



**CMI RESPONSE TO GOVERNMENT  
CONSULTATION ON ETHNICITY PAY REPORTING**

**JANUARY 2019**

## CMI RESPONSE

### ETHNICITY PAY REPORTING: CONSULTATION<sup>1</sup>

January 2019

#### EXECUTIVE SUMMARY

For many years now, it has been illegal to discriminate against anyone because of their race or ethnic group. However, evidence suggests Black, Asian and minority ethnic (BAME) workers still face barriers in their professional careers that non-BAME workers do not.

This must change.

BAME people are significantly under-represented in business, especially in management and leadership roles. Around 13% of the working age population are BAME<sup>2</sup> – yet they hold just 6% of top management positions<sup>3</sup>. The UK's BAME population is set to grow by around 21% by 2051 and businesses are missing out on the talent they need<sup>4</sup>.

Businesses benefit from a diversity of backgrounds, life experiences and viewpoints at every level, and there are clear economic benefits from having a more diverse workforce. It is estimated that full representation of BAME individuals across the labour market would be worth £24bn a year to the UK economy<sup>5</sup>.

CMI has been calling for ethnicity pay reporting since 2017. We believe that requiring companies to publish their ethnicity pay gap will highlight those employers making progress in this area, and identify those that need to do more.

However, transparency is only the first step – it is a necessary step towards tackling the under-representation of BAME men and women in senior roles and closing the ethnicity pay gap, but is not an end in itself. Pay transparency must be accompanied by a requirement for organisations to publish measurable Action Plans setting out how they plan to close the pay gap.

These Plans need to recognise the pivotal role of leaders and managers in delivering diversity. Without genuine leadership from the highest levels, and without line managers who are equipped and empowered to deliver change, Action Plans will fail. Training on managing diversity and inclusion is an important part of the solution but the latest CMI research found that nearly two thirds (61%) of managers have either never received such training or have received no training in the last 12 months<sup>6</sup>.

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<sup>1</sup> BEIS (2018), *Ethnicity Pay Reporting Government Consultation*

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/747546/ethnicity-pay-reporting-consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/747546/ethnicity-pay-reporting-consultation.pdf)

<sup>2</sup> <https://www.ethnicity-facts-figures.service.gov.uk/>

<sup>3</sup> Business in the Community (BiTC) (2015) 'Race at Work 2015', cited in McGregor-Smith Review (2017), *Race in the Workplace*, p.6

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/594336/race-in-workplace-mcgregor-smith-review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594336/race-in-workplace-mcgregor-smith-review.pdf)

<sup>4</sup> Wohland et al. (2010), 'Ethnic Population Projections for the UK and Local Areas, 2001-2051', cited in McGregor-Smith Review p.44

<sup>5</sup> BEIS Analysis (2016) cited in McGregor-Smith Review (2017), *Race in the Workplace*, p.2

<sup>6</sup> CMI (2018) *Managers Voice* research, unpublished

The key recommendations of our response are:

- the Government should introduce ethnicity pay reporting as soon as possible. The requirements should mirror those for gender pay reporting – although, over time, the scope should be extended to cover smaller organisations;
- key to closing the pay gap is building the pipeline of BAME talent, and helping more talented BAME men and women into senior management and leadership roles;
- employers should work to improve the quality of data they collect on the ethnicity of their workforce to ensure they gain real insight into the full range of barriers BAME workers face;
- employers should collect and publish data using ONS classifications where possible. Some organisations will find this a challenge, so the requirement may need to be phased in. Employers should combine gender and ethnicity data, by incorporating the information they are already required to collect in line with gender pay reporting rules. This will help identify any pay differentials between men and women in different ethnic groups;
- employers must be required to publish Action Plans, outlining the steps they plan to take to eliminate any organisational pay disparity. Plans should set clear targets, so that progress can be tracked and measured; and
- the role of senior leaders and managers is critical when it comes to facilitating greater diversity, and need to be reflected in Actions Plans. Leaders need to champion diversity and build inclusive business cultures, and managers need to be enabled and empowered to deliver change.

Our recommendations are set out in full at [Annex A](#).

We look forward to discussing our response with Government in due course.

