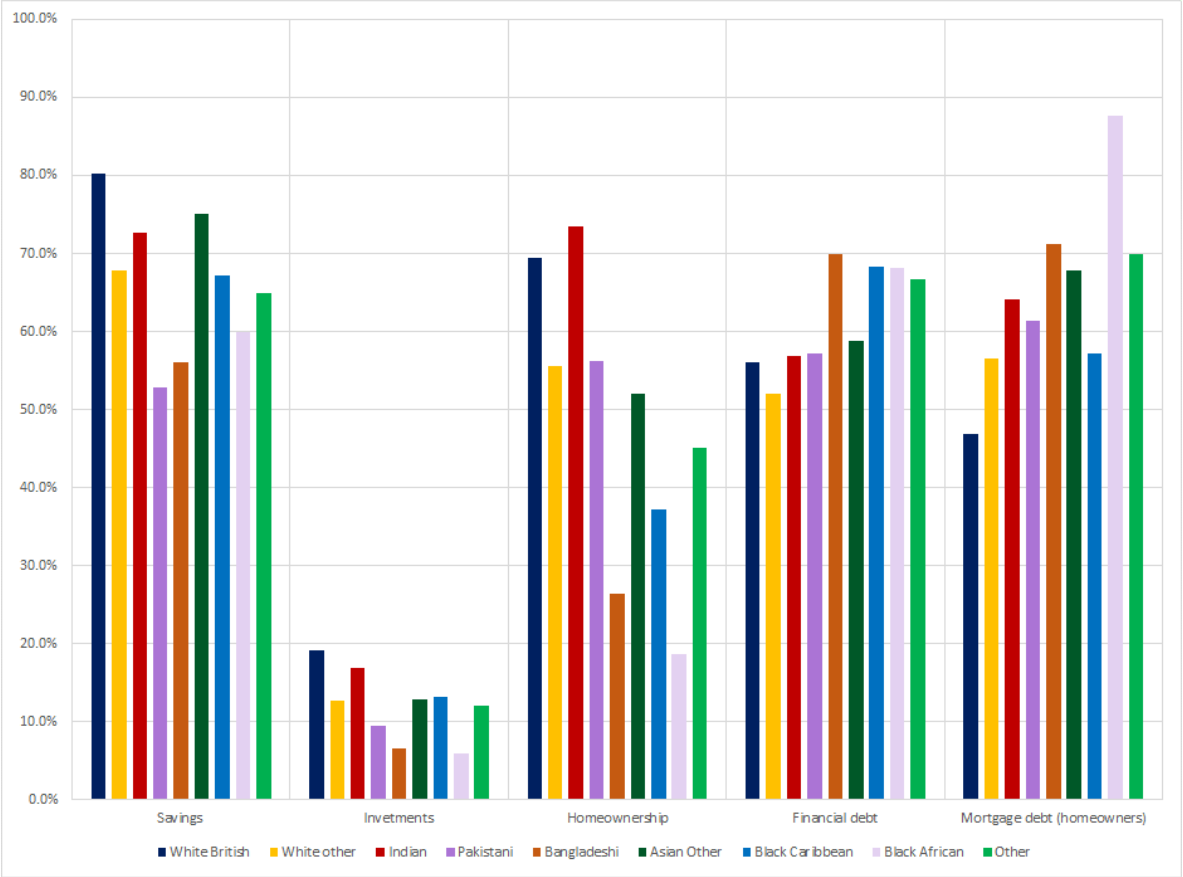
Table 1: Descriptive statistics

	White British	White other	Indian	Pakistani	Bangladeshi	Other Asian	Black Caribbean	Black African	Other
Net worth (£)									
Mean	246,138	200,758	260,827	114,290	63,218	199,462	118,496	44,719	154,841
Median	140,364	69,600	159,502	47,681	0	69,175	1,944	0	3,000
Income decile (%)									
Bottom decile	9.1	8.7	9.9	28.5	24.7	13.2	13.4	16.8	15.0
2	9.7	12.1	7.3	21.1	21.4	4.4	11.6	12.2	10.6
3	9.9	9.0	12.4	15.0	13.5	6.8	12.3	18.3	15.2
4	10.1	10.6	7.2	9.8	5.3	7.4	9.2	12.1	8.2
5	10.0	10.3	11.4	6.4	10.5	9.3	11.5	11.7	10.9
6	10.2	9.5	7.4	7.7	7.1	16.8	11.1	6.8	7.3
7	10.4	7.7	7.6	4.6	8.6	11.2	7.0	3.4	8.6
8	10.2	9.6	11.6	2.5	4.9	8.4	6.6	7.6	8.8
9	10.1	11.6	15.2	2.6	2.0	9.9	7.5	7.0	6.6
Top decile	10.2	11.0	10.1	1.8	2.1	12.7	9.9	4.3	8.7
Mean income (£)	1,902	1,975	1,913	1,212	1,310	1,971	1,763	1,526	1,697
Median income (£)	1,643	1,601	1,676	1,066	1,149	1,697	1,478	1,303	1,435
Household type (%)									
Elderly single	10.0	7.6	2.2	1.8	1.7	1.6	9.7	2.5	2.7
Non-elderly single	21.4	19.9	18.9	24.4	22.0	23.9	39.0	32.5	32.1
Lone parents	4.6	4.8	1.4	5.1	1.9	4.6	15.4	17.5	13.4
Elderly couple	19.4	12.0	11.1	5.5	3.1	4.7	4.7	2.7	5.3
Non-eld couple	21.2	18.1	18.7	13.6	12.5	24.0	9.6	8.8	14.4
Non-eld. couple with ch.	23.4	37.7	47.6	49.7	58.7	41.3	21.5	36.0	32.2
Multi-family household									
No MFH	71.88	72.84	56.65	43.42	41.91	69.45	58.66	57.22	60.53
Yes MFH	28.12	27.16	43.35	56.58	58.09	30.55	41.34	42.78	39.47
HoH Educ. (%)									
Degree or above	28.31	37.96	45.32	31.1	25.74	48	27.55	40.38	40.68
Other higher	11.08	10.61	12.48	7.05	6.75	15.5	17.2	20.55	11.34
A-level	7.88	4.96	8.77	7.97	10.73	4.76	9.83	8.56	7.69
GCSE	17.62	6.13	8.46	12.55	21.4	10.04	17.91	6.88	8.3
Lower secondary	6.29	4.16	4.51	7.49	5.7	3.21	10.55	6.35	5.5
No qualification	18.19	18.12	11.29	16.77	26.79	9.12	12.76	10.47	18.11
Missing	10.64	18.07	9.16	17.07	2.88	9.37	4.2	6.8	8.39
Household size (%)									
1	17.5	17.3	6.2	3.4	2.4	12.4	20.9	13.6	12.9
2	37.5	27.6	15.0	8.4	6.0	22.7	28.1	13.3	25.2
3	18.3	21.5	19.1	9.0	9.0	23.2	23.2	14.6	16.3
4	18.0	22.4	36.4	22.2	23.0	27.7	18.5	21.8	27.4
5	6.0	6.5	10.5	19.6	21.8	9.5	6.7	19.0	10.0
6	2.8	4.8	12.8	37.4	37.7	4.5	2.5	17.7	8.2
Mean household size	2.7	2.9	3.7	4.6	4.7	3.1	2.7	3.7	3.2
HH age group (%)									
16-25	1.9	1.3	0.6	1.2	2.2	1.9	0.8	2.8	2.6
26-35	9.0	13.4	7.9	8.1	6.9	13.7	6.9	12.2	14.6
36-45	13.9	23.0	29.0	26.2	26.8	29.4	17.0	29.1	23.2
46-55	24.1	24.6	26.5	30.3	36.7	28.0	35.8	35.4	33.1
56-65	21.5	16.4	18.5	21.8	17.1	18.5	21.5	14.0	16.1
66-75	17.2	13.3	10.6	5.5	3.5	5.7	8.0	3.3	6.9
75+	12.5	8.0	7.0	6.9	6.9	2.7	10.0	3.1	3.5
Mean age of HH head	56.4	52.0	51.9	51.1	49.8	48.6	54.3	47.5	48.4
Region (%)									

