



Guide: A data led approach to addressing the Ethnicity Pay Gap

February 2021



A step-by-step guide to close the ethnicity pay gap

Introduction: The Ethnicity Data Challenge*

As pointed out in our recent **Ethnicity Pay Gap Research**, it's only a matter of time before ethnicity pay gap reporting becomes compulsory. When that happens your organisation will have to report on it just as they do with gender pay gap reporting. Measuring the ethnicity gap, however, is a far more complicated process.

The ethnicity pay gap reporting has been through government consultation, but legislation has been delayed. Although, it's not law yet, companies are urged to make a start and explore how to improve equality across their organisations to close the ethnicity pay gap – before it's mandated by law. Employers should not wait for ethnicity pay gap reporting to become mandatory to disclose ethnicity pay gaps because it is a lot more complex than gender pay gap reporting. We recommend you start now and get ahead of your competitors by ironing out some of the many challenges you will undoubtedly come across.

Smart businesses already are. According to a survey carried out by PwC, two-thirds of companies are now collecting ethnicity data on their employees and almost a quarter have calculated their ethnicity pay gap. The consulting firm's poll found that the proportion of firms calculating their ethnicity pay gap – which has yet to become a legal requirement – has grown from 5% in 2018 to 23% in 2020. Of those that have calculated their ethnicity pay gap, 40% have published it voluntarily.

It's encouraging to see an increasing number of companies taking action to collecting, analysing and publish ethnicity pay data.

Ultimately, organisations should see this as an opportunity to create stronger relationships with their people and futureproof their business helping you to attract and retain diverse talent.

A large majority of companies, however, are not yet measuring their ethnicity pay gaps. The reasons revolve around complexities of collecting data to concerns around the quality and exactly what information required. The most common reason cited for not starting this process is the lack of data. This is partly due to GDPR restrictions, while others struggle to collect the data because staff simply do not feel comfortable sharing personal information about their ethnicity. So we have put together this guide to help you make a start and overcome some of the challenges you're likely to encounter along your ethnicity pay gap reporting journey.

Thanks to our extensive research on the topic, we can provide you with some pointers and guidance on what measures you can put in place to successfully measure and address ethnicity pay gaps and inequality in your organisation. We have reviewed pay gap reports from 82 of the biggest employers in the UK to understand the measures they have put in place to close their ethnicity gap. From this we have

been able to identify 27 of the most frequently used sector-specific measures to close inequality gaps.

This report will show you the practical steps required to start your ethnicity pay gap reporting journey. Based on real case studies, we have put together a practical guide with 9 steps, backed up with tips on how to avoid the common pitfalls.

The steps are as follows:



STEP 1: Creating The Business Case



Introduction

Smart CEOs know that addressing inequality is not only the right thing to do, but it's critical to the performance of their company. Thankfully, there are an increasing number of companies that are on already board with enlightened CEOs who don't need to be convinced of the benefits of diversity and inclusion, and the need for measuring and calculating ethnicity pay gaps and inequalities. Santander's CEO Ana Botin is a case in point. In a recent article that she wrote, she pointed out: "We are past the point where the real benefits of having more diverse teams can be questioned."

Nevertheless, it's surprising how many boards still want to see the business case. Given that ethnicity pay gap reporting is not a legal requirement yet, some board members will want to see the business case for it. In short, they want statistical proof and/case studies to demonstrate that ethnic pay gap reporting is important and worth the investment.

Why is it important?

It's vital to get the buy-in and support from the top leadership. Ultimately, this step is about providing the statistical evidence that will prove how ethnicity pay gap reporting is an opportunity for the company to create stronger relationships with staff which will ultimately futureproof the business. It will also help to attract and retain diverse talent because your company will be recognised as an employer of choice which values inclusion and workplace diversity.

"We are past the point where the real benefits of having more diverse teams can be questioned."

The process

HR and/or DE&I will have the job of demonstrating the business case for measuring the ethnicity pay gap using case studies and up-to-date statistics. Thankfully, there is substantial research and case studies out there already that demonstrate the benefits of a diverse workforce – from increased profitability and creativity, to stronger governance and better problem-solving abilities.

Here are a few compelling statistics for those board members that still need convincing:

- Companies with strong ethnic diversity are 36% more likely to outperform their competitors. (McKinsey, Diversity Wins: Why Inclusion Matters, May 2020, reveals [\(Add reference link\)](#). McKinsey's 2015 research also reiterated similar results (35%).
- When employees 'think their organisation is committed to and supportive of diversity, and they feel included', their ability to innovate increases by 83% (Deloitte). [\(Add reference link\)](#)
- The UK economy could benefit from a potential **£24bn** boost annually, if employers get race equality in the workplace right (UK Gov). [\(Add reference link\)](#)
- Organisations with ethnically diverse leadership teams outperform their peers by 33% (McKinsey). [\(Add reference link\)](#)
- A Boston Consulting Group study found that companies with more diverse management teams have 19% higher revenues thanks to increased innovation. [\(Add reference link\)](#)

Risks

A useful perspective to start from is "What is the risk to our business for failing to measure/disclose the ethnicity pay gap?" Not only do you risk hurting your company's reputation and or/brand, but your license to operate could be at stake. Not reporting on inequality gaps and not being transparent about them will undoubtedly have a negative impact on the sustainability of your business in the long term, especially your company's ability to attract and retain staff. Attracting and retaining particularly millennials and younger generations who highly value diversity and inclusion will become a problem.

STEP 2: Building Trust

Introduction

Before you even start to collect ethnicity-related data, you need to create a safe environment where staff of all backgrounds feel they can hand over personal/sensitive information that you can use to identify inequality gaps.