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## 1. INTRODUCTION

### ***CMI***

- 1.1 CMI is the chartered professional body for management and leadership. We are dedicated to improving managers' skills and growing the number of qualified managers and leaders across the UK.
- 1.2 With a member community of around 100,000, CMI provides individual students, managers and employers with access to the latest management thinking and practical support to help them embrace change, build high-performing teams and improve individual and organisational performance. We are a UK awarding body for management and leadership qualifications and the only body that awards Chartered Manager – the hallmark of any professional manager.
- 1.3 Our vision is to create better led and managed organisations. This means ensuring the best people are able to progress into management and leadership roles. This also means helping organisations to reflect the increasingly diverse communities they serve: when you have ever-more diverse customers, you need diverse management and leadership to succeed.

## 2. BACKGROUND

### ***Our research***

- 2.1 In July 2017, CMI published *Delivering Diversity*<sup>7</sup>, in collaboration with the British Academy of Management. This was the result of a year-long research project which aimed to:
  - understand the presence and representation of Black, Asian and minority ethnic (BAME) managers and leaders in FTSE 100 companies;
  - analyse problems and barriers to progression of BAME managers;
  - uncover company and individual actions which are helpful in enabling progression; and
  - make recommendations to accelerate inclusivity and enable UK organisations to benefit from a greater proportion of BAME managers and leaders.
- 2.2 A key recommendation in *Delivering Diversity* was for Government to mandate the publication of ethnicity pay and progression data, and we have drawn heavily from this research when preparing our response to the Government consultation on ethnicity pay reporting. We also held a series of interviews with CMI companions - all of whom are senior leaders in their fields - to draw on their insight and understanding of the many complex issues involved.

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<sup>7</sup> CMI (2017), *Delivering Diversity. Race and Ethnicity in the Management Pipeline*.

[https://www.managers.org.uk/~media/Files/PDF/Insights/CMI\\_BAM\\_Delivering\\_Diversity\\_2017\\_Full\\_Report\\_Website\\_Copy.pdf](https://www.managers.org.uk/~media/Files/PDF/Insights/CMI_BAM_Delivering_Diversity_2017_Full_Report_Website_Copy.pdf)

2.3 A full list of recommendations from *Delivering Diversity* is attached at Annex B.

### ***Terminology***

2.4 There is an ongoing debate about the best language to use to describe people from an ethnic minority background. Based on previous work, CMI has used BAME and non-BAME, terms that are widely used and understood across business and academia alike.

2.5 We recognise this terminology has limits. For instance, one global business we interviewed said they avoid using BAME, because it does not translate to territories where black or Asian people are in the majority. It could also be interpreted as implying that BAME people are a homogeneous group, which is not the case. A similar point could be made about the diversity of non-BAME groups.

2.6 Different businesses may settle on different terms. Whatever terminology is used, we emphasise that the important thing is for businesses to have the conversation in the first place and to take action that delivers change. As one leader told us, it is better to apologise for something said with the best intentions, than to stay silent and perpetuate the real issues around diversity at work.

## **3. TACKLING THE UNDER-REPRESENTATION OF BAME MANAGERS AND LEADERS IS KEY TO CLOSING THE ETHNICITY PAY GAP**

### ***BAME men and women are significantly under-represented in management and leadership roles...***

3.1 As the Government consultation paper makes clear, there are a range of factors outside of the workplace – such as education or choice of occupation - which contribute to the ethnicity pay gap. Once in work, however, BAME employees still earn less and progress at a far slower pace than non-BAME staff.

3.2 A range of interventions will be needed to address this, but **key to tackling the ethnicity pay gap is building the pipeline of future BAME managers and leaders**. We know from our own research<sup>8</sup> and from the few ethnicity pay reports already published that BAME men and women are disproportionately represented in junior, lower-paid roles. For example:

- BITC research suggests that 6% of senior managers are BAME<sup>9</sup>, despite BAME people making up around 13% of the UK working age population<sup>10</sup>; and
- based on available data, respondents to a CMI survey reported that BAME representation in their companies was particularly low at senior levels. 54% of respondents said that fewer than 5% of their senior management team were BAME. 83% said that fewer than 5% of their board were BAME<sup>11</sup>.

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<sup>8</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

<sup>9</sup> Business in the Community (BiTC) (2015) 'Race at Work 2015', cited in McGregor-Smith Review (2017), *Race in the Workplace*, p.6

<sup>10</sup> <https://www.ethnicity-facts-figures.service.gov.uk/>

<sup>11</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

3.3 CMI research<sup>12</sup> highlights some of the challenges businesses face in building those pipelines of future BAME leaders. The top five challenges identified by business are:

- a lack of diverse role models;
- the fact that diversity is not a business priority;
- difficulty in acquiring reliable data on race and ethnicity;
- problem with language and terminology; and
- cultural and communication barriers.

