

Bridging the Gap

The Economic Case for Workforce Diversity in London

Key information

Publication type: General

Publication date: Thursday 23 October 2025

Contents

[About this briefing](#)

[Deputy Mayors' Foreword](#)

[Summary](#)

[Key insights](#)

[What this means for policy and practice](#)

[What this means for employers](#)

[Recommendations](#)

[Dedication](#)

1. About this briefing

The Mayor of London's [Workforce Integration Network \(WIN\)](#) is a City Hall initiative established by the Mayor to tackle labour market inequality and help improve pathways to good work for underrepresented groups. WIN works with employers to address the structural barriers that prevent those who are often excluded from London's labour market from accessing good work.

This briefing provides a summary of analysis by GLA Economics on ethnic inequalities in London's labour market. It highlights the potential economic benefits for London and the UK of closing these disparities by addressing underrepresentation in employment and career progression. GLA Economics' analysis adapts the methodology from 'Race in the workplace: The McGregor-Smith Review' (Department for Business, Energy and Industrial Strategy, 2017), using the latest available data for London (2023). The full analysis, methodology, limitations and commentary can be found in the [accompanying report](#).

2. Deputy Mayors' Foreword

As Deputy Mayors, we are proud to live and work in one of the most diverse cities in the world. London is an economic powerhouse, with a thriving and dynamic economy that makes a huge contribution to the UK's prosperity. We are committed to ensuring that our city remains a beacon of opportunity for all.

Increasing representation for all of London's communities in the workplace is not only the right thing to do, but also beneficial for business and the economy. Our city thrives on its diversity, and it is imperative that our workforce reflects the breadth of talent available in London today.

The purpose of economic growth is to improve lives. Too many Londoners are excluded from contributing to and benefiting from growth. This blights their lives, reduces London's productive potential and undermines social cohesion.

Tackling this inequality and making the moral and business case for increasing workplace diversity and inclusion is a key priority for the Mayor. This is why we launched the [Workforce Integration Network \(WIN\)](#) in 2018, to create equitable work outcomes for the most underrepresented groups in London's workforce by working with businesses to improve pathways to employment.

The Workforce Integration Network achieves this through a number of means including its bespoke and tailored Design Lab programme to analyse the challenges in each respective industry; its toolkits and guides for employers; and its research which improves understanding of the barriers certain groups face in accessing good work and builds the evidence base for which type of interventions are most effective at tackling labour market inequalities.

Inequalities in London's workforce mean that fewer workers participate fully in the labour market, leading to lower outputs and productivity. Improving employment rates and progression for Black and racially minoritised groups would help to provide a bigger boost to the London economy than anywhere else in the UK.

Finding good work does not only have a positive impact on an individual's income. A good job can improve a whole family's household income, living standards, mental and physical health and other aspects of their and their communities' lives. This is why the Mayor and London Councils launched the [London Growth plan which includes an inclusive talent strategy](#). This strategy will set out how London government, employers, schools, colleges and further education providers, universities, trade unions, voluntary and community sector organisations will transform into a coordinated service to grow the skilled workforce and support vulnerable and excluded Londoners to get people into good work.

The findings in this report clearly show that reducing labour market inequalities is not only a matter of fairness, but also a powerful driver of economic growth.

This report is a call to action for all of us. By working together to address these inequalities, we can unlock the full potential of our workforce, drive economic growth, and ensure that London remains a city of opportunity for everyone.

We would like to dedicate this work to Dr Guillaume Paugam, a cherished staff member who passed away before publication and played the lead role in the economic analysis and drafting.

— **Dr Debbie Weekes-Bernard**, Deputy Mayor for Communities and Social Justice

— **Howard Dawber**, Deputy Mayor for Business

3. Summary

Tackling ethnic inequalities in London's labour market could generate billions in economic benefits for London and the UK, adding hundreds of thousands of people to the workforce and increasing the number of workers from underrepresented groups in the highest-paid jobs.

This research explores how ethnic inequalities contribute to London's economy, which is influenced by unemployment and economic inactivity. It focusses on the differences in employment rates and access to higher paid occupations.

