ALL-PARTY PARLIAMENTARY GROUP

GOVERNANCE AND INCLUSIVE LEADERSHIP

INVESTING IN ETHNICITY

Ethnicity Pay Gap Reporting

Pre-consultation document based on meeting held in Parliament on 23rd October 2018 with the Business Advisory Committee

ALL-PARTY PARLIAMENTARY GROUP

GOVERNANCE AND INCLUSIVE LEADERSHIP

The purpose of the All-Party Parliamentary Group on Governance and Inclusive Leadership (GAIL) is to improve the working lives of BAME employees, and to raise the issue of inclusive leadership and governance in all areas of society with the key aim of giving people from visible minorities fair opportunities to progress to positions of power and influence throughout the UK.

Members of the All-Party Parliamentary Group are
- Dawn Butler MP, Chair and registered contact (Labour)
- Sir Peter Bottomley MP, Vice Chair (Conservatives)
- Kate Hollern MP, Vice Chair (Labour)
- Marsha De Cordova MP, officer (Labour)
- Eleanor Smith MP, officer (Labour)
- Naz Shah MP, member (Labour)
- Justin Madders MP, member (Labour)
- Carolyn Harris MP, member (Labour)
- Kate Osamor MP, member (Labour)
- Rushanara Ali MP, member (Labour)
- Tanmanjeet Singh Dhesi MP, member (Labour)
- Baroness Lawrence of Clarendon, member (Labour)
- Baroness Howells of St Davids, member (Labour)

The Secretariats for the APPG group are:
SPM Group Ltd and Powerful Media Group Ltd

To contact the APPG group email: general@gailappg.org.uk.
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INVESTING IN ETHNICITY

SPM Group

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The Chair

Dawn Butler MP

**Chair of APPG on Governance
and Inclusive Leadership (GAIL)**

"There is no better time to ensure businesses are investing in ethnicity and race than right now. As we look at our global appeal nothing screams progress more than diversity. As the Shadow Minister for Women and Equalities, I am personally committed to making sure that the government is also doing its part to stamp out inequality. Not least with a focus on achieving pay parity by pushing for BAME pay gap reporting, and ensuring BAME employees have equal access to recruitment opportunities and career progression. This in turn would encourage an increase in qualified, experienced and previously overlooked visible Minorities at senior levels. This is sadly severely lacking across all industries."

Business Advisory Meeting

Those present for the first Business Advisory meeting:

- Brenda Emmanus, BBC
- Claire England, JLL
- Colette Comerford, LGIM
- Daniel Winterfeldt, Reed Smith
- Emily Jephcott, Goldman Sachs
- Fiona Daniel, HSBC
- Justine Thompson, BCLP
- Marjorie Strachan, RBS
- Nadine Dyer, Deloitte
- Nina Bhagwat, Channel 4
- Priscilla Baffour, ITN
- Rob Neil OBE, Ministry of Justice
- Simon Fillery, ex-Bank of England
- Songul Karabulut, Bank of England

- Sarah Garrett, SPM
- Margaret Tapping, SPM
- Shiva Raichandani, SPM
- Asad Dhunna, The Unmistakables (PR)
- Petunia Thomas (independent)

www.gailappg.org.uk

Ethnicity Pay Gap Reporting: overview

Findings from an ongoing survey that was launched in October 2018.

The Ethnicity Pay Reporting Consultation was announced on 11th October 2018 by the Prime Minister Theresa May. The Consultation is open until 11th January 2019.

The Consultation is based on 11 questions:

■ **1. What are the main benefits for employers in reporting their ethnicity pay information?**

■ **2. What type of ethnicity pay information should be reported that would not place undue burdens on business but allow for meaningful action to be taken?**

a) One pay gap figure comparing average hourly earnings of ethnic minority employees as a percentage of white employees
b) Several pay gap figures for different ethnic groups, using standardised ethnicity classifications
c) Ethnicity pay information by £20,000 pay band
d) Ethnicity pay information by pay quartile

There is also the opportunity to suggest another solution.

■ **3. What supporting or contextual data (if any) should be disclosed to help ensure ethnicity reporting provides a true and fair picture?**

■ **4. Should an employer that identifies disparities in their ethnicity pay in their workforce be required to publish an action plan for addressing these disparities?**

■ **5. Do you currently collect data on ethnicity at your workplace? If yes, do you use standard ethnicity classifications for reporting? If so, which ones?**
Choices refer to the census classifications or other.