***...and businesses and the economy are losing out as a result.***

3.4 The UK's BAME population is set to grow by around 21% by 2051 and businesses are missing out on this talent pool<sup>13</sup>.

3.5 There are clear economic benefits. Full representation of BAME individuals across the labour market could be worth £24bn a year to the UK economy<sup>14</sup>.

3.6 McKinsey have calculated that companies in the top quartile for ethnic and cultural diversity on their executive teams were 33% more likely to experience above-average profitability than companies in the bottom quartile<sup>15</sup>.

3.7 Furthermore, CMI research has highlighted the following five drivers for improving the BAME management pipeline<sup>16</sup>:

- improved business performance;
- greater understanding of a diverse customer base;
- improved business culture;
- access to different perspectives and points of view; and
- reflecting local communities and the local labour market.

#### **4. TRANSPARENCY IS A NECESSARY FIRST STEP**

***Publication of pay and progression data is long overdue...***

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<sup>12</sup> Ibid.

<sup>13</sup> Wohland et al. (2010), 'Ethnic Population Projections for the UK and Local Areas, 2001-2051', cited in McGregor-Smith Review p.44

<sup>14</sup> BEIS Analysis (2016) cited in McGregor-Smith Review (2017), *Race in the Workplace*, p.2

<sup>15</sup> McKinsey & Company (2018), *Delivering Through Diversity*, p.1 and 8

[https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity\\_full-report.ashx](https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity_full-report.ashx)

<sup>16</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

- 4.1 CMI has been calling for data on the ethnicity pay gap and on BAME representation in business to be published since 2017. **The Government should require organisations to publish this information as soon as possible.**
- 4.2 Employers can learn lessons from the progress made on gender diversity, including the power of transparency to drive change. For now, transparency on BAME pay and progression data lags far behind. Only 21% of companies<sup>17</sup> report publicly on BAME (compared to 71% on gender diversity) and 42% even told us that the prioritisation of gender has become a barrier to progress on BAME. This cannot be acceptable: it has to be 'and', not 'or'.
- 4.3 Our research shows managers support the publication of data<sup>18</sup>. There is a widespread view that greater transparency can help uncover and address many of the problems that exist within organisations. Also, many BAME and non-BAME managers identified the importance of top-level management commitment in achieving the cultural and structural changes needed to elevate the issues of race in their companies.

### **Case study**

*Lloyds Banking Group has tracked and monitored ethnicity data for a number of years and were able to identify that representation of BAME colleagues at a senior management level had plateaued in 2015. This triggered a focus group project which explored the experience of BAME colleagues in the organisation. From this listening exercise, a new strategy on BAME representation was developed, including a number of actions to address a perceived lack of role models. (Delivering Diversity p.24)*

**...and should mirror the approach adopted for gender pay gap reporting.**

- 4.4 Employers should build on the gender pay gap rules already in place and publish a headline pay gap figure comparing average hourly earnings of BAME employees as a percentage of non-BAME employees. This should be accompanied by ethnicity pay data by quartiles to illustrate any obstacles to progression, mirroring the gender pay gap methodology.
- 4.5 In addition to this, employers should publish pay gap figures comparing average hourly earnings of different ethnic groups as a percentage of non-BAME employees (as set out below).
- 4.6 We acknowledge that such reporting requirements may be demanding for some employers. We also recognise the challenge that larger employers may face in collecting comprehensive data. But we believe the long-term benefits outweigh the short-term costs.
- 4.7 Ultimately, we believe that all employers should work towards measuring and closing the ethnicity pay gap, by following the format and scope of the gender pay gap rules already in

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<sup>17</sup> Ibid.

<sup>18</sup> CMI interviews with 26 BAME and non-BAME managers across the FTSE 100

place. As a starting point, **this means all organisations with more than 250 employees will be covered by the new requirement.** We would hope over that over time the scope of the requirements will be extended to more organisations – by setting this expectation now, it will allow smaller businesses time to adjust to the new requirements.