North West & North East	16.6	7.2	7.5	18.6	5.1	4.7	3.2	8.9	7.0
Yorkshire and the	9.6	6.5	5.4	16.6	4.6	3.3	1.4	9.2	7.0
East Midlands	8.1	4.3	9.9	2.6	2.3	2.1	4.7	4.1	5.3
West Midlands	8.9	5.3	12.7	20.5	10.7	2.7	11.4	5.6	11.6
East of England	9.9	9.1	5.4	7.0	8.3	11.6	7.3	8.7	8.8
London	7.5	22.1	43.2	22.9	64.9	35.5	62.1	52.1	34.3
South East	14.3	14.5	9.6	6.4	3.2	22.1	6.8	7.5	9.2
South West	9.6	7.3	3.4	1.1	0.5	6.5	1.9	1.5	8.9
Scotland & Wales	15.6	23.6	2.9	4.4	0.3	11.4	1.2	2.3	8.1
Parental social class (%)									
High	7.5	9.7	11.1	7.0	6.1	19.0	4.5	20.9	13.7
Mid	24.9	25.4	29.7	24.3	18.6	27.2	26.0	27.4	29.1
Low	23.7	18.0	18.3	17.1	14.4	11.7	32.4	10.4	16.7
missing	26.4	29.2	23.0	26.9	19.3	28.1	12.8	16.6	20.8
not working	7.1	7.7	11.3	15.7	22.8	3.8	7.5	9.4	6.5
Absent/deceased	10.4	10.0	6.6	9.0	18.8	10.2	16.9	15.3	13.3
Unweighted sample base	23613	1672	1189	1062	574	417	535	732	798

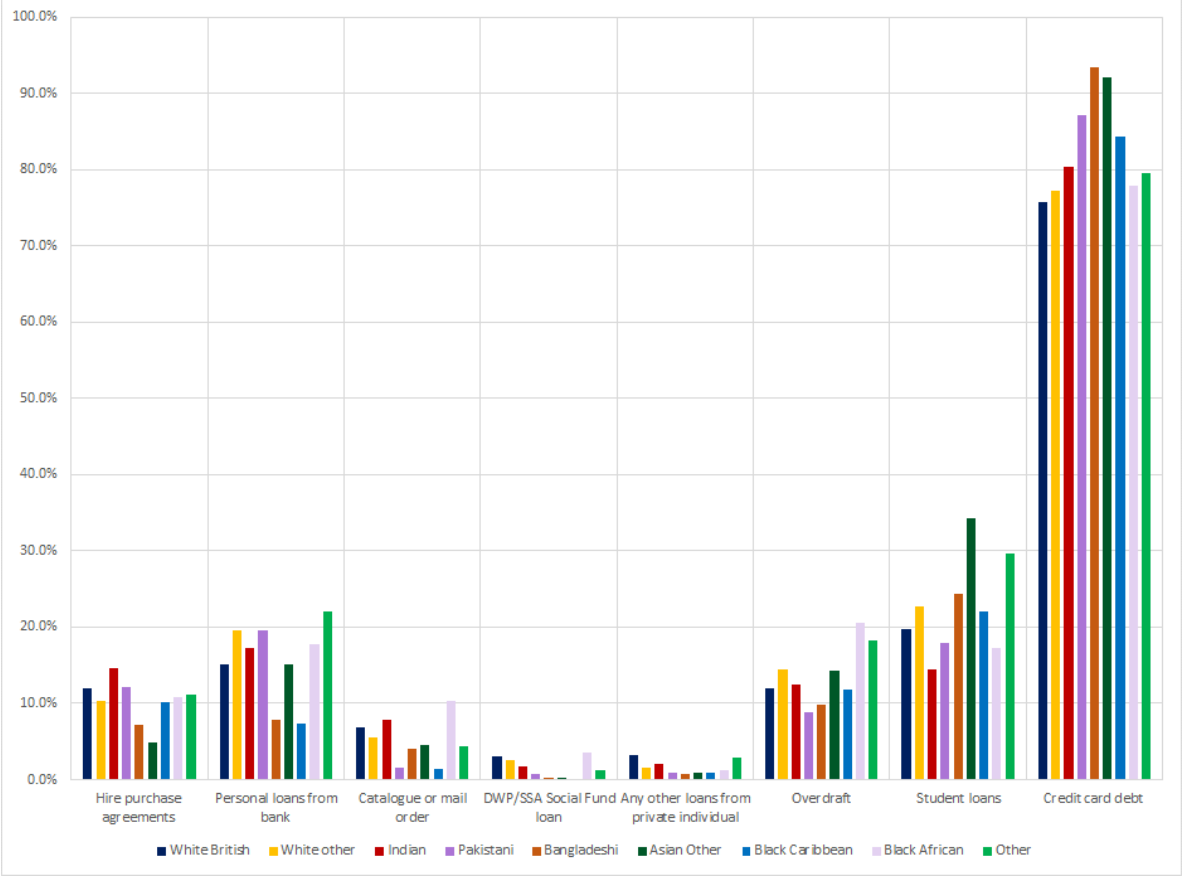
Note: Analysis of the Understanding Society wave 8. The sample sizes in decreasing order are: White British (23,613), Other White (1,672) Indian (1,189), Pakistani (1,062) and Bangladesh (574), Other Asian (including Chinese and any other Asian or British Asian ethnic groups 417), Black Caribbean (535), Black African (732), Other (802) (mainly mixed ethnic groups but also gypsy and travelers, Arabs and other ethnic group).

Fig. 1: Racial and ethnic group differences in ownership of the main assets and debt components