In short, this means you staff will trust you enough to share their private/sensitive ethnicity data to help you identify any inequalities and gaps. This information will ultimately help you to develop an action plan to close any gaps and promote equality.

Why is this step important?

Without trust you won't get the data. It's that simple. Most research suggests that the majority of companies are struggling to capture ethnicity data from their staff. Given the sensitive nature of this information, and fears that it could lend itself to discrimination/bias, staff particularly those from diverse and ethnic backgrounds may be reluctant to share personal information. Without that trust and data you will probably fail to get enough information on the state of any inequality gaps to make any meaningful change. That said, the majority of companies in our Ethnicity Pay Gap Research reported "above average disclosure rates" with a typical declaration rate of around 60%.

Collecting diversity and ethnicity and data is not actually complex from a systems perspective. The real

challenge is generating employee trust so they will freely share their personal information. An atmosphere of trust within organisations is crucial to collect data without employees questioning your motives for collecting it. The only way of doing that is by ensuring that everyone from all different characteristics/groups understands the value of sharing this data

Collecting ethnicity and pay data is in effect an exercise in trust. If you're struggling to build that trust then that's probably an indicator that there are some wider problems within your organisation. If that's the case, it's probably time to pause and create safe spaces for staff to share their concerns – especially those of Black, Asian and Minority Ethnic (BAME) – to help you understand why they don't trust you/your organisation.

The process

So what do employers/HR need to do to build the trust to get the ethnicity data required? The first question to ask is: Do your BAME staff trust you enough to disclose their personal ethnicity data? If not, that's probably a good place to start.

You can measure trust through staff surveys, chatbox systems or hosting forums with employee resource groups/affinity groups/networks to discuss the top and develop an understanding of how your staff feel about disclosing ethnicity-related data. Having an understanding of why people choose not to disclose will actually help you to come up with a plan to encourage greater buy-in and approaches

that will result in higher disclosure rates.

Once you know that staff overall trust the organisation enough to share their data, you can start thinking about creating an internal communications plan around the data needed and the collection process. The communication plan should proactively address questions/concerns around how and why the data is being collected, where it will be stored and how will it be used.

Other important points to consider:

- Engage all relevant stakeholders. Articulate a clear narrative and vision for reporting that's understood by everyone. Good employee relations is key to this process. Ensure that the plan focuses not only on the task of reporting, but also what improvements can be made based upon the findings.
- Drive accountability from the top. This should be an organisation-wide approach, sponsored and endorsed by the top leaders, including heads of departments and line-managers. This initiative will only be successful if the C-suite believes in it and not simply paying lip service to it.
- Consider using internal employee networks to act as champions or information points to answer any questions/concerns employees may have, particularly if they are uncomfortable asking their line manager or HR.
- Clearly explain what the data is being collected for and how it is going to be used with explicit references to closing ethnicity pay gaps. Consider sending out a privacy notice to inform staff about what data will be collected, why it is being collected and how it would be kept secure. Also explain how confidentiality will be protected.
- Use stories shared by video, to encourage increased ethnicity self-declaration. By showcasing and celebrating employees from different backgrounds, grades and regions, encourage all employees to step-up and be counted by completing their diversity profile in the confidential HR system.
- Consider using an ambassador initiative, where representatives from all ethnic/minority groups across the business meet regularly to share recommendations across the business. This is something that organisations like Charlotte Tilbury and The Royal Borough of Kensington and Chelsea are currently championing. See case study below.

Potential pitfalls to watch out for

Organisations need to provide very clear information on what the data is being used for. Employees are likely to have lots of questions and potential fears around this that need to be addressed, such as: "Can my line manager see that information? Where is it being held and who can have access to it?" Most employees haven't seen ethnicity data being used to their benefit, which is why they may be reluctant to disclose it. Educating staff about what you are doing will be crucial to getting meaningful, quality data.

Unless organisations ask in the right way, by using the right language and tone, there is potential to do more harm than good. An innocuous question about ethnicity could provoke a defensive response. Employers therefore need to be aware that certain groups/employees may have deeply rooted perceptions/discriminatory experiences, which prevent them from disclosing ethnicity data, particularly if their trust has been previously broken.

In the UK, as in many countries, employers cannot compel employees to disclose their ethnicity, so you probably need to take steps to encourage voluntary disclosure. For some firms, White employees have the lowest disclosure rates. The message should therefore clearly state that transparency improves standards firm-wide for everyone.

If your D&I head/lead is not from a marginalised group, be mindful that they may not be able to relate to experiences faced by minority/ethnic communities, and therefore fail to create the 'safe' and trusting environment required for successful disclosure rates.

Create a whistle-blowing hotline as a 'safe' space to encourage individuals to raise any concerns, such as discrimination/bias. Change in culture doesn't come automatically. People are always a bit wary about sharing personal data and there is a great deal of work needed to gain that trust in order for them to disclose it.

Finally, think carefully about your communications approach (both informal and formal). Good communication and trust go hand in hand. You can't have one without the other. It is therefore imperative that there is a balance of both of both informal and formal communication where HR is seen to be a communications champion with an open door policy.

Case studies

The Royal Borough of Kensington and Chelsea

We have trained 24 diversity champions to create a safe space for staff to raise concerns and actively promote and inclusive workplace. They also act as ambassadors for diversity and inclusion.”



Allen & Overy is building a culture where everyone works to understand the challenges minority groups may face and plays their part in removing them. “To support this, we have an active race and ethnicity network with sponsoring partners and a wider working group, which promotes the visibility of role models and mentors at all levels. We have also published a series of frank interviews with members of the network to encourage more open dialogue and understanding around race and ethnicity.”

Allen & Overy



“Most companies use the classification systems set out by the Office for National Statistics (ONS) to collect ethnicity data.”

