

Ethnicity Pay Reporting Consultation

Response from the Mayor of London

In December 2017 the Mayor of London, Sadiq Khan, pledged to lead by example on London's black, Asian and minority ethnicity (BAME) pay gap, as part of his drive to tackle inequality. He announced that he would publish data on the pay gap affecting BAME employees in City Hall and across the Greater London Authority (GLA) group. In March 2018 he oversaw the publication of the first GLA Group ethnicity pay gap analyses.

This response coincides with the second publication of the GLA Group ethnicity pay gap analyses on 11 January 2019.

Response to consultation questions

Chapter 2: Ethnicity pay reporting

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

- It is well documented that being transparent about workforce diversity is beneficial to employers. Analysing the diversity of workforces and other equality-related data can help employers to identify any biases, barriers or discrimination (direct or indirect) that might give rise to patterns of inequality. Such analysis is well-established in the public sector.
- Persistent discrimination in the workforce continues to disrupt the progression of Londoners from diverse backgrounds, in particular black, Asian and minority ethnic (BAME) Londoners. One of the chief inequalities is the lack of representation at senior management levels across all sectors across the city. As of December 2017 there are only 5 FTSE 100 Chief Executives from a BAME background and 2% of Chief Financial Officers are from BAME backgrounds.¹ Mandatory reporting of ethnicity pay data will help to draw greater attention to this stark inequality and more importantly could result in vital change.
- Recent research by the Equality and Human Rights Commission found that gender pay gap reporting influences the choices women make when job searching. The impact of making ethnicity pay gap reporting mandatory would encourage more organisations to recognise the reputational benefits for a positive and progressive approach to tackling the under-representation of BAME workers.

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?

- The Mayor believes option (b) is the most meaningful option and reflects the GLA's current practice which is several pay gap figures for different ethnic groups, using standardised ethnicity classifications.
- The gender pay gap reporting guidelines provide precedent. However, the GLA's own experience shows that ethnicity pay reporting is more complex than gender pay gap reporting. The ONS census categories contain 18 categories at their most granular which poses significant challenges when looking to use these for pay gap analysis purposes. At the

¹ Addressing the barriers to BAME employee career progression to the top, CIPD Report December 2017

same time granularity is important because looking only at a headline figure for all BAME groups will mask potentially significant differences between different ethnic groups.

- The GLA published a headline binary comparison between white and BAME staff coupled with pay figures using the sub-category headings provided by the ONS ethnicity classifications: Asian or Asian British, Black or Black British, Mixed (or Dual Heritage), White British and Other Ethnic Group. This then provides a headline pay figure, supported by pay figures disaggregated by broad ethnic group categories - revealing a more nuanced picture.
- The GLA uses a range of pay classifications as part of both its gender and ethnicity pay gap analysis. In addition to quartile data, the GLA provides an analysis by both £10,000 increments (which mirrors the data published in the Mayor's Annual report) and by grade.

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

- *Geographic variations* - the government has concerns regarding introducing a mandatory requirement where the size of the BAME population is inconsistent and, in some areas, very small. Perhaps government could consider a system according to government region where either one pay gap figure is published if the BAME population falls below a particular threshold or several pay gap figures highlighting the differentials for different ethnic groups - where the BAME population exceeds the threshold set.
- *Age variations* - the Mayor agrees with the Government that data on individual personal characteristics cannot be looked at in isolation and that data relating to other characteristics is vital. That said while noting that the BAME population has a younger profile, the Mayor does not believe that this can sufficiently explain the lack of progression experienced by BAME workers in London across sectors. For example, 25% of staff at the GLA are from a BAME background but are represented by 12% at senior staff level². A differentiated age profile cannot account for this differential in representation as there is BAME representation across all age groups.
- *Gender variations* - the EHRC advises that the ethnicity pay gap should be calculated disaggregated by gender - i.e. by comparing men of different ethnic groups and women of different groups - so that the gender pay gap can be taken into account. Government may want to discuss this further with the EHRC.
- There are other contextual factors that the Government should consider to inform the package of data for an ethnicity pay reporting scheme - which relate to other aspects of the employment cycle - for example, applications, grievances, temporary promotions and bonus payments.

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?

- Yes - without question. There is simply no point in requiring employers to gather and report this data without also mandating them to take action as a consequence. Change requires accountability combined with transparency - transparency alone won't deliver change. Government has been proved wrong that encouragement alone would prompt more organisations to publish their ethnicity pay gap data. Employers must be required to take action - how else will the pay gaps narrow for BAME workers?