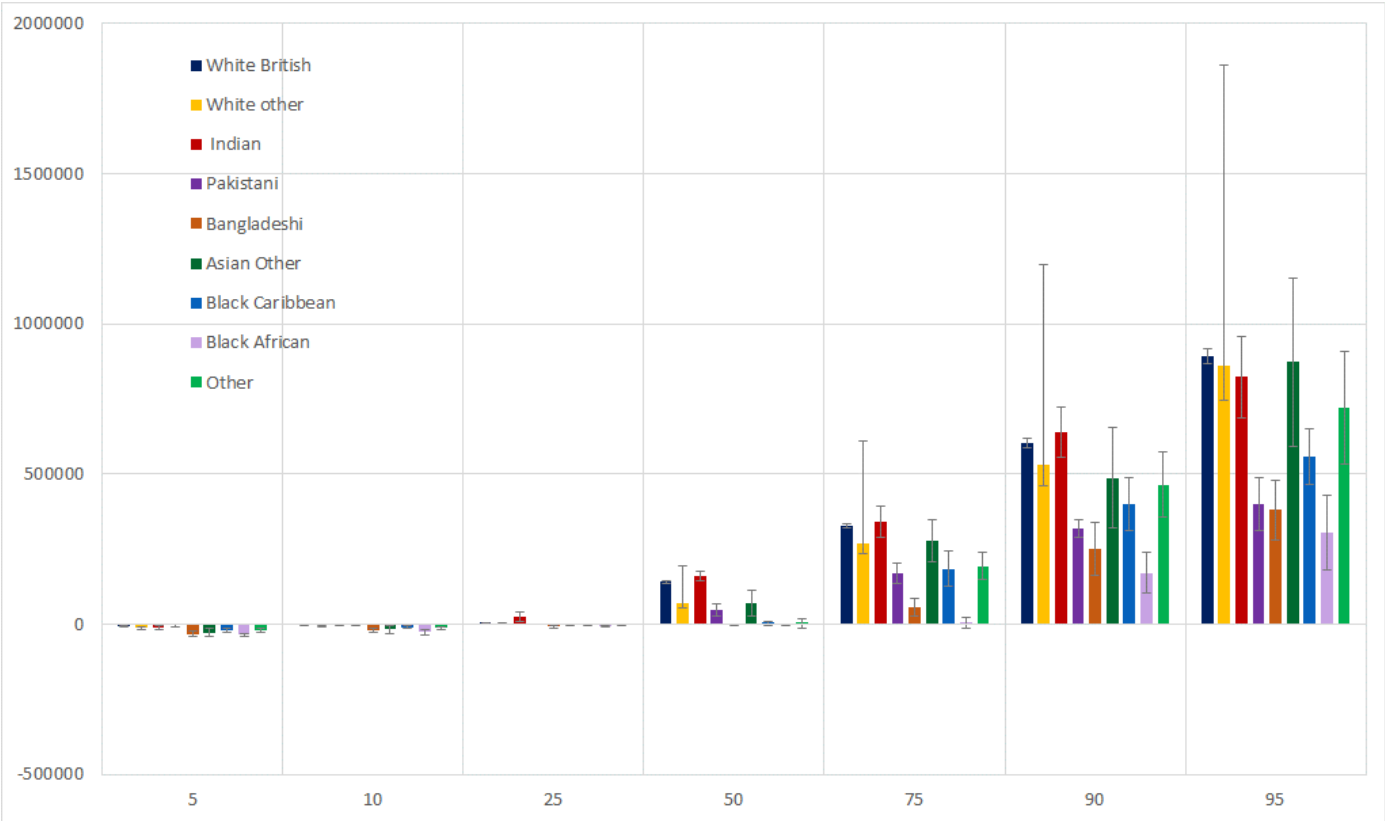
Note: see note Table 1

Fig. 2: Ownership of different types of financial debt by ethnicity



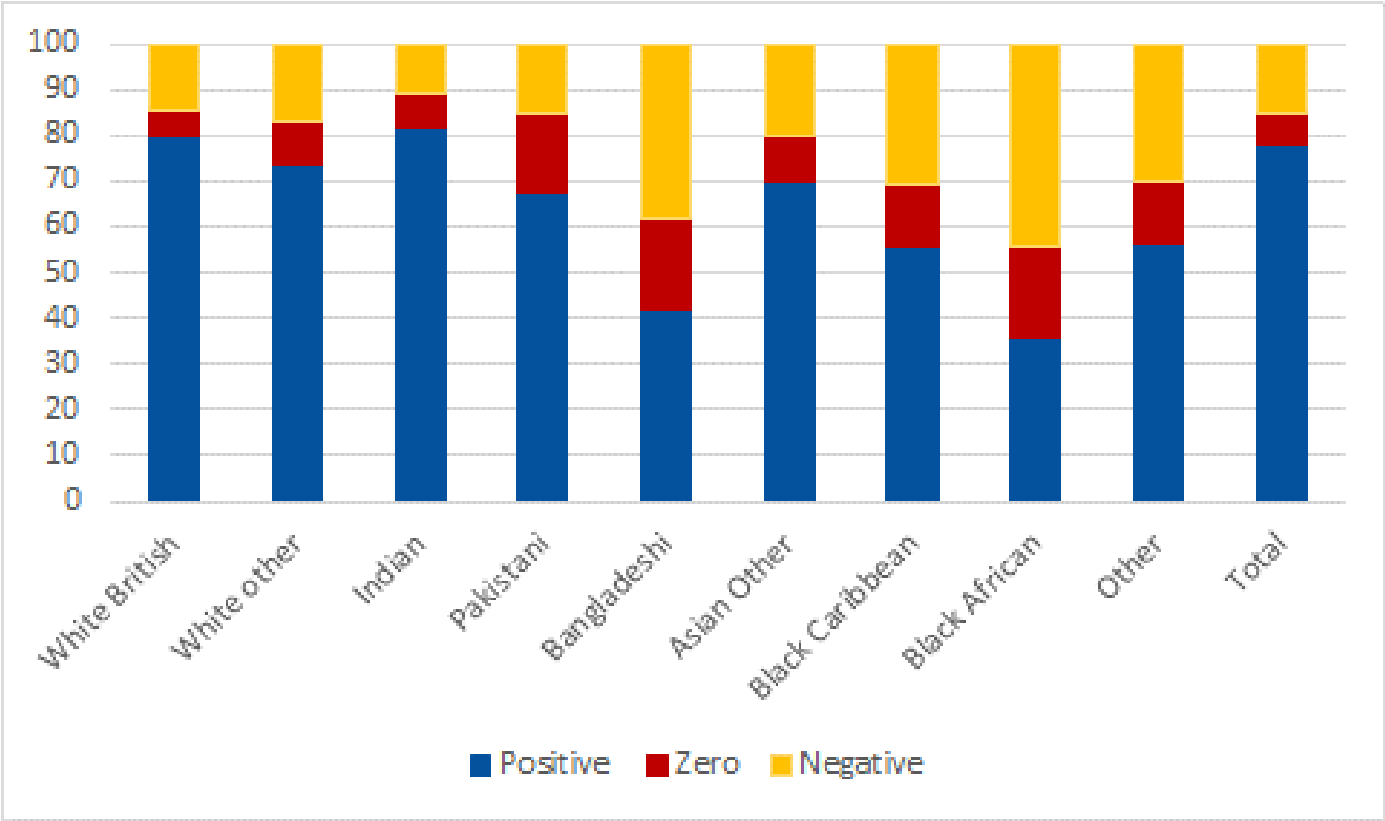
Note: see note Table 1

Fig. 3: Percentile points of the net worth distribution by ethnic group



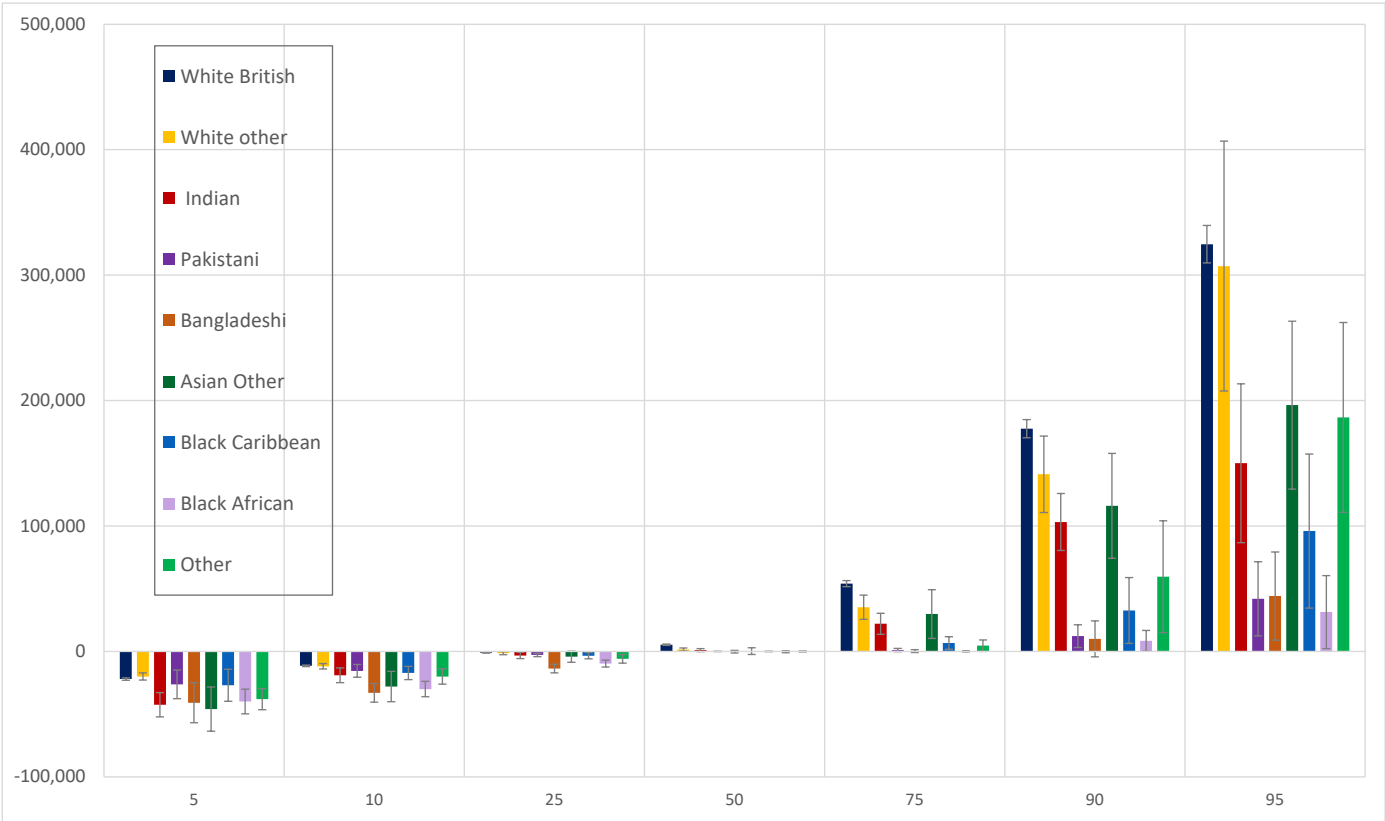
Note: see note Table 1

Fig. 4: Proportion of the population with positive, negative and zero net worth by ethnic group