Using 2023 data, we estimate that if Black and racially minoritised Londoners had the same employment rates as their White peers (the participation gap), and the same chances of accessing higher-paid occupations after accounting for education (the progression gap), we would see:

- Around **290,000** more Londoners from Black and racially minoritised backgrounds in work, as well as **200,000** more working in the three highest-paid occupational groups.
- A **16% increase** in the Black and racially minoritised workforce, and a **6% increase** in London's total workforce.
- **17.4 billion in economic benefits** in the form of higher aggregate salaries, combining £11.1 billion from bridging the participation gap and £6.3 billion from closing the progression gap, representing **8% of total aggregate annual pay in London.**

These changes would also deliver considerable economic benefits for the UK as a whole. London accounts for 53% of the UK's employment participation gap, meaning effective action in London alone would have a major national impact.

Black and racially minoritised Londoners are not a single group. Experiences vary across different ethnic groups and are shaped by intersectional factors such as **gender** and **disability**. For example, addressing the participation gap would bring **113,000 more Black Londoners** into work. Meanwhile, most of the additional employment under equal participation would be among **women** from Black and racially minoritised backgrounds.

Policy and programmes to boost employment and promote workforce inclusion, therefore, need to be designed sensitively and flexibly to account for these nuances. With further devolved powers over key skills, careers and employment funds, London could do even more to support this.

Publishing mandatory pay gap reporting will provide industry with clear uniform workforce statistics and allow the Mayor to work with employers to mobilise action.

4. Key insights

The Government's goal of an 80% employment rate (UK Government, 2024) can only be achieved in London if we tackle ethnic inequalities in the labour market.

The Government's [Get Britain Working reforms](#) have set an ambitious target of achieving an 80% employment rate in the UK, which is equal to around 2 million more working-age people in work. [The Mayor of London](#) and the capital's boroughs also aim to create 150,000 new high-quality jobs to help deliver inclusive, sustainable growth (GLA 2024a).

Our analysis suggests that this may only be possible if policymakers and employers take urgent action on addressing ethnic inequalities. As Figure 4.1 shows, while White Londoners already have an employment rate (79.3%) close to the Government's 80% goal, most other ethnic groups lag behind.

Your browser does not support iframes, but you can visit
Figure 4.1 -

Source: GLA Economics analysis of the ONS Annual Population Survey 2023. Note: 'other ethnic group' includes respondents who identify as 'Arab'

Closing racial disparities in employment can deliver major economic benefits to London and the UK.

Bridging the participation gap – the difference in employment rates between working-age people from White ethnic backgrounds and those from Black and racially minoritised backgrounds – would bring 541,000 more people into work across the UK, **achieving over a quarter of the Government's goal of two million more people in work.**

London would play a key role, with an extra **286,000** Londoners from Black and racially minoritised backgrounds in work under an equal participation scenario, accounting for 53% of the gains nationally.

If these additional workers were paid the median wage in London, it would represent a boost of around **£11.1 billion in salaries** across the capital.

Most ethnic groups in London would see considerably more people in work if they achieved equal participation, including **113,000 more Black Londoners** (Figure 4.2).

Your browser does not support iframes, but you can visit
Figure 4.2 -

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023

Women face a double jeopardy of both gender and race inequality – and stand to benefit most from closing employment gaps between ethnic groups. As Figure 4.3 shows, the underrepresentation of Black and racially minoritised groups is closely linked to gender inequality. Although Black men would also experience a

significant increase in employment, our modelling suggests that most of the employment gains from equal representation of ethnic groups in employment would be driven by women from Black and racially minoritised backgrounds,

Labour market outcomes are not uniform for women from different Black and racially minoritised groups. In some, female employment rates are much lower than male rates, while in others the gap is narrower. Indicatively, closing the participation gap would bring around **64,000 more Black women** and **62,000 more Bangladeshi and Pakistani women** into work. Achieving this would depend on strategies to increase participation that are tailored to the needs of different groups and the employment barriers they face, underlining the importance of **intersectional policy and programme design**.

Your browser does not support iframes, but you can visit
Figure 4.3 -

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: vertical lines indicate 80% employment rate

Disability is a key factor in employment inequality for all groups, but it also proportionally impacts some ethnicities more than others. The employment rate for Londoners with a disability is significantly lower than for those without a disability in every ethnic group, as shown in Figure 4.4. We can see, however, that the gap between disabled and non-disabled people varies by ethnicity and for some groups the employment rate for those with a disability is especially low. **It is important for policymakers and employers to better understand the interaction between ethnicity and disability (and indeed gender)** when developing strategies and interventions to address underrepresentation and better support people with disabilities into work.