STEP 3: Define What Data To Collect

Introduction

This section explores what data and metrics will be needed to identify the ethnicity gaps and inequalities that may exist in your organisation. The data you will need to collect will depend on what inequalities you want to measure. The main piece of data is finding out exactly what ethnicities are represented in your organisation. So the first step is deciding what classification system that you need to identify all the minority/ethnic groups

employed in your organisation and use to collect other related data. Most companies use the classification systems set out by the **Office for National Statistics (ONS)** to collect ethnicity data. This will allow you to provide a credible methodology that will future proof your data when ethnicity pay gap reporting is introduced officially and becomes compulsory by law.

Companies can choose from **four categories**, as shown below.

Two-category	Ten-category	Eighteen-category
<ul style="list-style-type: none"> White (White British and White Other) Ethnic minority group 	<ul style="list-style-type: none"> White British White Other Mixed or Multiple ethnic groups Indian Pakistani Bangladeshi Chinese Any other Asian Black African, Caribbean or Black British Other ethnic group 	<ul style="list-style-type: none"> English / Welsh / Scottish / Northern Irish / British Irish Gypsy or Irish Traveller Any other White background White and Black Caribbean White and Black African White and Asian Any other Mixed / Multiple ethnic background Indian Pakistani Bangladeshi Chinese Any other Asian background African Caribbean Any other Black / African / Caribbean background Arab Any other ethnic group
Five-category		
<ul style="list-style-type: none"> White (White British, White Other) Black African, Caribbean or Black British Mixed or Multiple ethnic groups Asian (Chinese, Indian, Bangladeshi, Pakistani, Other Asian) Other ethnic group (Arab, Other ethnic group) 		

Given that the **ten-category classification** is likely to be used in the new ethnicity pay gap legislation, the ONS recommends that companies use this category as it will ensure that the business can understand the experiences of enough different ethnic groups. If the sample size is too small, then the five or two category can be used instead.

Why is this step important?

Without knowing exactly what data you need and what metrics/classification systems you need to analyse the data successfully, you won't be able to figure out where the inequalities/gaps are and what actions you need to take to close them.

The process

First decide on what you want to measure and the data classification you want to use (as outlined above). Our Ethnicity Pay Gap research revealed that the vast majority of companies only use the two classification system – white and non-white (or BAME). Ideally though companies should ideally use the five classification system, or ideally 10, to truly understand the different experiences of their staff. For example, ethnically Pakistani and Bangladeshi employees are consistently found to experience the highest levels of disadvantage, which would be masked if they were grouped into a five-category, instead of a ten-category system.

Of course, the 2- or 5-category could be the default option for smaller employers and/or in the first year of reporting, before reverting to a more detailed category. However, bear in mind that small firms and/or those with fewer ethnic minority populations using the more specific classification systems may find that some groups may be excluded from pay gap reporting as outlined above.

You need to ensure that you collect data with an explicit purpose to gain insights into your gaps. During data collection, you may want to consider what other information could be collected. For example, should you limit data to ethnicity, or could this become part of a wider employee engagement programme to get a better understanding of issues such as sexual orientation, social mobility and disability? Doing so will help communicate a broader commitment to equality and may help your organisation get well ahead of future 'equality' reporting requirements.

Responses should be anonymous and confidentiality must be guaranteed through a robust information security management system, as required by GDPR legislation and ISO 27001 standards. There should also be a clear minimum threshold for the number of respondents from any one ethnic group being reported. Setting a minimum reporting threshold is not an exact science, and you will need to strike a balance between effectively ensuring confidentiality and making sure smaller ethnic minority populations are not excluded.

Potential pitfalls to watch out for

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 as 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 and not cover multi-racial ethnic employees and it could also impede the ability to deep dive into any barriers for certain ethnic minorities in certain areas, such as progression.

Organisations also needed to think about how data could be categorised to avoid identifying individuals in organisations where there is a small proportion of BAME employees. Also it's vital to remember that issues faced by one minority group are unlikely to be identical to those faced by another.



Case studies

Brunel University

“We are being proactive in our approach to understanding the ethnicity pay gap here. We recognise that grouping ethnicity categories together is not ideal in terms of understanding the issues we face here at Brunel.

Actions: We will conduct further analysis to compare pay gaps by ethnicity category. We will contribute to ongoing discussion around ethnicity and disability pay reporting.”



“Continuing to ensure all shortlists to contain a mix of male and female candidates and that they are as ethnically diverse as possible and introduce reporting to track this.

It ensures fairness by monitoring: Starting salaries and in-year salary increases for any emerging trends or bias; and talent programmes and recruitment to ensure women and BAME employees are represented accordingly.”

The Hyde Group



STEP 4: Data Collection



Introduction

Once you decide on the data that you need to collect and what classification system you'll be using, you need to decide how to collect it.

There are several ways in which data can be collected, such as employee feedback surveys, focus groups, one-to-one interviews, focus group, etc. As well as exploring methodologies for data collection, it's vital to understand the legal issues and GDPR restrictions around data collection. In addition, you need to understand what this means for your HR systems and

their ability to process and make sense of the data.

For most organisations, it will be more effective and efficient to use a core HR system to collect and calculate ethnicity pay reports. Leading HR systems will have functionality and supporting data models that can be configured to capture and update employee diversity data in a secure manner. Some organisations, however, may find that they need to upgrade their processes, which may also have cost implications.

Why is this step important?

Data collection is key to help companies identify inequalities and gaps and use it to set targets and come up with a plan of action to help close them. It's a critical first step towards identifying the actions that will drive real and sustainable change. It also

demonstrates a commitment to improving ethnic diversity to both external and internal stakeholders.