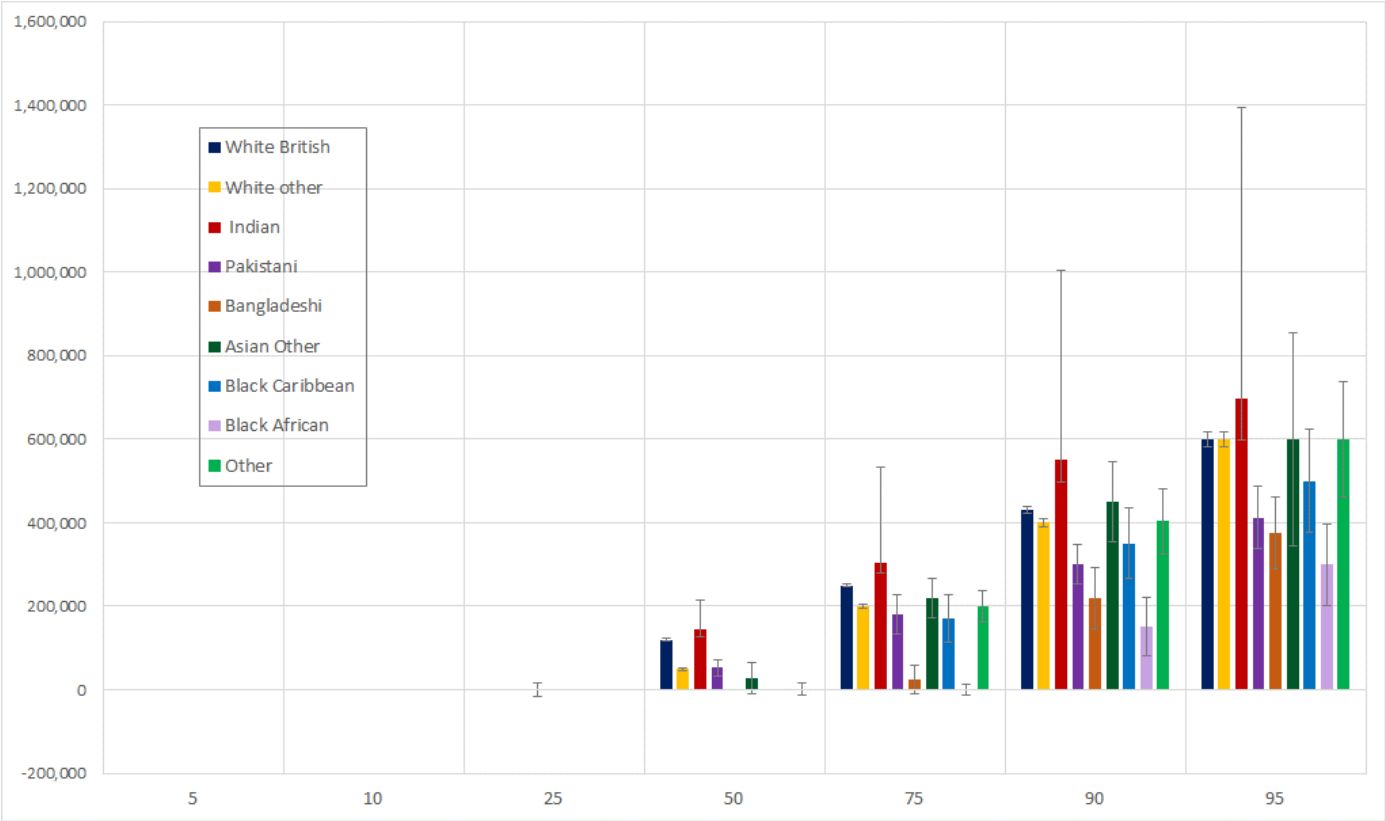
Note: see note Table 1

Fig. 5: Percentile points of the net financial wealth distribution by ethnic group



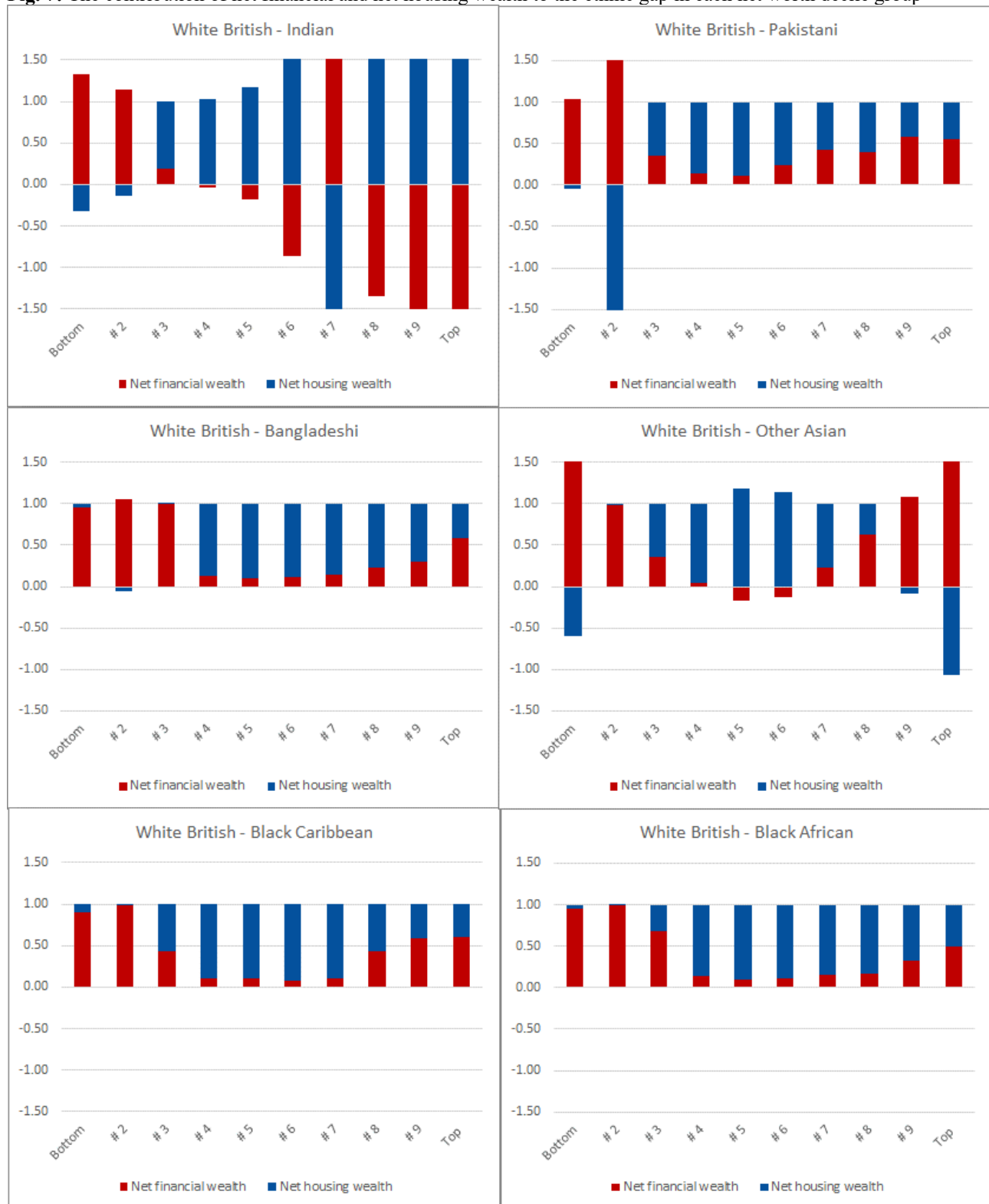
Note: see note Table 1

Fig. 6: Percentile points of the net housing wealth distribution by ethnic group



Note: see note Table 1

Fig. 7: The contribution of net financial and net housing wealth to the ethnic gap in each net worth decile group