***The quality of data must improve...***

- 4.8 The reliability and comprehensiveness of data that organisations hold on the ethnicity of employees is poor. CMI research has found that 83% of HR/D&I leaders in our FTSE 100 survey<sup>19</sup> want better data to drive progress on race and ethnicity. Many also report employee reluctance to share personal information. Improving the quality of data should be a business priority.
- 4.9 Businesses need to avoid thinking in overly simplistic terms and realise that different ethnic groups face different issues<sup>20</sup>. When reporting ethnicity pay information therefore **companies should present pay data by different ethnic group (where possible) following Office for National Statistics (ONS) classifications**<sup>21</sup>. This will help identify the different challenges that BAME people face. We recognise that some employers may need time to collect this information and, in these cases, a phased approach might be necessary. It will be important however that ultimately there is consistency of approach across all employers. This will allow for benchmarking and analysis of trends.

***...and should be supported with contextual information.***

- 4.10 Ethnicity pay reporting should be supported by relevant contextual data. This is consistent with what has been published by the Equality and Human Rights Commission (EHRC), who state that there are contextual factors that can influence ethnic pay gaps<sup>22</sup>.
- 4.11 Furthermore, because BAME data is not often connected to gender data, organisations are often unable to say whether BAME men and BAME women fare differently from non-BAME men and women. These issues of intersectionality represent a further level of challenge for companies.
- 4.12 When collecting data, organisations should include contextual intersectional information. **As a minimum they should combine gender and race/ethnicity data**, by incorporating the data they are already required to collect in line with gender pay reporting rules. This would help identify any pay differentials between men and women in different ethnic groups.
- 4.13 Employers should also consider including information on other protected characteristics such as disability. For example, the EHRC have highlighted the complex nature of the disability pay gap and state that “the extent of the pay gap tends to increase with severity of disability”<sup>23</sup>.

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<sup>19</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

<sup>20</sup> EHRC (2017), *The Ethnicity Pay Gap*, p.40

<sup>21</sup> ONS (2012), *Ethnicity and National Identity in England and Wales: 2011, Figure 1*

<https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/ethnicity/articles/ethnicityandnationalidentityinenglandandwales/2012-12-11#ethnicity-in-england-and-wales>

<sup>22</sup> EHRC (2017), *The Ethnicity Pay Gap*, p.10

<sup>23</sup> EHRC (2018), *Measuring and Reporting on Disability and Ethnicity Pay Gaps*, p.16



4.14 This information will help build a true and fair picture of pay gaps.

***Improving reporting and declaration rates***

We believe there are a number of ways employers can improve employee self-reporting or declaration rates. We divide these approaches between 'leading' and 'progressing' and set this out in *Delivering Diversity*<sup>24</sup>. This way of thinking builds on previous research<sup>25</sup>.

The below methods show examples of 'leading' approaches, where BAME diversity and inclusion are regarded as part of the organisational culture and values and as significant contributors to business success:

- data gathering and analysis are comprehensive and included in key performance indicators (KPIs), self-review and operational/HR planning;
- BAME staff are confident about the use of personal data and have provided data to the company;
- pipeline indicators have been established and time-trend data is gathered;
- pipeline indicators are a foundational part of HR measurement of company performance and are used to stimulate advancement of BAME managers;
- there is BAME representation on an annual review panel on the indicators; and
- positive actions are defined at company, department and individual level.

The following methods demonstrate 'progressing' approaches, where there is increasing buy-in in the company, there is co-ordinated action and there are observable changes in practice. Additionally, the employer is actively reviewing actions and learning:

- data protocols are developed, including data protection measures;
- the needs for data are published;
- willingness to gather and use data is an explicit aim of mentoring, BAME networks and individual action;
- pipeline indicators are identified to give an accurate picture of progression and non-progression;
- BAME networks provide a non-managerial forum for collecting experience of progress/non-progress and give anonymised feedback to HR;
- exit interviews are established to understand reasons for leaving. These interviews may be conducted in confidence by non-line management staff or BAME network members; and

<sup>24</sup> Pages 36-37

<sup>25</sup> Bradley H. and Healy G. (2008), *Ethnicity and Gender at Work*

- communication routes are established for individual information/alerts to be notified to management/sponsors/HR before BAME staff leave the pipeline.