The process

DATA COLLECTION

The mechanics for collecting data will largely depend upon the disclosure rates. If the disclosure rate is low then you may want to consider investing in creating a formal campaign about the benefits to staff. If a campaign is needed, run it as a special project with dedicated resources, using the following steps:

Pre-launch: Communicate the benefits of this data, and how and why the data is being collected (See Section 2: Building Trust).

Launch: Provide a time frame for colleagues to disclose their ethnicity data.

Post launch: Share the results of the campaign with staff and the resulting actions that the company will take. (See Section 9). Once the campaign has been completed (if required), then data collection can start and become part of your everyday business practice.

Employee data should be collected at every stage of the employment cycle from recruitment to exit interviews. For example:

- On job application forms using a code so names cannot be viewed when sifting, as in the case study below.
- During onboarding and induction processes – make disclosure mandatory, including the option 'prefer not to say'.
- During end of year processes (performance reviews, pay cycle, bonuses, talent management) etc.
- As part of online compliance training, development and leadership programmes.
- For promotions and new roles make it mandatory to disclose in order to raise the new contract – again making sure to include the 'prefer not to say' option.
- Integrated as part of flexible and voluntary benefits.
- Before undertaking engagement surveys.
- Make it part of a manager's objectives to encourage the team to disclose ethnicity data.
- During the exit interview

Remember to provide different formats for staff to provide this information, taking into consideration that not everyone uses a computer. Ensure that you have consistent cross-organisation communication campaigns that encourage employees to self-report their ethnicity. Remember to outline how this information will be used – i.e. to embed equality, diversity and inclusion in the organisation.

Consider the use of a balanced score card for diversity, which utilises a wide variety of agreed upon measures to evaluate programmes success, ensuring that it covers the most appropriate measures for the organisation. See the FCA case study below.

Use analytics to diagnose key areas that require change, and assess the impact and success of interventions. Data can also be used to create management information and dashboards that bring together quantitative measurement of diversity and qualitative assessments of inclusion.

LEGAL REQUIREMENTS

In terms of legal requirements, it's vital to comply with data protection legislation (GDPR and DPA 2018). Consult with your legal department to ensure that you are collecting and storing ethnicity data for monitoring purposes only. Make sure you can demonstrate this to staff to help promote trust and confidence in self-reporting ethnicity. Other legal requirements to note, include:

- Under GDPR companies can gather and analyse information about employees for equality monitoring purposes provided that there is a legal basis to do so and that the rules relating to processing special categories of personal data are met.
- Data gathered for the purpose of monitoring equal opportunities will fall within the special categories of data under the GDPR, i.e. where it relates to employees' racial or ethnic origin, religious or philosophical beliefs, health or sexual orientation.
- The Data Protection Act 2018, which supplements the provisions of the GDPR, includes a limited provision that specifically allows these types of special category data to be processed for the purpose of monitoring equality of opportunity or treatment between different groups.
- The employer can rely on this provision only if it has an appropriate policy document in place, setting out the safeguards it has implemented for

processing special category data and its policies on for how long the data will be retained.

- Equal opportunities monitoring may be appropriate for an employer to rely on employees' consent as the legal basis for processing their data. This is because employees can have a genuine choice about whether or not to provide the information and there should not be any adverse consequences for those who choose not to provide it. An employer may decide to base the equality monitoring programme on consent to give employees more control over how their data is used.
- Ensure that employees know that it is their choice whether to self-report and there should always be a 'prefer not to say' option, as any information provided by employees must be given voluntarily. The wishes of anyone who chooses not to provide information must be respected and disclosure must not be connected in any way to reward or promotion. Let staff know they can withdraw their consent at any time.

Depending on the nature of an equality monitoring exercise, it may be possible to make personal data anonymous before processing it. However, total anonymity when gathering equality data will not be possible for a monitoring programme where it's necessary to track individuals, for example ongoing monitoring of data on promotions or resignations with reference to race.

Guidance & potential pitfalls to watch out for

Where ethnicity pay disparities are identified, there is a real risk of discrimination challenges. Employers could face 'direct' discrimination issues where pay differences are because of employees' ethnicity, and 'indirect' issues in situations where policies, processes and practices inadvertently disadvantage employees of a particular ethnicity. Organisations with ethnicity pay gaps will need to be prepared for queries from employees. Employers should also bear in mind the sensitivity of any analysis and risk of disclosure in the event of legal action from employees.

As outlined above, employers should ensure that they are complying with GDPR and DPA in ensuring that data is collected confidentially and stored securely to avoid legal problems. To avoid future legal problems, understanding the legislation around data collection is a must.

Data on specific ethnic minority groups should only be published if an organisation can ensure that it does not reveal information that is attributable to individual employees. This will mean that employers may need to aggregate data to some extent, instead of being broken down to the maximum number of ethnic classification groups.

While the process of data collection can differ from company to company, you should maintain data integrity. Although the main purpose of collecting data is to answer questions, it's critical that the data is correct and reliable.

As pointed out in Section 2, the most complex element of data capture and reporting is not the systems aspects, but actually creating trust with employees so they are comfortable sharing personal information to improve response rates.



“The Ethnicity Pay Gap is commonly defined as the difference between the average hourly earnings of all BAME staff.”

STEP 5:

Data Analysis & Benchmarking

Introduction

Once you have the data, it's vital to analyse it to determine what activities or programmes to put in place to reduce current any inequality gaps. Collecting and analysing data will help to validate the extent and severity of inequality issues that need to be resolved and find out size of your ethnicity pay gap. It is important to start by understanding where you are now. By analysing your data and benchmarking your score against your competitors, you can determine which areas need improvement and what targets need to be set to close any gaps.