² GLA Workforce Report - An annual digest of employment data and statistics for year ending 31 March 2018

- In his response to the Government in relation to gender pay reporting, the Mayor made this argument, but the Government failed to act.
- In spite of this, the Mayor has lead by example: publishing gender pay reporting data ahead of legislative mandate, publishing action plans setting out how organisations across the GLA Group are tackling the gender pay gap, publishing ethnicity pay gap data and now publishing the GLA Group's second ethnicity pay gap analysis for 2018 together with action plans on narrowing those gaps.
- The GLA action plans for both ethnicity and gender pay gap reporting were built together with staff – in close consultation with staff groups including the GLA recognised union which is Unison and staff networks and by giving all staff an opportunity to get involved and have their say.
- As a result of the GLA Group's experience of both ethnicity and pay gap reporting over the last two years, the following further advice is offered:
 - Granular analysis – granularity is important because of the differences between ethnic groups. The GLA used a range of indices to reflect pay – including their own grading system to understand fully the pay picture
 - Take action, informed by staff engagement – the exercise is pointless without taking action as a consequence. Staff are an important partner in identifying and prioritising action
 - Co-ordinate with other diversity and inclusion work – there is a risk that pay gap analysis becomes an end in itself and dislocated from other diversity and inclusion work – particularly in larger organisations. Instead, this activity must be co-ordinated with the broader diversity and inclusion strategy
 - Resources and governance – resources do need to be allocated both to conducting analysis and developing and the monitoring the action plan. Oversight of the plan is equally important to ensure accountability for delivery of change.

Chapter 3: Ethnicity data and classifications

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?

- Yes. The GLA has been required by the GLA Act 1999 to monitor and publish its equality-related information on its workforce since its inception – pre-dating some of the requirements on the public sector set out in the Equality Act 2010. As a result, the organisation has a relatively long history in this area. It provides vital information in the GLA's efforts to advance equality and build a workforce that reflects the diversity of London at all levels.
- The Mayor strongly recommends government use the Office for National Statistics (ONS) ethnicity categories. It is crucial that any data published by employers is comparable across organisations and across sectors. If there is no prescription over categories, the comparability will not be possible which compromises the reliability of any data published. The ONS ethnicity categories are used by the census, all other ONS surveys and by the vast majority of employers already monitoring their workforce by ethnicity.

- The Government should use the categories set out in 5 (a) (2011 census: 5 standardised ONS ethnic classifications). The GLA Group have used these for calculating the ethnicity pay gap across the Group.

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

- The GLA has a very high self-reporting rate of ethnicity at 95% of all staff. Our experience tells us that taking a systematic and consistent approach right from the point of job application is vital. The GLA ask all applicants to provide this information (which is not available to anyone involved in the recruitment process). Once appointed, that information is transferred to our workforce data system. The GLA also operates a 'self-service' system enabling members of staff to manage their own equality monitoring data and to provide updates quickly and conveniently. The GLA recognises that workers are more likely to share this information with employers where they feel comfortable and that performance in this area can – in itself – be a measure of the organisational culture. It is also vitally important to hold monitoring data securely to reassure employees that their data is confidential and is not open to misuse. This reassurance can also help to improve declaration rates. Working towards an inclusive culture is a priority within our diversity and inclusion work.

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

- Rates of self-reporting or non-disclosure in an organisation will be relevant contextual data to inform the reader. The Mayor has published gender and ethnicity pay gap data across the GLA Group where there are varying levels of ethnicity monitoring data.

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?

- Yes – the 2011 ONS categories should be mandated to ensure comparability of the data. Any other approach risks empowering individual employers to create individual data sets which once reported would render any collective data virtually useless. The 2011 ONS categories are used widely – including beyond the ONS and workers are likely to be familiar with this classification.
- The GLA already has these systems in place and has just published its second ethnicity pay gap analysis and as a result this work is business as usual and underlines the organisation's commitment to a workforce that reflects London at all levels. However, other employers will need to consider how they will resource these responsibilities.

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

- When publishing the GLA's ethnicity pay gap data we took steps to protect the confidentiality of individuals by suppressing data relating to groups smaller than ten.

Chapter 4: Next steps and government support for employers

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

- The Mayor urges government to reduce the threshold of workers to bring more employers into scope. Given that 99% of employers are small or medium enterprises (SMEs) with an upper limit of 249 workers, government has only required fewer than 1% of organisations to provide their gender pay gap data. Government should be more ambitious in this area in the interests of genuinely tackling race inequality. The Mayor believes that this requirement should apply to organisations with more than 50 workers if the Government is serious about making any difference to the to the size of Britain's ethnicity pay gap.

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

- As the statutory non-departmental public body established by the Equality Act 2006 to enforce equality legislation, the EHRC should be properly resourced to support employers to meet any pay gap reporting requirements. That support should include advice on introducing equality monitoring (including on ethnicity) within workforces, how they go about calculating the pay gap and the steps employers can take to narrow any gap.

11 January 2019