### **Case study**

*Schroders developed a diversity capture option on their HR database that allowed employees to self-declare diversity data (ethnicity was one of the options). As data was gathered, they could overlay ethnicity data with talent mapping data. This provided information of what the management pipeline looked like, allowing them to amend the Diversity and Inclusion strategy to reflect the new talent pipeline insight gained. (Delivering Diversity p.19)*

## **5. ORGANISATIONS MUST BE REQUIRED TO PUBLISH ACTION PLANS SHOWING HOW THEY PLAN TO CLOSE THE ETHNICITY PAY GAP**

***Action plans must be prepared and published annually....***

5.1 Transparency is a necessary first step, but not in itself sufficient to solve the problem of under-representation of BAME men and women in leadership positions, or to close the ethnicity pay gap. **Each organisation covered by the new requirement to publish ethnicity pay data must also be required to publish an annual Action Plan setting out how they plan to build the BAME talent pipeline and close the ethnicity pay gap.** They should then publicly report against these Action Plans on a regular basis.

5.2 There are lessons we can learn from gender pay gap reporting. The EHRC have stated that they “strongly believe that all employers should be required by law to publish a narrative report setting out the organisational context, current activity and future plans alongside their gender pay gap figures”. However, they found that “only around half of employers” did so, with many being “high level” and containing “very little detail or clear commitments to future action”<sup>26</sup>.

***...and should include targets for improving representation and closing the pay gap.***

5.3 If Action Plans are to have any real value, then organisations’ aims and objectives must be clear and progress must be measurable. The Government Equalities Office (GEO) analysis of gender pay gap reporting suggests that non-specific commitments such as “*improving gender equality at my organisation*” or “*reducing my organisation’s gender pay gap*” risk being unsuccessful<sup>27</sup>. **Action Plans should include SMART targets for progress, from recruitment right through the talent cycle.**

<sup>26</sup> EHRC (2018), *Closing the Gender Pay Gap*, p.4-5

[https://www.equalityhumanrights.com/sites/default/files/closing-the-gender-pay-gap\\_0.pdf](https://www.equalityhumanrights.com/sites/default/files/closing-the-gender-pay-gap_0.pdf)

<sup>27</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/731288/Gender-Pay-Gap-actions\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/731288/Gender-Pay-Gap-actions_.pdf)

5.4 The best businesses do this already. For example, Lloyds Banking Group and The Royal Bank of Scotland have set targets for BAME representation in senior roles<sup>28</sup>. Most however do not, as the table below makes clear.

	Collects / holds employee data (%)	Monitors / tracks diversity (%)	Sets progression/ representation targets (%)	Reports publicly (%)
Race and ethnicity	79	54	21	21
Gender	71	67	75	71
Age	92	50	4	8
Disability	58	25	0	4
Sexual orientation	54	21	4	8

Table 1: Data collection, monitoring, targets and reporting<sup>29</sup>

5.5 To build the pipeline of BAME talent, employers should set targets and take action on recruitment, especially when it comes to senior roles. Analyses of trends in management and leadership recruitment suggest unconscious bias plays a role during all stages of the process, affecting BAME candidates<sup>30</sup>.

5.6 Employers might also consider using methods such as anonymised CVs and diverse interview panels in the recruitment process. Our research has shown that around six in 10 companies (58%) did not use diverse recruitment panels<sup>31</sup>. Other actions cited as effective in supporting women into more senior roles – which may read-across into actions supporting BAME talent - include the use of multiple women on shortlists and the use of structured interviews<sup>32</sup>.

**Action Plans must recognise the pivotal role of leaders and managers....**

*Leaders*

5.7 The role of senior leaders is crucial when it comes to progressive equality policies. Without the support of a company’s leadership, there is little hope for genuine progress. Indeed, our research has shown that senior leadership is seen as key to improving BAME career progression<sup>33</sup>. The importance of diversity at managerial and senior leadership level is also highlighted in the Parker Review<sup>34</sup> and 86% of employees in the Business In The

<sup>28</sup> <https://uk.reuters.com/article/uk-lloyds-minorities-targets/lloyds-and-rbs-set-ethnic-targets-for-top-roles-idUKKBN1FWORT>

<sup>29</sup> *Delivering Diversity* p. 18

<sup>30</sup> Wood et al (2009), *A Test for Racial Discrimination in Recruitment Practice in British Cities*, Department for Work and Pensions Research, Report No 607

<sup>31</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

<sup>32</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/731288/Gender-Pay-Gap-actions\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/731288/Gender-Pay-Gap-actions_.pdf)

<sup>33</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

<sup>34</sup> Parker Review Committee (2016), *A Report Into the Ethnic Diversity of UK Boards* p.10 [https://www.ey.com/Publication/vwLUAssets/The\\_Parker\\_Review/\\$FILE/EY-Parker-Review-2017-FINAL%20REPORT.pdf](https://www.ey.com/Publication/vwLUAssets/The_Parker_Review/$FILE/EY-Parker-Review-2017-FINAL%20REPORT.pdf)

Community (BiTC) 'Best Employers for Race 2017' report, stated that "their organisation had a senior champion for diversity"<sup>35</sup>.