The critical role of analysis is to understand the current challenges and opportunities that exist around ethnicity across your organisation. At the moment, there is no agreed methodology for collecting, collating or analysing data for Ethnicity Pay Gap reporting. Companies who have already published their figures have made their calculations in line with gender pay reporting.

The Ethnicity Pay Gap is commonly defined as the difference between the average hourly earnings of all Black Asian and Minority Ethnic (BAME) staff and the average hourly earnings of all white staff, expressed as a percentage of white staff earnings. (Add Reference Link)

Why is this step important?

Analysing and benchmarking your ethnicity data can help you to develop an understanding of where your organisation stands regarding equality compared to competitors and where improvements may be needed. This will help you to set targets alongside

an action plan to help achieve those goals. Analysis will also help in conducting a cost/benefit analysis to identify where to make investments and ensure solutions are not costing more than the problem.

The process

Run the initial calculations to establish the numbers for each criteria you are measuring. At this stage it is worth looking beyond the numbers and running additional analysis to understand underlying trends as well the root causes of your gaps.

Use analytics to diagnose key areas that require change, assess the impact and success of interventions and develop targets and goals to drive accountability. Data can also be used to create management information and dashboards that bring together quantitative measurement of diversity and qualitative assessments of inclusion.

Understanding the potential legal risks is also a critical part of this stage, so it's advisable to go through them through carefully with your legal team. Prepare initial findings for an internal review and discuss the best way to address the issues raised.

Track the results (Section 6) to ensure that the actions and interventions taken are having the desired impact on your staff and set goals. (See Section 8). It's important to repeat the same process annually to compare year-on-year data and track improvements.

Report your pay gap internally and externally through appropriate channels. Some firms only publish on their website, while others actively engage with the public and media (see Section 9).

Speak to relevant managers/leaders/teams to unpick any nuances/issues that have been identified. Host focus groups to have open discussions about the ethnicity pay gap results at your firm.



Pitfalls to watch out for

Once the data has been collected, it is important to analyse it fully to understand what is happening in your organisation in terms of equality and discover exactly where the gaps lie and where improvements need to be made. This should go beyond pay and look at the entire employee journey.

Remember what gets measured, gets done. Employee data should be used at every part of the process (as covered in section 4). Finally, it is easy to put a number of programmes in place to show that something is being done by an organisation, but avoid coming up with solutions for problems that don't exist.

Case studies

Barclays

“We are developing plans to use data analytics to help design and implement actions that will support the progress of BAME employees through the organisation, expanding the work which has been carried out for gender during 2019.”

“Diversity data forms are now coded and tracked through each stage of our recruitment process. Once we have enough data, we will be able to start identifying where our problems are in attracting and recruiting BAME people and addressing them. Using this data, we have already changed where we place our job adverts to better reflect the breadth of available talent.”

Teach First

STEP 6: Setting Targets

Introduction

Now that you have analysed the data to identify the gaps, you are in a position to set some targets to make necessary improvements. You need to set realistic targets accompanied with an action plan on how you will address the inequalities and close any ethnicity pay gaps. You will also need to consider how you will communicate the results and targets to your employees (as outlined in section 9). At the same time, you'll need to think about future reporting and tracking, and how you will refine and improve your data collection and analysis over time.

The targets you set will ultimately depend on where your inequality gaps are and what your current/baseline position is. Key questions to consider: Why should you set targets and what targets should you set? This will depend on whether you want to be on a par with peers or outperform them.

Why is this step important?

Setting targets will demonstrate to staff that you are taking the ethnicity pay gap seriously and are taking the steps towards stamping out inequality. This is key to attracting, recruiting and retaining not just ethnic minorities, but also key talent like millennials and younger generations entering the workplace, who place a high value on diversity and equality.

Some of you may be wondering whether or not to set targets at all, as diversity targets/quotas have always been a point of controversy. But as the adage goes, what gets measured gets done. As the case studies below demonstrate, targets can be useful to demonstrate to all your stakeholders (internal and external) that you are serious about inequality and are taking the appropriate measures to close the ethnicity pay gap.

The process

Before even setting your targets, it's important to understand where you are, and set achievable targets that aligned to your business goals. For that you need realistic objectives and a plan to achieve them. It's important to identify your most important D&I objectives and any shortcomings need addressing urgently. Translate these objectives into an action plan that sets out measurable goals aligned to your accountability framework and business goals.

Organisations generally align their D&I targets to four key areas:

- The organisations culture and employee engagement
- Recruitment and onboarding
- Talent management and career advancement
- Community impact

So ensure your targets are aligned to the above listed business areas. Diversity is a business led issue, so it's crucial to articulate the business case for change (as outlined in Section 1) and align priorities with your business goals.

To ensure change happens, it's important to assign accountability for achieving the goals to leadership right at the top of an organisation. Personal targets/objectives should be also be set for the Executive/leadership team to ensure accountability for achieving these goals.

Setting targets are more successful when they are aligned to the organisation and people strategy goals. Be sure to leverage this data in staff communications, engagement surveys, feedback reports, external – so employees remain informed about progress throughout the whole process.

Potential pitfalls to watch out for

Given the impact ethnic diversity can have on organisational success, it should be given the same prominence as other key performance indicators. To do this, organisations need to establish a baseline picture of where they stand today and set aspirational targets for what they expect their organisations to be, say in five years' time. Progress against those targets should also be measured annually. Furthermore, it's vital to be open with staff about the results you are trying to achieve.

The concerns raised around setting targets are often in relation to driving the right behaviours. Organisations may actually meet certain percentage targets, yet still not have the right management behaviours. Much depends on the strategy. Therefore define the purpose of the set target up front.