Note: see note Table 1

Table 2: FFL decomposition for net worth

							% explained				
Indian		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	1.335	1.805***	0.103	0.058	0.055	100%	100%	100%	100%	100%
	explained	-0.659**	-0.387	0.0967*	0.306***	0.367***	-49%	-21%	94%	532%	670%
Explained	unexplained	1.994	2.193***	0.006	-0.248***	-0.312***	149%	121%	6%	-431%	-569%
	Income	0.077	0.303	0.027	0.0325*	0.0289*	6%	17%	26%	57%	53%
	Region	0.182	-0.383	0.129***	0.281***	0.307***	14%	-21%	125%	489%	560%
	Education	-0.076	1.136***	0.124***	0.110***	0.0806***	-6%	63%	120%	191%	147%
	HoH age	-0.614***	-1.885***	-0.331***	-0.222***	-0.151***	-46%	-104%	-321%	-386%	-276%
Unexplaine	Household	-0.285*	0.449*	0.155***	0.110***	0.105***	-21%	25%	150%	191%	192%
	Parental social	0.057	-0.007	-0.007	-0.006	-0.004	4%	0%	-7%	-10%	-7%
	Income	-2.513	-2.68	-0.371	-0.205	0.395*	100%	100%	100%	100%	100%
	Region	-2.157	-0.443	0.032	0.04	-0.231***					
	Education	-1.69	0.472	-0.211**	-0.079	0.167*					
	HoH age	29.13	-16.25*	-0.926	-0.501	-0.767*					
	Household	13.93	6.374***	0.061	-0.156	0.016					
	Parental social	-4.436	1.446	0.085	0.542***	0.324*					
	Constant	-30.27	13.27	1.336	0.111	-0.216					
Pakistani		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.456	-5.946***	-1.082***	-0.694***	-0.650***	100%	100%	100%	100%	100%
	explained	-2.911***	-4.101***	-0.890***	-0.356***	-0.028	638%	69%	82%	51%	4%
explained	unexplained	2.455***	-1.845***	-0.191	-0.338*	-0.622***	-538%	31%	18%	49%	96%
	Income	-0.873***	-2.104***	-0.590***	-0.494***	-0.279***	191%	35%	55%	71%	43%
	Region	0.091	-0.093	0.101***	0.251***	0.209***	-20%	2%	-9%	-36%	-32%
	Education	0.041	0.018	-0.008	0.007	0	-9%	0%	1%	-1%	0%
	HoH age	-0.894***	-1.216***	-0.660***	-0.520***	-0.274***	196%	20%	61%	75%	42%
unexplained	Household	-1.272***	-0.629**	0.300***	0.421***	0.327***	279%	11%	-28%	-61%	-50%
	Parental social	-0.003	-0.079	-0.0327*	-0.022	-0.01	1%	1%	3%	3%	2%
	Income	-0.876	-1.008	-0.446	-0.183	0.652**					
	Region	-1.305**	-1.047***	-0.216	0.014	0.238**					
	Education	-2.867***	1.214	-0.872**	0.402	0.329					
	HoH age	10.37	2.866	3.640***	2.099**	0.901					
	Household	5.873	2.896	1.243	0.271	0.919					
	Parental social	6.727***	3.065**	1.659**	0.434	0.583*					
	Constant	-15.47*	-9.831	-5.200**	-3.375**	-4.245***					
Bangladeshi		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-3.091***	-18.47***	-8.612***	-1.832***	-0.933**	100%	100%	100%	100%	100%
	explained	-3.388***	-3.509***	-0.794***	0.335*	0.628***	110%	19%	9%	-18%	-67%
explained	unexplained	0.297	-14.96***	-7.817***	-2.167***	-1.561***	-10%	81%	91%	118%	167%
	Income	-0.910***	-1.382***	-0.595***	-0.534***	-0.311***	29%	7%	7%	29%	33%
	Region	0.399	-0.276	0.478***	1.199**	0.966***	-13%	1%	-6%	-65%	-104%
	Education	-0.018	-0.160*	-0.0760*	-0.0887*	-0.034	1%	1%	1%	5%	4%
	HoH age	-1.297***	-1.157***	-0.996***	-0.804***	-0.413***	42%	6%	12%	44%	44%
unexplained	Household	-1.541***	-0.479**	0.414***	0.563***	0.422***	50%	3%	-5%	-31%	-45%
	Parental social	-0.021	-0.054	-0.02	0.001	-0.001	1%	0%	0%	0%	0%
	Income	2.969*	4.070***	7.073**	2.269*	1.703**					
	Region	0.378	0.584	-0.012	-4.271***	-1.651***					
	Education	1.307*	1.708*	1.039	-0.552	-1.390*					
	HoH age	-14.85***	-9.743***	-5.974	-5.232	-3.635					
	Household	0.403	-0.396	-7.927*	-0.622	1.266					
	Parental social	2.821*	6.992***	5.894*	2.968*	0.429					
	Constant	7.268	-18.17***	-7.91	3.274	1.718					