#### **Actions for leaders**

- Make closing the ethnicity pay gap a company KPI.
- Commit to collecting better data and be accountable for the results.
- Benchmark performance against your competitors, and collaborate to share good practice and accelerate change.
- Take board-level ownership of the Action Plan. Identify champions across senior and middle management levels so the Plan has ownership beyond the CEO.
- Seek out talented BAME employees to sponsor and mentor. Get your senior managers and direct reports to do the same.
- Ban the use of NDAs and other mechanisms that attempt to hide or conceal discrimination in the workplace. Commit to ensuring that those who are responsible for such actions face the consequences.

**5.8 Action Plans should therefore set out the actions that the leadership team are taking to promote diversity and close the ethnicity pay gap.** Examples of actions that leaders should be taking are set out above.

#### **Case study**

*Virgin Money's central purpose of Everyone's Better Off (EBO), is seen to be all-consuming and part of all employees' day-to-day work. This ethos is about fairness, transparency and encompasses diversity and inclusion. The purpose around EBO is to be welcoming and equally engaging to all. This ethos applies both to how Virgin Money aims to serve customers and how company employees are treated. To facilitate EBO, an ExCo member has responsibility for each dimension of diversity, including BAME. The company has an action plan for BAME diversity and inclusion from which progress is reported at ExCo every month. (Delivering Diversity p. 15)*

#### **Case study**

*Sainsbury's has prioritised senior sponsorship in driving inclusion initiatives and achieving success. Their Race Reference Group includes representation from across the company and helps to drive BAME inclusion through focused initiatives and networking activity. (Delivering Diversity p. 21)*

<sup>35</sup> BiTC (2017), *Best Employers for Race*, p.8

[https://race.bitc.org.uk/sites/default/files/business\\_in\\_the\\_community\\_best\\_employers\\_for\\_race.pdf](https://race.bitc.org.uk/sites/default/files/business_in_the_community_best_employers_for_race.pdf)

## Managers

- 5.9 As the professional body for management, we know that there is all too often a huge gap between the rhetoric of policy makers and the reality of the shop or factory floor. If our ambition of delivering diversity in the workplace and closing the ethnicity pay gap is to be realised then the role of managers needs to be centre stage.
- 5.10 Line managers play a pivotal role in changing behaviour and creating balanced workplaces. Their actions are decisive in the success or failure of efforts to create balance: good managers champion change, bad managers block change. Without progress on the reality of line management behaviours, the rhetoric of senior leaders and policy makers falls flat. Managers need to learn about the behaviours and practices that make a difference. They need to be empowered to call out bias and create change, while also being held to account for their impact.
- 5.11 **Employers should integrate training on managing diversity and inclusion into management development at all levels to give managers the confidence to talk about race and diversity.** The latest CMI research suggests that whilst the vast majority of directors (76%) are very confident to challenge discriminatory language or behaviour by team members, only half (52%) of junior managers are very confident to do so<sup>36</sup>. The same research found that nearly two thirds (61%) of managers have either never received training on managing diversity and inclusion in the workplace or have received no training in the last 12 months<sup>37</sup>.

### **Accrediting diversity training**

CMI has developed a new Diversity, Equality and Inclusion programme<sup>38</sup> to support organisations in developing and implementing their own diversity strategies. The programme helps organisations to:

- develop their staff
- accredit their own diversity and inclusion programmes; and
- access and share best practice through CMI communities such as CMI Women and CMI Race.

- 5.12 To ensure managers are directed to promote diversity and are accountable for their actions, high level diversity KPIs should be cascaded down to senior and line management levels. However, there is worrying data that shows there needs to be improvement in this area. A recent BiTC report states “the proportion of managers who report that they have a performance objective to promote equality at work has fallen from 41% in 2015 to 32% in 2018”<sup>39</sup>.