Be honest. Effective communication with staff can have a positive impact on brand reputation even when there is still work to do. Report honestly on how your organisation is addressing the challenges in improving diversity and inclusion and how it is progressing over time, as the case studies below illustrate. Don't simply publish your initiatives or promote strengths. Tell it as it is.

Targets and actions must demonstrate that everyone in an organisation is valued. Ensure your targets help to create an inclusive environment where everyone feels able to participate and achieve their potential.



Case studies

Natwest

“Our goal is to identify, develop and pull through at least 14% non-white leaders by 2025. From the start of 2018 we set ourselves a target to have at least 14% BAME/non-white leaders in UK CEO-4+ roles, by 2025. At the end of 2019, 9% of our top four leadership roles are occupied by BAME/non-white colleagues, a 1% increase since these targets were introduced (we’ve been really authentic about how we track our stats in this area, removing white minority ethnic colleagues from our BAME/non-white figures).”

“A target to achieve 13% of our workforce to be from a black, Asian and minority ethnic (BAME) background has been set. The target is based on the 2011 census which highlighted this as the figure for the UK’s BAME population. We aim to achieve at least 13% by the end of Control Period 6 (31 March 2024).”

Network Rail

Eversheds Sutherland

“Eversheds Sutherland has launched its first targets for black, Asian and minority ethnic (BAME) colleagues to increase ethnic diversity in its UK teams. The targets are:

- All UK (including partners) – 14% by 2022 (currently 11.85%)
- UK partners – 10% by 2025 (currently 5.33%)



STEP 7: Creating An Action Plan

Introduction

Once you have set some realistic targets, you are in a position to translate these objectives into an action plan. Thanks to the insights from the analysis, you'll know where change is most needed. The plan should set out a clear strategy on actions to close inequality gaps with measurable targets aligned to your accountability framework and business goals.

Deciding what action to take to close the ethnicity gap and where can be a challenging exercise in itself. To help you, we have identified successful measures that organisations are already using to close the gap and the impact of those measures. We recommend that you adopt some of these tried

and tested measures used by companies in your sector to close some of your inequality gaps.

We have outlined 27 measures that are currently used successfully to promote equality and close ethnicity pay gaps. The top five measures, according to our Ethnicity Pay Gap Research Report, are internal diversity networks (41%), External Forum and/or Charter Members (31%), supporting progression/succession planning (30%), Ethnicity Data Collection & analysis (27%) and unconscious bias/cultural awareness training (25%). See chart for all 27 measures (either below or hyperlinked to right section of report)

Why is this step important?

The measures outlined in your action plan will prove to staff that you are serious about closing the ethnicity pay gap and stamping out inequality. It will also ultimately help to close any gaps and raise your profile as an employer of choice. In addition,

you don't have to reinvent the wheel. Thanks to our research, you can already see what measures are being successfully used by organisations in your industry to close ethnicity pay gaps and inequality.

The process

Identify the headline diversity and inclusion objectives that are most important to you or most in need of addressing. Translate these objectives into an action plan that sets out measurable goals aligned to your accountability framework.

Your action plan should set out a clear strategy on ethnic diversity actions that will close inequality gaps and wage gaps. It should outline the steps you're taking to provide fair access to the best working opportunities.

For example, ensuring that recruitment/promotions are open and accessible through tools that reduce bias.

Don't reinvent the wheel. Use our research to see what measures are already being successfully used by organisations in your industry and apply them accordingly.

Additional measures you can potentially include in your action plan, include:

- **Rejection of non-diverse lists:** All employers should ensure proportional representation on long and short lists for recruitment across the board, and reject lists that do not reflect the local working-age population.
- **Challenge school and university selection bias:** All employers should critically examine entry requirements into their business, focusing on potential achievement and not simply which university or school the individual went to.
- **Use relevant and appropriate language in job specifications:** Job specifications should be drafted in plain English and provide an accurate reflection of essential and desirable skills to ensure applications from a wider set of individuals.
- **Diverse interview panels:** Larger employers should ensure that the selection and interview process is undertaken by more than one person, and should ideally include individuals from different backgrounds to help eliminate bias.
- **Transparent and fair reward and recognition:** Employers should ensure that all elements of reward and recognition, from appraisals to bonuses, reflect the racial diversity of the organisation.
- **Diversity in supply chains:** All organisations (public and private) should use contracts and supply chains to promote diversity, ensuring that contracts are awarded to bidders who show a real commitment to diversity and inclusion.
- **Diversity from work experience level:** Employers should seek out opportunities to provide work experience to a more diverse group of individuals, looking beyond their standard social demographic (this includes stopping the practice of unpaid or unadvertised internships).
- **Transparency on career pathways:** New entrants to the organisation should receive a proper induction, including basic and clear information on how the career ladder works, pay and reward guidelines and how promotions are awarded.
- **Explain how success has been achieved:** Senior managers should publish their job history internally (in a brief, LinkedIn style profile) so that junior members of the workforce can see what a successful career path looks like.
- **Establish inclusive networks:** Employers should establish formal networks and encourage individuals to participate, incorporating the networks' objectives into the mission of the company.
- **Provide mentoring and sponsorship:** Mentoring and sponsorship schemes should be made available to anyone who wants them.

Potential pitfalls to watch out for

Save time and money by identifying tried and measures that have already worked in your sector from our research.

It's vital to communicate the action plan to all stakeholders in the business to show you are serious about racial inequality in your workplace (see Section 9).

Make sure your set targets are realistic and achievable through the measures outlined in your action plan (as outlined in Section 6).

Ensure that the organisation's leadership is held accountable for achieving the goals set out in the action plan, and they are not just paying lip service to it.