Your browser does not support iframes, but you can visit
Figure 4.4 -

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: vertical lines indicate 80% employment rate

Progression within work matters as much as accessing employment – but ethnic inequalities mean Black and minoritised workers are much less likely to be in higher paid occupations. The progression gap – differences in the occupations between groups after accounting for differences in educational achievement – is a major source of inequality. Our analysis indicates that there is a clear pattern of inequality that holds across occupations. Workers from a White background are more likely to be in higher-paid occupations, while workers from Black and racially minoritised backgrounds are more likely to be in lower-paid occupations, even after accounting for whether individuals hold degree-level qualifications or not.

A key driver of the progression gap is the inequality in access to managerial and professional occupations for those educated to degree level. But this is not the only source of inequality. As Figures 4.5 and 4.6 show, workers from Black and racially minoritised backgrounds are **overrepresented in the three lowest-paid occupations**. On the other hand, they are **underrepresented in skilled trades occupations**, which typically do

not require a degree but pay comparatively better. This demonstrates that the progression gap exists in well-paid occupations for both degree-holders and those without a degree-level qualification.

Your browser does not support iframes, but you can visit
Figure 4.5 -

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: Occupation follows the SOC 2020 classification

Your browser does not support iframes, but you can visit
Figure 4.6 -

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: Occupation follows the SOC 2020 classification. Positive values indicate that equal progression would result in more Black and racially minoritised workers in these occupations; negative values indicate fewer workers.

Tackling racial disparities in progression would add billions to the aggregate salaries of Black and racially minoritised workers and see tens of thousands more of them in well-paid sectors such as Banking & Finance and Construction.

Our analysis, based on the ONS framework for industry classification, estimates that if Black and racially minoritised workers were employed at rates similar to White Londoners across occupations, **their aggregate salaries would have been £6.3 billion higher**. This potential increase in salaries for Black and racially minoritised workers in higher-paid roles could make a significant contribution to London's economic growth.
[Reference:1](#)

Many of the roles currently overrepresented by Black and racially minoritised workers, such as secretarial, customer service and administrative jobs, are among those most vulnerable to displacement by AI. Recent research by the Institute for Public Policy Research suggests that up to 8 million jobs are at risk, with workers on medium and low wages, particularly entry-level and part-time roles, facing the greatest risk. Addressing barriers to progression for Black and racially minoritised workers is therefore a strategic response to technological change, helping to build resilience against future job displacement and support inclusive adaptation to an evolving economy.

These findings raise important questions about the drivers of racial inequality in access to better-paid jobs and sectors. While some of the gap may be explained by the status and relevance of qualifications, use of non-cognitive ('soft') skills or the age and experience profile of workers, there is also likely to be a 'pay penalty' linked to ethnicity, gender or disability, due in part to workplace discrimination. **Policymakers should consider not only how to close racial employment gaps, but also what interventions are needed to ensure equal opportunity for progression in work.**

Your browser does not support iframes, but you can visit
Figure 4.7 -

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: Positive values indicate that equal progression would result in more Black and racially minoritised workers in these industry groups; negative values indicate fewer workers

5. What this means for policy and practice

The [London Growth Plan](#) has set an ambitious, multi-year vision for inclusive, sustainable growth including the creation of 150,000 new high-quality jobs. At the heart of this will be an [Inclusive Talent Strategy](#) to help underrepresented Londoners find good jobs. The Government's [Get Britain Working reforms](#) are aiming to increase the employment rate to 80% through a new approach to employment support, including Trailblazer programmes to deliver more locally joined-up services. Meanwhile, the Government's plan to [Make Work Pay](#) seeks to boost worker rights and equal pay, including through the expansion of mandatory pay gap reporting for large employers to include ethnicity and disability in addition to gender.

This briefing has shown that addressing racial inequalities in the labour market is crucial to achieving the ambitious targets set within London and by Whitehall. Implementing this in practice will mean paying attention to both the employment gap and the progression gap – helping underrepresented groups find work but also to progress into high-quality, well-paid jobs. The economic return of doing so would mean **290,000 more underrepresented Londoners in work and an economic boost of £17.4 billion.**

5.1 What this means for employers

Ethnic diversity in the workforce is not just beneficial for society: it's a strategic opportunity for businesses. The findings in this briefing highlight that closing participation and progression gaps for Black and racially minoritised Londoners could unlock substantial economic benefits. For employers, this translates into measurable gains in productivity, innovation, and resilience.