Other Asian		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-2.456***	-5.621***	-0.608	-0.137	-0.197	100%	100%	100%	100%	100%
	explained	-1.388***	-0.531*	-0.313*	0.332*	0.442***	57%	9%	51%	-242%	-224%
explained	unexplained	-1.069	-5.091**	-0.295	-0.469	-0.639**	44%	91%	49%	342%	324%
	Income	0.268*	0.274*	0.149*	0.152*	0.112*	-11%	-5%	-25%	-111%	-57%
	Region	0.197	-0.133	0.236***	0.593***	0.477***	-8%	2%	-39%	-433%	-242%
	Education	-0.086	0.595***	0.342***	0.346***	0.187***	3%	-11%	-56%	-253%	-95%
	HoH age	-2.289***	-1.757***	-1.414***	-1.030***	-0.505***	93%	31%	233%	752%	256%
	Household	0.163	0.293***	0.253***	0.171***	0.114***	-7%	-5%	-42%	-125%	-58%
unexplained	Parental social	0.359***	0.197***	0.120***	0.101***	0.0571***	-15%	-4%	-20%	-74%	-29%
	Income	-9.054***	-14.88***	-1.152	-3.019**	0.172					
	Region	-0.815	-1.772	-0.634*	-0.443*	-0.358*					
	Education	2.218**	0.341	-0.589	-0.286	0.138					
	HoH age	2.555	35.98**	2.847*	2.236	1.104					
	Household	-7.251*	-19.68***	-0.851	-2.011*	-1.923**					
	Parental social	-1.988	-2.559	-0.373	-0.593	-0.65					
	Constant	13.27	-2.515	0.458	3.647*	0.877					
Black Caribbean		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-1.979***	-16.54***	-4.247***	-0.686	-0.42	100%	100%	100%	100%	100%
	explained	-0.800*	-1.511***	-0.290*	0.517***	0.629***	40%	9%	7%	-75%	-150%
explained	unexplained	-1.179*	-15.03***	-3.956***	-1.202***	-1.049***	60%	91%	93%	175%	250%
	Income	-0.245*	-0.403***	-0.175***	-0.140**	-0.059	12%	2%	4%	20%	14%
	Region	0.381	-0.262	0.456***	1.144***	0.921***	-19%	2%	-11%	-167%	-219%
	Education	-0.102	0.082	0.0748*	0.062	0.027	5%	0%	-2%	-9%	-6%
	HoH age	-0.225	-0.319*	-0.348***	-0.339***	-0.188***	11%	2%	8%	49%	45%
	Household	-0.447***	-0.360***	-0.148***	-0.0881**	-0.003	23%	2%	3%	13%	1%
unexplained	Parental social	-0.163	-0.250***	-0.150***	-0.122***	-	8%	2%	4%	18%	17%
	Income	-3.011*	-5.919***	0.74	-2.206	-0.482***					
	Region	0.78	0.225	-2.767**	-1.215*	-0.581					
	Education	0.185	-1.82	-4.874***	-1.959**	-1.440**					
	HoH age	-10.66	5.514	8.515*	2.175	1.445					
	Household	0.175	-5.367***	-0.332	0.445	-0.255					
	Parental social	5.149**	3.806	2.862	3.462*	0.98					
	Constant	6.201	-11.47	-8.101	-1.904	-0.716					
Black African		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-2.949***	-18.32***	-10.71***	-4.525***	-1.353***	100%	100%	100%	100%	100%
	explained	-3.163***	-2.800***	-0.949***	0.007	0.330***	160%	142%	14%	21%	26%
explained	unexplained	0.214	-15.52***	-9.764***	-4.532***	-1.682***	-60%	-42%	86%	79%	74%
	Income	-0.706***	-0.996***	-0.432***	-0.376***	-0.222***	-7%	8%	4%	6%	11%
	Region	0.293	-0.225	0.344***	0.862***	0.700***	-16%	-20%	-1%	0%	-1%
	Education	-0.115	0.495***	0.239***	0.236***	0.126***	32%	10%	-2%	-3%	-6%
	HoH age	-2.283***	-1.990***	-1.395***	-1.047***	-0.524***	67%	93%	11%	17%	25%
	Household	-0.634**	-0.238*	0.209***	0.273***	0.214***	90%	60%	3%	2%	-2%
unexplained	Parental social	0.281***	0.154***	0.0858***	0.0590***	0.0362***	-6%	-9%	-1%	-1%	-1%
	Income	-1.316	-2.356*	-4.296	1.43	1.1					
	Region	-1.084**	-1.094**	-0.859	-2.761***	-1.463***					
	Education	0.389	2.516***	0.546	-3.240***	-0.271					
	HoH age	-13.11***	-6.234**	4.226	4.642	1.359					
	Household	-0.363	-3.348**	-3.795	-2.039	-0.246					
	Parental social	2.361***	1.835**	2.818*	0.266	0.24					
	Constant	13.34***	-6.836*	-8.403	-2.831	-2.402					

Note: Sample includes households with non-missing information on wealth and all other variables. ***, **, * indicate significance at p<0.001, p<0.01 and p<0.05 significance levels respectively.

Table 3 FFL decomposition for net financial wealth

							% explained				
Indian		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.659**	-1.279***	-1.731***	-0.843***	-0.455**	100%	100%	100%	100%	100%
	explained	-1.087***	-2.029***	-0.634***	-0.323***	-0.015	165%	159%	37%	38%	3%
Explained	unexplained	0.428	0.751	-1.097*	-0.520*	-0.440*	-65%	-59%	63%	62%	97%
	Income	0.037	0.078	0.144**	0.151***	0.115**	-6%	-6%	-8%	-18%	-25%
	Region	0.116	0.363**	0.128	0.001	0.028	-18%	-28%	-7%	0%	-6%
	Education	-0.340***	-0.232***	0.349***	0.275***	0.194***	52%	18%	-20%	-33%	-43%
	HoH age	-0.212***	-1.012***	-0.918***	-0.634***	-0.381***	32%	79%	53%	75%	84%
	Household	-0.712***	-1.315***	-0.334***	-0.125***	0.047	108%	103%	19%	15%	-10%
Unexplaine	Parental social	0.024	0.0890*	-0.004	0.009	-0.018	-4%	-7%	0%	-1%	4%
	Income	1.516	1.423	2.657	0.657	0.649					
	Region	0.001	-0.412	0.109	0.428*	0.359					
	Education	-0.890**	1.132*	0.040	-0.111	0.121					
	HoH age	2.664	-2.417	-4.253	-3.183	-0.875					
	Household	-0.748	2.244	1.776	-0.542	0.719					
	Parental social	-0.510	-1.240	0.003	0.534	0.549					
	Constant	-1.604	0.020	-1.430	1.699	-1.963					
Pakistani		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.340	-0.825*	-6.818***	-3.756***	-2.733***	100%	100%	100%	100%	100%
	explained	-1.507***	-3.575***	-2.853***	-1.607***	-0.793***	443%	433%	42%	43%	29%
explained	unexplained	1.167***	2.750***	-3.965***	-2.149***	-1.939***	-343%	-333%	58%	57%	71%
	Income	0.136**	-0.098	-1.049***	-0.712***	-0.500***	-40%	12%	15%	19%	18%
	Region	0.040	0.134*	0.047	0.000	0.010	-12%	-16%	-1%	0%	0%
	Education	-0.0618*	0.036	0.044	0.0475*	0.023	18%	-4%	-1%	-1%	-1%
	HoH age	-0.283***	-1.239***	-1.098***	-0.729***	-0.450***	83%	150%	16%	19%	16%
	Household	-1.362***	-2.450***	-0.771***	-0.197***	0.145**	401%	297%	11%	5%	-5%
unexplained	Parental social	0.024	0.042	-0.026	-0.017	-0.0215*	-7%	-5%	0%	0%	1%
	Income	-0.507	1.544	0.568	2.841***	1.390***					
	Region	0.050	-1.048***	-0.780***	-0.605**	-0.176					
	Education	0.073	-0.754	1.527***	0.273	0.536					
	HoH age	-0.801	3.093	1.409	4.591***	3.272*					
	Household	1.121	2.049	-0.856	4.586*	0.626					
	Parental social	0.613	2.641**	1.151	-2.727**	-1.470*					
	Constant	0.618	-4.774	-6.984**	-11.11***	-6.116**					
Bangladeshi		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.858***	-2.510***	-8.915***	-5.255***	-2.908***	100%	100%	100%	100%	100%
	explained	-1.708***	-3.752***	-2.963***	-1.847***	-0.786***	199%	149%	33%	35%	27%
explained	unexplained	0.850*	1.243*	-5.952***	-3.408***	-2.122***	-99%	-50%	67%	65%	73%
	Income	0.121*	-0.040	-0.807***	-0.560***	-0.371***	-14%	2%	9%	11%	13%
	Region	0.189	0.590**	0.208	0.002	0.046	-22%	-24%	-2%	0%	-2%
	Education	0.071	-0.032	-0.139**	-0.131***	-0.0573*	-8%	1%	2%	2%	2%
	HoH age	-0.373***	-1.362***	-1.219***	-0.878***	-0.534***	43%	54%	14%	17%	18%
	Household	-1.713***	-2.847***	-0.929***	-0.269***	0.142**	200%	113%	10%	5%	-5%
unexplained	Parental social	-0.004	-0.061	-0.0771**	-0.011	-0.012	0%	2%	1%	0%	0%
	Income	3.046***	3.330***	3.581*	6.473**	2.618***					
	Region	0.360	0.355	2.456***	1.894	1.564**					
	Education	-0.819*	-0.260	2.099	1.688	-0.234					
	HoH age	-3.009*	-5.988**	-1.242	-3.224	-1.240					
	Household	-0.186	2.057	-10.00**	-12.550	-0.603					
	Parental social	-2.074***	4.168***	2.053	-1.748	-4.799*					
	Constant	3.531	-2.419	-4.895	4.055	0.571					