Overseas Development Institute (ODI)

The ODI has drawn up an action plan to reduce inequality which includes:

1. Reviewing all vacancies with a diversity lens to and encouraging more applicants from minority ethnic backgrounds
2. Training for all managers on unconscious bias in recruitment
3. A review of our recruitment and selection policies and practices to promote greater diversity
4. A review of our salary structure and policies to ascertain whether there are any in-built or embedded historical imbalances
5. A review of career development pathways and opportunities with particular reference to employees from minority ethnic groups
6. Further development of our action plans involving consultation with all levels of staff through the establishment of a new Diversity & Inclusion Forum.

Additional work that the university is planning to improve equality over the coming year includes:

- Continuing the work of the Pay Gap Working Group, in particular with regard to ethnicity and occupational segregation.
- Extending our mentoring and coaching offer, particularly for BME employees, including extending the B-Mentor scheme and implementing for academic staff.
 - Extending career coaching skills training for line managers.
 - Encouraging more staff to declare their ethnicity.
- Develop a pool of Fair Recruitment Specialists of staff from BME backgrounds to address issues of derepresentation of BME groups in our recruitment activities. The core aims of this initiative will be to show visible diversity to our interview candidates and ensure multiple perspectives are included in hiring decisions.
- The creation of a Professional Services and Support staff Working Group to consider the development needs of this group of staff. One of the first initiatives to be introduced by this group will be a Professional Services and Support staff day in June 2020.
- Joined the B-Mentor scheme for staff from BME backgrounds. Specifically, to enhance the career progression of junior professional services staff through mentoring by a middle management professional services employee from one of the partner universities alongside peer networking and thematic developmental workshops.

St Georges University

*“Be truthful
when you are
reporting your
progress to date
and gap results.”*



STEP 8: Tracking Progress



Introduction

This section explores how to track progress of your action plan to ensure that it is achieving the desired results to close any inequality and ethnicity pay gaps to meet your set targets.

Why is this step important?

To show employees you are serious about achieving your set targets and committed to stamping out inequality. Our members have the additional benefit of seeing how their data compares with competitors to help identify areas for improvement

The process

To check the progress of your action plan and set targets it's vital to keep track of progress annually. The plan comprises a number of targeted actions – for example, monitoring and measuring recruitment efforts, monitoring pipeline of future BAME leaders, reviewing all promotion and reward decisions from an ethnicity perspective, etc.

It's vital to fine-tune your action plan on a regular basis to ensure your company is on target to meet your set equality goals. Companies should consider publish their aspirational diversity targets and communicate them with transparency at least internally, if not externally. Some will decide to publish them and make them public in company reports and on their website, others will simply share them with internal staff alone through internal communications.

Boards should appoint at least one senior board leader to champion equality within the organisation and be held accountable for delivering the company's diversity objectives. Ensure that the same process is repeated the following year using the same measures to effectively compare year-on-year data. If you communicated any targets or enacted any interventions in the previous year alongside pay gap reporting, it's important to provide an update.

Guidance to ensure progress:

- Set diversity targets alongside a clear action plan. This should include regular monitoring and reporting on progress.
- Equality & Diversity and Unconscious Bias training should be delivered widely to employees across the private sector. This should be mandatory for those in public facing and senior roles, particularly those involved in recruitment.
- Review job advertisements and recruitment processes to ensure they are attractive to diverse candidates; businesses should make explicitly clear their commitment to equality and diversity. Blind-shortlisting should be a standard practice.
- Work with organisations supporting BAME communities to ensure roles are fairly advertised and ensure visibility within BAME communities.
- Ensure diverse recruitment panels, and consider independent or external panel members where needed.
- Develop clear equality and diversity policies, in conjunction with employees, which are keenly and consistently communicated in the workplace.
- Clear and confidential reporting mechanisms should be developed to report incidents of discrimination, harassment and abuse. Businesses should collaborate with trade unions and organisations tackling hate crime and incidents to set up clear reporting mechanisms.
- Make mentoring and professional networks more accessible to BAME women, and ensure opportunities are being promoted widely so they reach all groups.
- Take all measures to improve candidate pool and pipeline for all levels by widening access to opportunities and removing any bias in systems.

Further guidance & pitfalls to watch out for

Be truthful when you are reporting your progress to date and gap results, even if they are disappointing or you are failing to meet these targets. It can still enhance your company's reputation as it enables you/your company leaders to demonstrate that you are taking the racial inequality issue seriously.

Staff will appreciate honesty and are more likely stay loyal if you admit that you have work to do, and show how you intend to address the challenges to help close the gaps (as illustrated in the case studies below and in Section 9).

Case studies

PwC

"At PwC in the UK, we have been voluntarily publishing our ethnicity pay gap data since 2016 because we believe it's an important step towards ensuring our workforce is diverse, inclusive and fair for everyone. We believe transparency drives accountability, and we have been open about the fact our data is not where it should be. We have found through our own experience that reporting numbers is important, but it's only one step in our journey. The numbers themselves won't change anything.

"The real driver of change inside our business is the way we use the data we've collected to identify the pain points behind the numbers, and form clear, targeted action plans to address them. The median BAME pay gap in 2018 was 10.10% and in 2019 it was 4.70%."

"UCL median ethnicity pay gap has remained at 7.9% in 2017, 2018 and 2019. As with gender, the distribution and decreasing level of diversity at senior levels continues to be the overwhelming reason for the pay gaps by ethnicity. Again, comparable to gender, UCL does not have a fairness issue in terms of equal pay for work of equal value.

"The results this year have again been almost static. The mean gap has reduced by 0.1% and is now 13.3% and the median gap has remained at 7.9%. This will be outlined in greater depth later but the proportion of BAME and White staff between the grades and the quartiles remains very similar to previous years, which results in the lack of movement on the pay gaps."