**...and employees need to be engaged in the design and delivery of Plans.**

<sup>36</sup> CMI (2018) *Managers Voice* research, unpublished

<sup>37</sup> CMI (2018) *Managers Voice* research, unpublished

<sup>38</sup> <https://www.managers.org.uk/employers/management-training-our-services/accreditation>

<sup>39</sup> BiTC (2018), *Race At Work 2018: the McGregor-Smith review one year on*, p.7

[https://race.bitc.org.uk/system/files/research/bitc\\_race\\_at\\_work\\_report\\_sept\\_online-compressed.pdf](https://race.bitc.org.uk/system/files/research/bitc_race_at_work_report_sept_online-compressed.pdf)

- 5.13 Employers should engage all employees in the development of Action Plans. This will increase buy-in to the Action Plan across the business and help identify challenges and solutions.
- 5.14 There are many ways to engage employees on the development of Action Plans. CMI research shows that views of employees themselves were mostly sought through staff surveys (100%), HR and diversity teams (92%), feedback through line managers (83%), diversity network groups (71%), and employee relations or other relevant teams within the company (63%). 58% sought employee voice through ethics/compliance hotlines and 46% through unions. Given that staff surveys were used by all respondents, it is crucial that analysis by diversity characteristics is undertaken in the survey analysis<sup>40</sup>.

### **Case study**

*The employee engagement survey at RBS provides detailed data on the engagement of different ethnic groups. Alongside this, they have set up a robust system of measurement through quarterly reviews of demographics across the business. Together with monthly contact with employee networks, their sponsors and employee focus groups, RBS have a multi-layered picture of how they can improve the BAME employee experience and make RBS a great place to work. (Delivering Diversity p.27)*

- 5.15 An important area for action is how employee voice is translated into action and the extent to which it accords with the frequently-used management voice i.e. through HR/diversity teams (92%), line managers (83%), and relevant teams (63%)<sup>41</sup>. It is noteworthy that apart from surveys, employee voice is mostly sought through management channels. Organisations should give some consideration to reviewing this balance.
- 5.16 A summary of priorities for Action Plans is attached at [Annex C](#).

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<sup>40</sup> CMI survey of 24 FTSE 100 HR and D&I leaders

<sup>41</sup> Ibid.

**ETHNICITY PAY REPORTING: SUMMARY OF CMI RESPONSE**

- We welcome ethnicity pay reporting – better quality data is needed. Employers should work towards measuring and addressing any ethnicity pay gap, by following the format and scope of the gender pay gap rules already in place. As a starting point, this means all organisations with more than 250 employees will be covered by the new requirement, with an expectation that over time the scope should expand – allowing businesses time to adjust to the new requirements.
- When reporting, organisations should present pay data by different ethnic group (where possible) following [Office for National Statistics](#) (ONS) classifications. Research shows different ethnic groups face different challenges.
- When collecting data, organisations should include contextual intersectional information. As a minimum they should combine gender and race/ethnicity data, by incorporating the data they are already required to collect in line with gender pay reporting rules. This will help identify any pay differentials between men and women in different ethnic groups.
- A phased approach can be considered, whereby larger organisations present more granular information.
- It is important that organisations take action to improve self-reporting/declaration rates. Actions that can help are set out in [Delivering Diversity](#).
- Transparency is just the first step. Organisations must also be required to publish action plans for closing any pay gaps alongside pay reports, and report against these annually. These should address the themes outlined in CMI's action plan template for employers in [Annex C](#).
- Action Plans should include targets for progress, from recruitment right through the talent cycle and must set out the actions that the leadership team are taking to promote diversity and close the ethnicity pay gap.
- The role of senior leaders is crucial when it comes to progressive equality policies. Without the support of a company's leadership, there is little hope for genuine progress.
- Line managers play a pivotal role in changing behaviour and creating balanced workplaces. Their actions are decisive in the success or failure of efforts to create balance: good managers champion change, bad managers block change.
- Key to tackling the ethnicity pay gap is building the management pipeline of future BAME leaders.

- Employers should integrate training on managing diversity and inclusion into management development at all levels to give managers the confidence to talk about race and diversity.