Other Asian		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.917*	-0.897	-2.157**	-0.766*	-0.528	100%	100%	100%	100%	100%
	explained	-1.262***	-2.302***	-0.910***	-0.518***	-0.126	138%	257%	42%	68%	24%
explained	unexplained	0.345	1.406*	-1.247	-0.248	-0.401	-38%	-157%	58%	32%	76%
	Income	-0.043	0.073	0.232**	0.242**	0.199**	5%	-8%	-11%	-32%	-38%
	Region	0.123	0.357*	0.125	0.001	0.029	-13%	-40%	-6%	0%	-5%
	Education	-0.483***	-0.278***	0.505***	0.428***	0.277***	53%	31%	-23%	-56%	-52%
	HoH age	-0.623***	-2.131***	-1.805***	-1.280***	-0.725***	68%	238%	84%	167%	137%
unexplained	Household	-0.274**	-0.531***	-0.098	-0.029	0.0487*	30%	59%	5%	4%	-9%
	Parental social	0.038	0.208**	0.131**	0.120***	0.0445*	-4%	-23%	-6%	-16%	-8%
	Income	1.266	-0.915	-3.699	1.895	2.053**					
	Region	0.094	0.007	-0.005	-0.208	-0.136					
	Education	-0.307	0.688	-1.178	0.494	0.384					
	HoH age	-3.810**	2.538	12.36***	5.144**	-0.214					
	Household	-3.079	-6.659**	-7.158**	-5.168***	-2.111*					
	Parental social	0.911	1.216	1.063	-0.341	0.190					
	Constant	5.271	4.532	-2.630	-2.064	-0.568					
Black Caribbean		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.418	-1.332**	-6.033***	-1.729***	-1.483***	100%	100%	100%	100%	100%
	explained	-0.175	-0.520	-0.879***	-0.704***	-0.348**	42%	39%	15%	41%	23%
explained	unexplained	-0.243	-0.812	-5.154***	-1.026**	-1.135***	58%	61%	85%	59%	77%
	Income	0.049	0.003	-0.221**	-0.149*	-0.084	-12%	0%	4%	9%	6%
	Region	0.195	0.589**	0.207	0.002	0.046	-47%	-44%	-3%	0%	-3%
	Education	-0.043	-0.139**	0.0986*	0.065	0.0606*	10%	10%	-2%	-4%	-4%
	HoH age	-0.109*	-0.436**	-0.412***	-0.354***	-0.227***	26%	33%	7%	20%	15%
unexplained	Household	-0.255***	-0.413***	-0.326***	-0.148***	-0.0549**	61%	31%	5%	9%	4%
	Parental social	-0.012	-0.124*	-0.226***	-0.119***	-0.0892***	3%	9%	4%	7%	6%
	Income	-0.877	-1.716	-1.255	2.419*	0.160					
	Region	0.466	0.581	0.201	-0.245	0.574					
	Education	-0.483	-0.696	-3.777*	-1.687*	-1.684***					
	HoH age	0.123	1.786	8.285	2.644	1.664					
	Household	0.290	1.916	-5.231*	-0.150	-0.996					
	Parental social	2.770*	0.167	-1.072	-3.758*	0.641					
	Constant	-2.531	-2.849	-2.306	-0.248	-1.493					
Black African		P10	P25	P50	P75	P90	P10	P25	P50	P75	P90
Overall	difference	-0.856***	-2.202***	-15.64***	-7.000***	-2.864***	100%	100%	100%	100%	100%
	explained	-1.368***	-3.124***	-2.234***	-1.445***	-0.739***	160%	142%	14%	21%	26%
explained	unexplained	0.512*	0.922*	-13.40***	-5.554***	-2.125***	-60%	-42%	86%	79%	74%
	Income	0.061	-0.168**	-0.595***	-0.435***	-0.329***	-7%	8%	4%	6%	11%
	Region	0.139	0.444**	0.156	0.001	0.034	-16%	-20%	-1%	0%	-1%
	Education	-0.273***	-0.219***	0.291***	0.215***	0.158***	32%	10%	-2%	-3%	-6%
	HoH age	-0.577***	-2.046***	-1.751***	-1.179***	-0.703***	67%	93%	11%	17%	25%
unexplained	Household	-0.773***	-1.328***	-0.464***	-0.138***	0.0636*	90%	60%	3%	2%	-2%
	Parental social	0.0543*	0.193***	0.129***	0.0906***	0.0379**	-6%	-9%	-1%	-1%	-1%
	Income	-0.307	-0.230	-3.337	2.526	2.695***					
	Region	-0.551*	-1.126***	-0.433	-0.570	-0.717					
	Education	-0.254	0.820*	1.884*	0.583	-0.961					
	HoH age	-4.590***	-4.584**	-2.561	13.670	-1.410					
	Household	-0.390	1.496	-2.083	-4.676	0.186					
	Parental social	0.611	1.977***	2.445*	0.109	-1.072					
	Constant	5.992***	2.569	-9.317*	-17.200	-0.845					

Note: Sample includes households with non-missing information on wealth and all other variables. . ***, **, * indicate significance at p<0.001, p<0.01 and p<0.05 significance levels respectively.