■ **6. What do you think are the most effective approaches for employers to improve employee self-reporting or declaration rates?**

■ **7. How should self-reporting or non-disclosure rates be reflected in the information reported by employers?**

■ **8. For a consistent approach to ethnicity pay reporting across companies, should a standardised approach to classifications of ethnicity be used? What would be the costs to your organisation?**

■ **9. Please outline steps that should be taken to preserve confidentiality of individuals.**

■ **10. What size of employer (or employee threshold) should be within scope for mandatory ethnicity pay reporting?**

■ **11. What support measures do you think would be useful for employers?**

Useful resources

■ Government EPGR Consultation
https://www.gov.uk/government/consultations/ethnicity-pay-reporting

Further reports and summaries can be found at gailappg.org.uk

Ethnicity Pay Gap Reporting: Poll/Survey

During October 2018, we conducted a survey to gauge the response from implementation of Ethnicity Pay Gap Reporting

Following the announcement of the consultation, we opened a survey to better understand whether employers and individuals felt Ethnicity Pay Gap Reporting would create positive progress. The poll was live on the APPG GAIL website (gailappg.org.uk), and saw 142 respondents. The survey is still open and will continue to collect comments and feedback on the issue.

SUMMARY: The most common responses from our EPGR survey were:

■ **All survey recipients said the Government should implement EPGR (142 completed survey), and 100% said it should be aligned to gender.**

■ **EPGR gives the opportunity to look at intersectionality – gender and race, and identify further diversity and intersectionality disparities.**

■ **Organisations will have to be more transparent and be held accountable to improve if they are failing.**

■ **It will force companies to begin to collect data – which is essential to help highlight gaps and work to close them.**

■ **Gives much lacking buy-in from the board within organisations to create real change.**

■ **Need to communicate what the figures represent more clearly, as there are misunderstandings which mean that the figures do not represent equal pay.**

■ **Need better support on how to improve figures.**

100% said that Ethnicity Pay Gap Reporting should be implemented and should be aligned to that of gender

Comments from the survey:

"It needs to be highlighted more effectively what the figures represent, as this was done poorly with gender, especially initially within the press, the figures were not about equal pay."

"You cannot address the gender pay gap without adressing the Ethnicity Pay Gap. Black women suffer twice because of both issues so an equal playing field needs to be established."

"Ethnicity often gets ignored and people of colour often feel 'othered'. In aligning ethnicity to the gender pay gap, we will be saying that both of these are equally important and worthy of equal consideration."

"If the data is not made available it is very difficult for individuals/ employees and people who work in the area of Diversity & Inclusion within these organisations to enact change."

"I think EPGR should be implemented - not as a means to name and shame organisations but really as a tool to help people within the organisation work towards addressing inequalities. "

"There needs to be more support from Government on how we can improve these figures"

■

EPGR Survey 2018 (gailappg.org.uk)

"It's incredibly useful to see by sector what we are up against, and where we need to focus attention in getting this addressed. It has to start somewhere! Even in Graduate Recruitment, BAME Grads often get lower offers, and it continues through their careers! Why does it happen, and more importantly why is it allowed to happen?"

"It is also a step towards making the Equal Pay act equal - currently it only applies to gender discrimination, however it should be applicable to all protected characteristics including race / ethnicity."

"Race equality needs to be prioritised. This can only happen if there is relevant data, open discussions, and a process to bring alignment. "

"Government intervention will help us to ensure that this agenda gets addressed. Up until now, getting buy in from the board has been difficult"

"It will also help firms to consider a multi-pronged approach to diversity where it is already known there are anomalies between the progression of talented ethnic minority individuals compared to their counterparts."

EPGR Feedback

Overview

■ All survey respondents welcomed the idea of EPGR, the feedback from the Advisory Committee was that EPGR will enforce data collection, which is a positive way to ensure the ethnicy agenda is being addressed where necessary. Feedback from the survey showed that there were concerns that addressing barriers to ethnic career progression was sometimes overlooked in favour of gender or other protected characteristics. As with gender, unless there are penalties or consequences in place, then progress would happen slowly or not at all. There was also the feeling that the ethnicity agenda has different nuances compared to that of gender and considerations need to be made to ensure that data is useful and reflective of wider businesses.