*University
College London*





STEP 9: Sharing The Results: The Successes & Challenges



Introduction

Once you have the results of your inequality and ethnicity pay gaps, it's vital that you share these – internally and/or externally. It's also vital to communicate what you are doing to close those inequality gaps and how you aim to attain your set equality targets/D&I ambitions.

Why is this step important?

Organisations that are voluntarily publishing ethnicity pay gap report ahead of the anticipated government legislation are clearly demonstrating their commitment diversity and inclusion and being seen as employers of choice. Reporting the gap is an important tool to help achieve your D&I/equality ambitions, even if the results/statistics aren't in your favour, as the case studies below indicate.

The process

Report your pay gap internally and externally through appropriate channels. Some companies will share these results only with staff through internal communications. Others will make the results public on their websites or through their annual company reports.

Choose an approach adequate for your firm and ensure that managers and senior leaders are equipped to respond to queries about the pay gap. It is essential to communicate all interventions being undertaken by the firm, and any results to date (if applicable).

Feed in feedback regarding all D&I initiatives annually, and ensure that actions and interventions are having the desired impact on your staff. Ensure to repeat

the same process annually to effectively compare year-on-year data. If you communicated any targets or enacted any interventions in the previous year alongside pay gap reporting, provide an update.

Be honest: tell it as it is, even if it's to say that you are disappointed with the results, as the case studies below highlight. Effective communication can have a positive impact on brand reputation – even when your message is “there is still work to do”. Report honestly on how your organisation is addressing the challenges in improving equality/D&I and how it is progressing over time. Simply publishing initiatives or promoting stand out strengths is not enough.

Guidance & pitfalls to watch out for

It is essential to communicate the interventions being undertaken by your firm to resolve pay gaps and inequalities. Reporting without any accompanying actions to bridge gaps and improve D&I scores could result in the loss of staff trust.

Case studies

Network Rail

Network rail has clearly outlined that it is voluntarily publishing its ethnicity pay gap report ahead of the anticipated government legislation. “We want to lead the industry on diversity and inclusion and this report is an important tool to help us achieve our ambition.”

It aims to publish its ethnicity pay gap report each year. Here are last year's figures for its ethnicity pay gap (defined as the average difference in hourly rate of pay between white and black, Asian and minority ethnic (BAME) employees):

- Our 2019 median ethnicity pay gap is 8.7%. Whilst being lower than our gender pay gap, it is above the UK average of 3.8%.
- Only 8.6 per cent of our workforce have told us they are from a black, Asian and minority ethnic background. This is below the national average of 13 per cent (from the 2011 census).
- 15.9 per cent of our population have preferred not to disclose their ethnicity or we do not hold data for them.

Network Rail added that it has set up its Our Race Matters project “to increase BAME representation across the organisation, particularly in senior roles”.



The Royal Pharmaceutical Society has also disclosed its gaps and what it's doing to close them. "Our ethnicity pay gap is primarily driven by a lack of BAME representation at senior grades. While BAME made up 22% of our people in April 2018, it only accounted for 5% of our partners and 10% of our directors," the company stated.

The organisation has had a dedicated BAME action plan to address this imbalance since 2017. The plan comprises a number of targeted actions – including widening of its student recruitment efforts, monitoring our pipeline of future BAME leaders, reviewing all promotion and reward decisions from an ethnicity perspective, establishing a BAME Advisory Council to feed into the firm's strategy, and identifying development opportunities both within and outside of the firm (including through external mentoring programmes). "This is coupled with our continued focus on ensuring that we provide a truly inclusive culture, underpinned at all times by respect," it adds.

Royal Pharmaceutical Society

Overseas Development Institute (ODI)

ODI's 209 staff as of April 2020 self-identified as follows: BAME 42, White 145 and not declared 22. Its analysis of the ethnicity pay gap revealed:

1. Mean ethnicity pay gap: 10.8%
2. Median ethnicity pay gap: 9.2%
3. Mean ethnicity bonus gap: 0%
4. Median ethnicity bonus gap: 0%
5. The percentage of: White employees receiving a bonus is 0.0% BAME employees receiving a bonus is 0.0%

This year's analysis showed that it had a mean ethnicity pay gap of 10.8% in April 2020. This will form the baseline figure for subsequent analysis. This means that White staff made £2.79 per hour more than BAME staff. The median pay gap is 9.2%.

As well as publishing its results, it also provides information and statistics to show how does ODI compares with other organisations. "Comparator information is sparse but ODI's result appears to be similar to others. For example, Manchester University published their data in 2018 with a mean of 10.5% and a median of 8.4%. UCL published their 2019 data showing a mean ethnicity pay gap of 13.3% and a median of 7.9%. PWC's 2020 data was reported as a mean of 10.8% and a median of 4.7%."

ODI clearly points out that: "We are disappointed to discover any ethnicity pay gap. However, the mean ethnicity pay gap for ODI is similar to those of other organisations who have acted ahead of government guidance to publish these statistics. ODI is taking action to help us reduce the ethnicity pay gap going forwards. As with gender pay gap statistics, the small size of our organisation means that each new member of staff or colleagues leaving ODI can affect the result by 2%."

It also provides additional analysis revealing that staff from minority ethnic groups are under-represented in the higher pay grades: "In particular, our findings show that the majority of employees from a Black British/Caribbean/African background (67%) work in jobs at the lower pay grades, compared to Asian staff (28%) and White staff (27%)." ODI is therefore proactively focusing on recruiting more staff from minority ethnic backgrounds, especially in the higher pay bands. Check out ODI's action plan to help bridge this gap in Section 7.





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