Table 4 FFL decomposition for net housing wealth

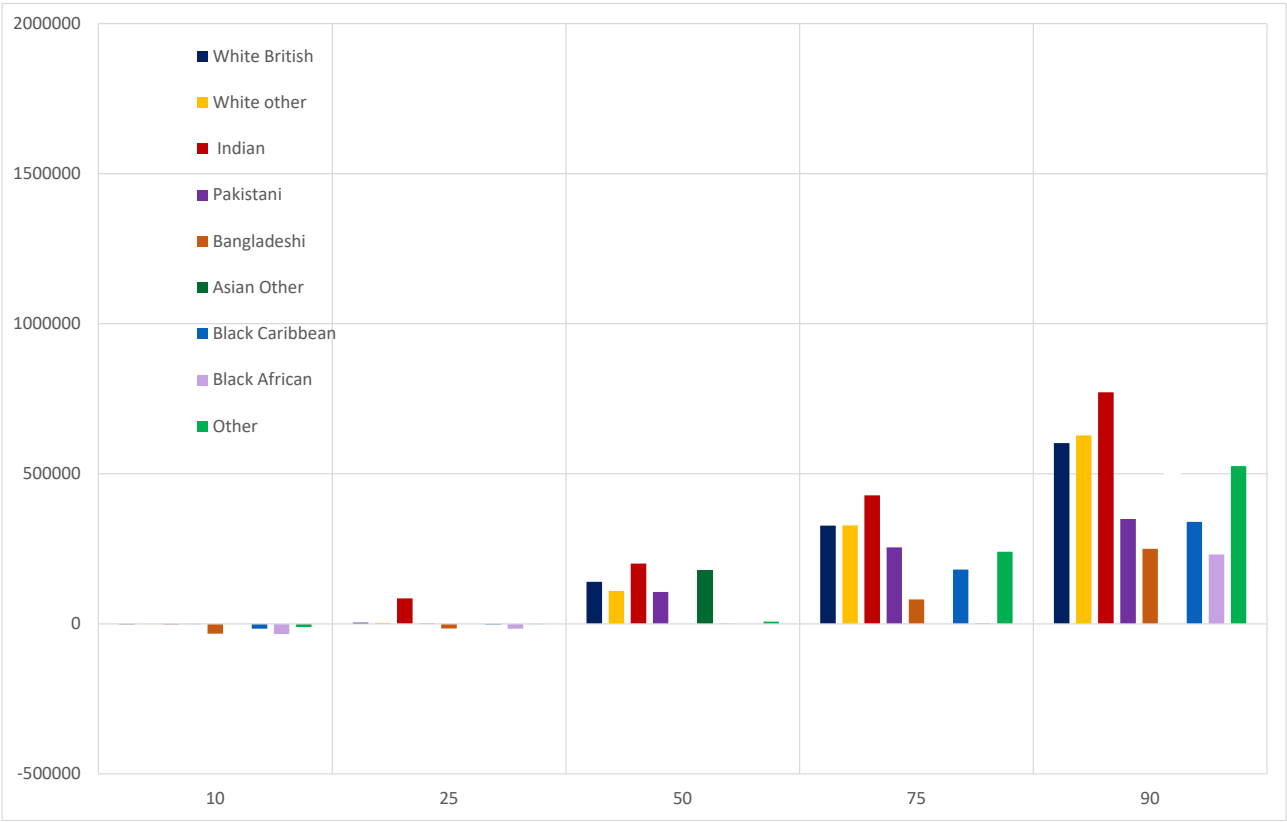
Indian		P50	P75	P90	P50	P75	P90
Overall	difference	0.252*	0.050	0.135	100%	100%	100%
	explained	0.237***	0.684***	0.703***	94%	1379%	521%
	unexplained	0.015	-0.634***	-0.567***	6%	-1278%	-420%
Explained	Income	0.045	0.0474*	0.030	18%	96%	22%
	Region	0.211***	0.567***	0.570***	84%	1143%	422%
	Education	0.176***	0.173***	0.0948***	70%	349%	70%
	HoH age	-0.469***	-0.351***	-0.177***	-186%	-708%	-131%
	H/hold composition	0.279***	0.260***	0.190***	111%	524%	141%
	Parental social class	-0.005	-0.013	-0.005	-2%	-26%	-3%
Unexplain	Income	-0.745	-0.195	0.204			
	Region	-0.046	-0.073	-0.340***			
	Education	-0.252*	0.020	0.238**			
	HoH age	-1.409	-0.751	-0.545			
	Household	0.184	-0.345	-0.337			
	Parental social class	0.685*	0.796**	0.390*			
	Constant	1.598	-0.087	-0.176			
Pakistani		P50	P75	P90	P50	P75	P90
Overall	difference	-0.745***	-0.501***	-0.264*	100%	100%	100%
	explained	-0.663***	-0.062	0.287***	89%	12%	-109%
	unexplained	-0.082	-0.438**	-0.551***	11%	87%	209%
explained	Income	-0.504***	-0.373***	-0.159***	68%	74%	60%
	Region	0.0980***	0.265***	0.263***	-13%	-53%	-100%
	Education	-0.010	0.000	0.001	1%	0%	0%
	HoH age	-0.553***	-0.425***	-0.211***	74%	85%	80%
	Household	0.331***	0.493***	0.403***	-44%	-98%	-153%
	Parental social class	-0.0254*	-0.0213*	-0.009	3%	4%	3%
unexplain	Income	-0.458	-0.130	0.170			
	Region	-0.254*	0.000	0.061			
	Education	-0.837**	0.182	0.224			
	HoH age	3.602***	1.177*	1.054**			
	Household	1.195	-0.328	0.632			
	Parental social class	1.250**	0.638	0.713**			
	Constant	-4.581**	-1.978*	-3.405***			
Bangladeshi		P50	P75	P90	P50	P75	P90
Overall	difference	-9.514***	-2.472***	-0.492	100%	100%	100%
	explained	-0.395***	0.648***	0.981***	4%	-26%	-199%
	unexplained	-9.119***	-3.120***	-1.473***	96%	126%	299%
explained	Income	-0.409***	-0.311***	-0.145***	4%	13%	29%
	Region	0.368***	0.995***	0.984***	-4%	-40%	-200%
	Education	-0.0522*	-0.047	-0.021	1%	2%	4%
	HoH age	-0.653***	-0.511***	-0.255***	7%	21%	52%
	Household	0.358***	0.520***	0.424***	-4%	-21%	-86%
	Parental social class	-0.007	0.002	-0.006	0%	0%	1%
unexplain	Income	-0.061	3.617*	1.691***			
	Region	-0.416***	-6.151***	-1.527***			
	Education	0.722***	-1.898	-1.097			
	HoH age	-2.355***	-3.624	-2.225			
	Household	-1.238***	-1.287	-3.874			
	Parental social class	0.405***	0.868	0.717			
	Constant	-6.176***	5.355	4.843			

Other Asian		P50	P75	P90	P50	P75	P90
Overall	difference	-1.416**	-0.248	0.133	100%	100%	100%
	explained	-0.145	0.408***	0.564***	10%	-165%	424%
explained	unexplained	-1.271**	-0.656**	-0.431*	90%	265%	-324%
	Income	0.140**	0.101*	0.0699*	-10%	-41%	53%
	Region	0.211***	0.577***	0.557***	-15%	-233%	419%
	Education	0.271***	0.264***	0.140***	-19%	-106%	105%
	HoH age	-1.103***	-0.800***	-0.370***	78%	323%	-278%
	Household	0.246***	0.189***	0.114***	-17%	-76%	86%
unexplain	Parental social class	0.0891***	0.0762***	0.0538***	-6%	-31%	40%
	Income	-0.926	-2.499**	-1.642**			
	Region	-0.801*	-0.265	-0.558***			
	Education	-1.488**	-0.305	-0.242			
	HoH age	5.084*	3.089**	0.787			
	Household	-0.604	-1.692	-1.154			
	Parental social class	-1.411	-0.976	-0.956*			
	Constant	-1.125	1.992	3.334**			
Black Caribbean		P50	P75	P90	P50	P75	P90
Overall	difference	-8.607***	-0.677*	-0.183	100%	100%	100%
	explained	-0.129	0.637***	0.822***	1%	-94%	-449%
explained	unexplained	-8.478***	-1.315***	-1.005***	99%	194%	549%
	Income	-0.132***	-0.0972**	-0.031	2%	14%	17%
	Region	0.384***	1.046***	1.019***	-4%	-155%	-557%
	Education	0.051	0.048	0.019	-1%	-7%	-10%
	HoH age	-0.241**	-0.227***	-0.119***	3%	34%	65%
	Household	-0.0992**	-0.043	-0.006	1%	6%	3%
unexplain	Parental social class	-0.0924***	-0.0890***	-0.0596***	1%	13%	33%
	Income	-0.385***	-1.565	-0.263			
	Region	-0.437***	-0.826*	-0.654*			
	Education	0.685***	-1.694**	-0.797			
	HoH age	-3.066***	3.212*	1.570			
	Household	-0.868***	-0.366	-0.171			
	Parental social class	0.530***	1.802	2.047			
	Constant	-4.936***	-1.878	-2.738			
Black African		P50	P75	P90	P50	P75	P90
Overall	difference	-10.52***	-10.43***	-1.069***	100%	100%	100%
	explained	-0.379***	0.166***	0.434***	4%	-2%	-41%
explained	unexplained	-10.14***	-10.59***	-1.503***	96%	102%	141%
	Income	-0.196***	-0.141***	-0.0820***	2%	1%	8%
	Region	0.182***	0.452***	0.526***	-2%	-4%	-49%
	Education	0.108***	0.0951***	0.0594***	-1%	-1%	-6%
	HoH age	-0.636***	-0.430***	-0.243***	6%	4%	23%
	Household	0.125***	0.164***	0.151***	-1%	-2%	-14%
unexplain	Parental social class	0.0363***	0.0263***	0.0229***	0%	0%	-2%
	Income	-0.103	-0.023	0.499			
	Region	-0.212***	-0.529***	-0.925**			
	Education	0.317***	0.305***	-0.608*			
	HoH age	-1.276***	-0.507***	1.087			
	Household	-0.685***	-0.586***	0.108			
	Parental social class	0.217***	0.231***	0.366			
	Constant	-8.394***	-9.486***	-2.030			

Note: Sample includes households with non-missing information on wealth and all other variables. ***, **, * indicate significance at $p < 0.001$, $p < 0.01$ and $p < 0.05$ significance levels respectively.

Appendix

Fig. A1: Percentile points of the net worth distribution by ethnic group (UK-born population only)



Note: Analysis of the Understanding Society wave 8. The sample sizes in decreasing order are: White British (23,613), Other White (687) Indian (401), Pakistani (452) and Bangladesh (229), Other Asian (including Chinese and any other Asian or British Asian ethnic groups) (74), Black Caribbean (305), Black African (172), Other (450) (mainly mixed ethnic groups but also gypsy and travellers, Arabs and other ethnic group). Wealth holding for the Other Asian group are reported only at the median due to small sample size. For all ethnic groups results are reported up to 90th percentile due to sample size restrictions.