FINDINGS

Ethnicity vs Gender
It was suggested that all Pay Gap Reporting should eventually align to give the best results and ability to analyse any inequalities within intersectionality. Areas of concerns that were noted:
■ Reporting pay gaps within ethnicity is not as easy to categorise as with gender (see categorisation).
■ Compared to gender, ethnicity has an extra barrier in that there is an underlying fear of talking about this agenda, and barriers to collecting data. "The language around ethnicity and gender pay gap reporting is vastly different: The silence around ethnicity pay gap reporting is palpable; there hasn't been as much noise as there was around gender." However, it was noted that enforced reporting would help aid the discussion.
■ It is useful not to focus on just one area of inequality, such as gender, as there may be a trade off, i.e. a role may be given to a woman, where a man from an ethnic minority background may lose out.

CEOs and Boards: Better senior buy-in
On the whole, the journey to collecting data will help CEOs and boards better understand where the company is on ethnicity, and where improvements need to be made. The following was noted:
■ There needs to be a shift in accountability from HR departments to those with the power to make decisions and enact change. Ethnicity reporting will certainly help make that shift easier. However, CEOs and boards see investing in this agenda as a long-term journey.
■ Boards need data to enable them to make decisions. There is currently too much lip service and not enough action around the BAME agenda.
■ Collecting data will shift the dialogue and enable a quantitative approach to starting conversations.

Organisations
■ Collation of data depends on the maturity of an organisation; pay gap reporting may not be as helpful to those that aren't at a certain level.
■ Companies should work together and be more collaborative; it should be about competence and not competition, if tangible change is to be made.

Projected issues
■ The economic geography of employees and offices means that figures could become skewed, unless this is accounted for in data collection. It was suggested that employee representation should reflect their local communities and population.
■ It was noted that in certain sectors or departments within organisations that there is better representation of certain ethnic minorities than within others, for example, in IT or doctors within the NHS. This could skew reporting results unless there was a way of breaking down the data into job roles or departments, however, this would make reporting extremely complex.

"People want to talk about race and ethnicity but don't know how to start the conversations; they are too worried about missteps and being offensive"

EPGR Survey 2018 (gailappg.org.uk)

"We should align ethnicity to gender pay gap reporting. Gender pay gap reporting has been useful."

EPGR Business Committee

Data Collection

Overview

■ Of those that completed the Maturity Matrix, 32% collected basic ethnicity data, however only 23% collect data capturing pay alongside important data such as the breakdown of BAME employees by pay band or pay gap. This is in line with the Equality and Human Rights Commission figures: Only 36% record or collect data on employee ethnicity; merely 23% collect data on staff pay and progression that can be broken down by ethnicity and disabled and non-disabled staff; and, only 3% of organisations actually analyse this data to explore differences in pay and progression between different ethnicities and within disability.

FINDINGS

Collecting Data
There are currently around five main systems in place that employers use to collect data, it was noted these weren't representative enough of employees and how they work. The systems do not provide consistency across organisations in the areas of data that are being captured. Collation of data needs to be uncomplicated and concise. It was suggested that an app might aid annual data capture.
Some additional areas that were highlighted:

■ When collecting data, ethnicity categories should be diverse, or this will lead to incorrect reporting. Certain companies opt to turn categorisation off completely, which results in inertia. A standard list of ethnicity categories needs to be implemented.

■ Currently, ethnicity pay gap reports aren't as nuanced as they should be.

■ It was noted that organisations capture data, but only sporadically, for example when employees are recruited or promoted to a new position.

■ Some organisations said that they are collecting some form of data, however this is not transparent and therefore it isn't currently being used to affect change; "EPGR would help achieve better transparency and ensure the data was put in the right hands".

■ Better systems would help enable improved data collection.

Disclosure Rates

■ Issues around disclosure rates for organisations has proven to be a barrier, but some organisations noted that they had achieved in excess of 90% disclosure rate, which is promising. It is currently not compulsory to disclose ethnicity, so disclosure rates are low for some organisations at the early stages of ethnicity data collection. Successful organisations have increased their rates by using effective communications and ensuring that the purpose of the data is fully explained.

FINDINGS

A common issue identified was the lack of, or inability to properly enforce, data collection, and until disclosure becomes mandatory it becomes harder tp promote the need for better disclosure.

■ Employees are not confident about the usage of their data: It was suggested that companies should be more transparent about what they do with the data they collect: Clearly state the purpose and importance of data collection; actually publish the data so that employees know what it's being used for so that they feel compelled to keep sharing information.

■ One company saw higher disclosure rates as a result of proper communications (internal and external). Examples were to use reminders on screen savers or print a guide on every person's desk explaining what the survey's purpose was.