## DELIVERING DIVERSITY: SUMMARY OF RECOMMENDATIONS

### Senior leaders

- 'Break the silence' and speak up with strong leadership on BAME diversity. Communicate a clear business case and build employee buy-in to organisational change. Senior leaders must show inclusive leadership by calling out any bias in their organisation, and encouraging all managers to do likewise.
- Talk publicly and use all the company's communications channels to make clear the organisation's commitment to diversity. Can your people articulate the company's diversity culture when talking to clients?
- Commit to collecting better data to enable change. Set aspirational targets to measure the company's progress. Be accountable for the results. And listen to staff views on how to achieve change and tackle barriers to progress.
- Benchmark across your competition and collaborate to share good practice and accelerate change. Make diversity a company KPI.
- Make every manager and leader accountable and identify champions across senior and middle management levels so it has ownership beyond the CEO. Embed diversity as a factor in business decisions.
- Seek out talented BAME employees to sponsor and mentor. Get your senior managers and direct reports to do the same.

### HR/D&I leaders

- Measure and monitor diversity in HR processes and set targets for progress, from recruitment right through the talent cycle.
- Make diversity real by using case studies and stories to engage colleagues across the company, BAME and non-BAME alike. Celebrate cultural events to promote a culture of inclusivity.
- Develop managers' capability to talk about race. Integrate training on managing diversity and inclusion into management development, at senior levels and throughout the pipeline, to give managers the confidence to talk about race and diversity.
- Ensure all high potential BAME employees are actively mentored or sponsored to support progression.
- Work towards measuring and addressing any BAME pay gap, building on the gender pay gap rules already in place for large business.
- Engage with employees on why it is vital to disclose background information to HR. Explain why data is so important to driving change and earn trust in how it is used.

## **Line managers**

- Celebrate cultural diversity in your team.
- Don't be afraid to ask for help on how to break the silence on race and ethnicity. Take the lead with your professional development and seek out training, for instance, in unconscious bias or inclusive leadership.
- Focus on developing others. Act as a next-level role model for inclusive leadership and support others' development through mentoring.
- Signal your availability to talk about difference, and make it possible for all employees to do the same. Actively call out biased behaviour with a focus on learning and development, and encourage your team to do so.

## **BAME communities**

- Help break the silence, including colleagues who fear making mistakes to discuss difference. Engage with business initiatives to support and discuss diversity. Share your background information with HR when they collect ethnicity data and encourage others to do the same.
- Put yourself forward. Differences in organisational norms and expectations can prevent BAME employees from asking for support or guidance. Ask for more, from line managers, mentors and sponsors, and from the business.
- Seek formal opportunities to develop new skills. Network with, and learn from, peers.
- Challenge outdated cultural norms in your company. Nobody has to accept a company's culture just the way they find it. Talk about differences and question the status quo.

## **Policy-makers**

- Encourage transparency through reporting on the BAME pay and progression gap. Work closely with the management community to shape policy, champion industry leaders, and share emerging good practice on this complex challenge.
- Champion progressive employers and encourage others. Work with business to develop aspirational targets for BAME representation in all levels of management, not just the boardroom, and for action on pay.
- Address inequalities in educational access and attainment for BAME students. Businesses' ability to shape the management pipeline is influenced by the intake: government can help ensure a focus on growing employability skills among all students, including BAME groups, and should look, in particular, at the skills needed by growth sectors.

**CMI 5 POINT PLAN FOR ETHNICITY ACTION PLANS****1. LEAD BY EXAMPLE**

Leaders should “break the silence” and speak out on the importance of diversity. They should talk publicly and use all the company’s communications channels to make clear the organisation’s commitment to diversity. Leaders should seek out talented BAME employees to sponsor and mentor, and get senior their managers and direct reports to do the same.

**2. BE DATA-DRIVEN**

Employers should commit to collecting better data and senior teams should be accountable for the results. HR should engage with employees on why it is vital to disclose background information. Earn trust in how data is used.

**3. SET TARGETS**

Set aspirational targets to measure the company’s progress. Make closing the ethnicity pay gap a company KPI.

**4. EQUIP AND EMPOWER LINE MANAGERS**

Develop managers’ capability to talk about race. Integrate training on managing diversity and inclusion into management development, at senior levels and throughout the pipeline, to give managers the confidence to talk about race and diversity. Make every manager and leader accountable for delivering diversity.

**5. ENGAGE EMPLOYEES**

Communicate a clear business case and build employee buy-in to organisational change. Engage staff and listen to their views on how to achieve change and tackle barriers.