

# The Ethnicity Pay Gap

## a mandate for mandatory reporting



On 12 October 2018, Theresa May announced that the Government would launch a consultation on mandatory ethnicity pay gap reporting for UK businesses. Independent of any government mandate to report, we firmly believe that it is essential for businesses to examine their ethnicity pay gap.

There exists a litany of cases for which the practice of such voluntary transparency has enhanced the recruitment, attraction, and retention of a diverse workforce – and the business case for diversity is well established.

We have convened a forum of senior leaders and champions of ethnic minority inclusion to work towards reporting the ethnicity pay gap for their respective businesses ahead of any government mandate to do so. Not simply because it will be required, but because it is prudent to do so.

Ethnicity pay gap reporting is a vital step in opening up conversations about race at work, eliminating structural and inbuilt biases, conscious or unconscious, in the policies and processes of businesses at large, and ensuring the working world is fair and equal for all.

We hope that in encouraging and supporting businesses to investigate their ethnicity pay gap, industry will be catalysed to take action to ameliorate disparities in the lived experiences of ethnic minorities in the workplace.

### Signatories



BANK OF ENGLAND



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# Why report the ethnicity pay gap?

The business case for diversity has been well established. Research has proven time and again a significant 'diversity dividend' enjoyed by those firms with more diverse representation at every level of the business - enhancing profitability, productivity, innovation and long-term business sustainability. While this is generally well understood both by diverse communities and those who champion diversity and inclusion, this is not always the case for the wider workforce.

Diversity and inclusion initiatives are continuously questioned, and the business case must be proven time and again. While the UK government reviews their consultation on potential mandatory ethnicity pay gap reporting for businesses, it is prudent for businesses to begin both collecting this data and reporting it, ahead of any government mandate to do so.

Firms who engage in such practices of voluntary transparency have enjoyed the benefits of recruiting, attracting and retaining a more diverse workforce. Their very public admission of their ethnicity pay gap and disparities in the experiences of diverse populations is also a commitment to take actions to ameliorate the current state of affairs.

Jon Dymond, Director, People & Organisation at PwC, says of the importance of pay gap reporting that, "the social contract of professional service firms, financial services and corporations more broadly is increasingly scrutinized in the public domain, and businesses must ask themselves: 'are we the agents of change in society we think we are?'"

Examining the ethnicity pay gap is an essential step in beginning to answer this question. A lack of diverse representation across all levels of a business results in outputs which do not reflect society at large, and businesses are at risk of alienating increasingly diverse populations. For any organisation, collecting and analysing this data is as much about understanding your employees and potential pressure points for minority talent as it is about capturing business opportunities and addressing potential injustices.

The ethnicity pay gap is not the final word in the state of affairs, but rather an essential mechanism to communicate about wider issues and disparities in the experiences of ethnic minorities in business. Reporting sends a signal that your firm is ready to have difficult conversations and, importantly, take actions to ensure everyone receives equal opportunity and treatment.

# A general framework for reporting

While the methodology for collecting ethnicity data and reporting will vary from business to business, we have identified a general model which can be broadly applied to any firm looking to publish their ethnicity pay gap (EPG).



## In Detail

### 1 Identify the right drivers:

Engage the heart and the gut of your senior leaders and wider population. Key stakeholders must be genuine advocates for ethnicity pay gap reporting, and this often means engaging them with the business case as well as helping all understand the lived experiences of ethnic minorities in your firm. A useful perspective to start from is risk: the ethnicity pay gap is about the firm's reputation and your license to operate. Not reporting and not being transparent has negative impacts for the sustainability of the business.

### 2 Audit your current data infrastructure:

Some useful questions to ask: How robust is your existing data? Is ethnicity data collected – if so, where in the employee lifecycle? What is the current self-disclosure rate for ethnicity at your firm? What mediums do you use to collect ethnicity data and where is it stored e.g. employee engagement surveys, people data held by HR. Who are the gatekeepers for confidential data?

### 3 Position the initiative:

Communicate to your people that you are looking at the ethnicity pay gap and your firm is looking to report this publicly. Announcements can be phased internally to key stakeholders and affinity groups to begin with, then more widely internally. Firms should signal externally that the EPG is being looked at as the initiative is officially undertaken. This stage is also when you begin trying to increase disclosure rates for ethnicity data – a communications campaign may be necessary or simple reminders to complete people data may be sufficient.

### 4 Analyse and contextualise the data:

Build the necessary 'headline statistics' for reporting, and take an additional deep dive into the data to uncover pressure points at the firm and where interventions might be

most impactful. Contextualise the data with the labour profile of the UK market as well as more granularly for each of your offices. For example, the labour profile of London will look very different from that of Edinburgh.

### 5 Report and Respond:

Report your pay gap internally and externally through appropriate channels. Some firms only publish on their website while others actively engage with media. Choose an approach which is fitting for your firm and ensure managers and senior leaders are equipped to respond to queries about the pay gap and why you have reported. It is essential to communicate about interventions being undertaken by the firm alongside reporting your EPG. Reporting without any accompanying actions to ameliorate issues identified dissolves trust and makes reporting less impactful.

### 6 Qualitative engagement:

Speak to your people post-reporting to unpick nuances in issues identified. Host focus groups and town halls to have open discussions about the ethnicity pay gap at your firm. Feed in feedback year on year into your diversity & inclusion initiatives and ensure the actions and interventions taken are having the desired impact on your people.

### 7 Repeat:

Follow the same process as you have previously to effectively compare data year on year. If you communicated any targets or enacted any interventions in the previous year alongside pay gap reporting, provide an update on the status of these.

*INvolve's white paper on ethnicity pay gap reporting can be found on our website [here](#)*