By addressing ethnic inequalities in employment and progression, employers can access a rich pool of talent in the labour market, particularly among women from racially minoritised backgrounds. Employers can take the first step by analysing their own organisations to understand where inequalities exist across recruitment, retention and progression. Looking critically at internal data, policies and practices will uncover structural barriers that prevent participation and progression for Black and racially minoritised groups.

Programmes like WIN's [Design Labs](#) offer practical support to help employers identify and address these barriers, creating more diverse workforces and tackling labour market inequality. Collaboration with the GLA, local authorities and community partners to recruit diverse talent could help build inclusive employment pathways and address skills shortages.

Supporting progression into higher-paid, future-proof roles also helps businesses adapt to technological change. Taking positive action on diversity positions employers ahead of upcoming employment rights reforms, while enhancing their reputation with customers, employees, and investors as leaders on inclusive growth.

Initiatives like WIN offer opportunities for employers to share best practice, shape industry standards, and drive meaningful change. Acting on this research is not only good for London: it's good for business.

But making progress on this demands joined-up thinking and smart policy and programme design. There needs to be better data and strategies to understand the precise ways in which inequality shapes different groups' experiences of the labour market, how ethnicity interacts with inequality based on gender and disability, and what employers can do to take meaningful action to create more diverse and inclusive workforces that are representative of London.

The Mayor of London and the GLA are leading by example, seeing minority representation increase from **24% in 2018 to 39% 2025** (GLA 2024b).

5.2 Recommendations

To help London go further:

Employers must have access to high-quality guidance, which should incorporate lessons from gender pay gap reporting as well as the vast experience of employers (including the GLA Group) that already voluntarily report and publish action plans on ethnicity and disability pay gaps (GLA 2024b). This is especially important because of the complex and intersectional nature of ethnic inequalities, which involve the diverse experiences of many different population groups.

London needs greater devolution and co-governance of key skills, careers and employment funds. To achieve the full potential of the London Growth Plan and its ambition to create an inclusive talent **service**, London needs further devolved powers over key skills, careers and employment funds in the capital. Ethnic inequalities are influenced by regional factors and demand locally sensitive, joined-up solutions, which greater devolution will help unlock. This will enable the Mayor to work with local employers, unions, councils, and communities to create an employer-led skills, careers and employment system that widens access to good work. See the [London Growth Plan](#) for more on the Mayor's plan to boost productivity and address barriers to growth.

Industry bodies and associations should coordinate stronger sector-wide action on tackling ethnic underrepresentation. While some individual employers are already leading the way, strategies, and programmes to address workforce disparities at an industry level are patchy, inconsistent and often do not meaningfully include smaller and medium sized employers. Industry organisations should be working with unions, employee and community groups, and employers across their industry to track ethnic diversity and take coordinated and targeted action that addresses sector-specific challenges. The Greater London Authority can work with industry to support this via its [Good Work Standard](#) and the Workforce Integration Network's [Design Labs](#).

Work with us to lead industry change

The Mayor's Workforce Integration Network (WIN) is leading the way on increasing workplace inclusion by helping employers and policymakers remove barriers for Black and racially minoritised groups in London's labour market.

WIN offers research, tools, and programmes like the Design Labs training for large employers and the Inclusive Employers toolkit to improve diversity and inclusion across London's key industries. WIN also supports groups who are often the most excluded from the labour market through supporting place-based community employability organisations.

[Find resources and speak to the team.](#)

6. Dedication

This report was researched and drafted by Dr Guillaume Paugam, who tragically passed away at the age of 28, before it could be published.

Gui, who joined GLA Economics in April 2024 after obtaining his PhD in Social Policy from the University of Oxford, was a talented, dedicated and generous colleague. He could always be relied on to bring good cheer and insightful ideas. And he was proud to be involved in work, such as this report for the Workforce Integration Network, which has the potential for positive social impact.

We would like to dedicate this work to the memory of Guillaume.

[Back to table of contents](#)

References

- [Reference:1](#) In line with the McGregor-Smith Review, these estimates assume that increasing representation of Black and racially minoritised workers in higher-paid roles leads to a net increase in aggregate salaries and no displacement of existing workers. In practice, some of the gain may be redistributive. While this modelling does not capture all real-world effects, it gives an indication of the potential scale of economic benefit from closing ethnic gaps in progression.