"Employers shouldn't be bombarded with so many reporting exercises as it demotivates them to engage, especially since none of them align with one another to reach a whole outcome"

■

EPGR Survey 2018 (gailappg.org.uk)

"Data makes the situation visible and enables an opportunity for all to see which organisations are pro-actively moving forward with their D&I agenda"

■

EPGR Survey 2018 (gailappg.org.uk)

"There should be regulations on data collection to make ethnicity mandatory, this will help achieve better reporting"

■

EPGR Survey 2018 (gailappg.org.uk)

appg **www.gailappg.org.uk**

Categorisation

■ It was agreed that whatever is decided, there needs to be a consistent approach so that organisations can have a firm idea of where they are in comparison to others in their industry.

It is important to look at the purpose of why we are going to implement EPGR, if it is to examine and progress the lack of representation and highlight barriers to progression based on being a visible minority group, i.e. race, then this needs to be accounted for. The discussion explored categorising:

- White and non-white
- In line with the census categorisation, which is next due 2021

FINDINGS

■ Most of the employers who are collecting data are using Office Of National Census categories, however these are often not straightforward categorisations of non-white and white.

■ It was noted that we first need to look at what we are trying to achieve by implementing EPGR and whether that reason was to overcome barriers for people who are non-white or ethnic minority.

■ It was agreed that we need consistency: to publicise a proper checklist and standardise it.

■ One complication is the oversimplified grouping of various ethnicities, for example, under the acronym 'BAME' which may not account for multiple ethnicities.

■ The process of disclosing ethnicity can be complex, we are reliant on self-identification and some of the topics within mixed ethnicities are often hard to self-identify as they fall into more than one 'category'.

■ Using a binary system of 'white' and 'non-white' has its advantages and disadvantages: It may oversimplify the process; it will not cover multi-racial ethnic employees and it will also impede the ability to deep dive into any barriers for certain ethnic minorities within progression.

Additional suggestions

■ For real progress it was agreed that there should be consequences implemented for those who aren't proactive in progressing the ethnicity agenda, and especially for those that have below standard reporting results. It would also be beneficial to produce a report which shows a narrative of what organisations are doing around recruitment and progression to ensure that figures are being improved, and as an example of good practice for the organisations that are working to achieve progress.

FINDINGS

■ It should be mandatory to report on hiring practices. Organisations should publish a report on companies' applicant pool VS hiring pool, for example, there should be a mandatory BAME representative on every recruitment panel.

■ There should be a direct link between overall pay based on inclusion outcomes.

■ Companies should invest in Network Groups and ERGs as they have authentic voices and can heavily contribute to driving change.

■ Data should be accessible and readily available.

■ Senior executives should 'sponsor' ethnic minority employees (as protégés) and not just 'mentor' them, but actively identify opportunities for BAME staff and champion them.

■ Take a hard line on discrimination of any kind. And communicate the fact that such people are not welcome in a company.

■ Gagging orders, or similar, within discrimination cases is a major issue that needs to be questioned.

■ Address the importance of Diversity and Inclusion and allow it to sit higher up in organisations.

■ There should be government guidance on what 'good practice' looks like, based on the representation seen in British society.

■ CEOs should take ownership and be held accountable as the culture is set from the top.

■ Employment law and the Equalities Act need to be revised and simplified, especially the Equal Pay Act.

■ We must address the discomfort people have in talking about race in the workplace.

"We need to implement a standard approach to ethnicity categories and ensure we are focussed on the outcomes we are trying to achieve and discover from reporting"

■

EPGR Survey 2018 (gailappg.org.uk)

"Organisations should find a way to ensure all employees voices taken into account and are amplified"

■

EPGR Business Committee

Voluntary reporting

Some organisations have already voluntarily reported their Ethnicity Pay Gap in line with their Gender Pay Gap Reporting, with further organisations planning to be the ones leading the way for the next gender deadline in April 2019. A list of known organisations and links to their reports are below:

The companies who have been EPGR 2018

- PwC (the first) https://www.pwc.co.uk/press-room/press-releases/PwC-publishes-BAME-pay-gap.html
- KPMG   https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/12/pay-gap-report-2017.pdf
- EY https://www.ey.com/Publication/vwLUAssets/ey-pay-gap-report-2017/$File/ey-pay-gap-report-2017.pdf
- Deloitte   https://www2.deloitte.com/uk/en/pages/press-releases/articles/deloitte-uk-publicly-reported-ethnicity-pay-gap.html
- TFL   http://content.tfl.gov.uk/tfl-ethnicity-pay-gap-report-2017.pdf
- UCL   https://www.ucl.ac.uk/news/news-articles/0318/200318-pay-gap
- University of Edinburgh   https://www.ed.ac.uk/equality-diversity/monitoring-statistics/equal-pay-reports
- Environment Agency   https://www.gov.uk/government/publications/environment-agency-pay-gap
- Heriot-Watt University   https://www.hw.ac.uk/services/docs/EqualPay.pdf
- ITN   https://www.itn.co.uk/wp-content/uploads/2018/07/ITN-BAME-Pay-Report-2018.pdf
- GLA   https://www.london.gov.uk/about-us/governance-and-spending/spending-money-wisely/ethnicity-pay-gap-report-2017
- Metropolitan Police https://www.met.police.uk/SysSiteAssets/foi-media/metropolitan-police/priorities_and_how_we_are_doing/corporate/met-hq---people--change---mps-ethnicity-pay-gap-analysis-2017
- London Fire Brigade https://www.london-fire.gov.uk/media/2673/ethnicity_pay_gap_narrative_2016-17.pdf

Useful resources

- Equality and Human Rights Commission: Measuring and reporting on disability and ethnicity pay gaps https://www.equalityhumanrights.com/sites/default/files/measuring-and-reporting-on-ethnicity-and-disability-pay-gaps.pdf

- The Government's Guide to the Consultation https://beisgovuk.citizenspace.com/lm/ethnicity-pay-reporting/supporting_documents/ethnicitypayreportingconsultation.pdf

- The Investing in Ethnicity: Maturity Matrix - an action plan to support the ethnicity agenda within your workplace http://www.investinginethnicity.com/matrix.html

The secreteriact, Investing in Ethnicity offers free tools to help organisations with data collection, in addition Action Group sessions, workshops and round tables to enable organisations to become EPGR ready.
Secreteriact: matrix@investinginethnicity.com   **Website: investinginethnicity.com**

The Matrix background

The Matrix was formulated as part of the Investing in Ethnicity & Race initiative from SPM Group, and a collaboration with the All-Party Parliamentary Group on Governance and Inclusive Leadership. The APPG on GAIL established a common goal to improve diversity and inclusion in the workplace so it became an ideal partnership and platform to launch the report.

The APPG group has a progressive plan for 2018/2019 that extends beyond taking evidence from organisations and employees to ensure the Matrix evolves. If you would like to get involved or submit please email: matrix@gailappg.org.uk.

Appendix a: Development stage

■ **Round table discussions and consultations: To determine the best method to progress the ethnicity agenda**

■ **Employer Action Groups: To determine recommendations for key areas**

■ **Survey from the Investing in Ethnicity & Race conference**

■ **Input from recent reports and recommendations**
Recommendations from recent reports including: McGregor-Smith, CMI's Delivering Diversity and CPID'-s Addressing Career Progression, have been collated into one document.

Appendix b: About the Investing in Ethnicity initiative

In July 2017, Investing in Ethnicity & Race launched an ongoing campaign for CEOs and executives to pledge their support to the initiative. The campaign, supported by companies such as HSBC, Bank of England and Tesco, received press from media including The Times, City AM, The Independent and Huffington Post.
The inaugural Investing in Ethnicity & Race conference took place in October 2017, and saw representatives of over 200 organisations attend. More information can be found at investinginethnicity.com.

The Investing in Ethncity and Race initiative held an awards event to recognise those who have Invested in Ethnicity in November 2018. Organisations that invested in this agenda and submitted the Matrix online recieve a report and next steps.

Over the next year, the initiative will continue to offer the annual conference and additional support through its membership, including resources, round table discussions, workshops, future leaders' track and senior leadership breakfast sessions. With over 15 years' experience working within diversity and inclusion, the Investing In Ethnicity team recognise the real challenges faced by organisations and business that want to make positive change happen and reduce inequalities in ethnicity, race and inclusion in the workplace. The company-based membership will help guide you through areas of the Matrix and also give you a full consultation to audit next steps based on your submission.

The initiative offers a wealth of support with additional tools available to support businesses in moving the agenda forward, including In addition, we offer career acceleration programmes for diverse high potential talent, BAME inclusion training, reverse and reciprocal mentoring, consultation, and our Active Inclusion programme for leadership teams.
For further information, please visit **investinginethnicity.com**.

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