

## **The Public Relations and Communications Association's response to the Department for Business, Energy, and Industrial Strategy consultation on ethnicity pay reporting**

### **(Q1) What are the main benefits for employers in reporting their ethnicity pay information?**

- As with all efforts to improve diversity and inclusion, such as initiatives aimed at closing the gender pay gap, the main benefits for employers in reporting their ethnicity pay information are moral and economic.
- It should be noted that the moral case and the business case for reporting ethnicity pay information are not mutually exclusive or in tension: both can be satisfied if organisations treat this as a long-term initiative rather than merely a short-term compliance exercise.
- The business case for improving diversity and inclusion in the workplace has been documented extensively. McKinsey's "Diversity Matters" report revealed that organisations in the top quartile for diversity are more likely to outperform their non-diverse counterparts. For example, ethnically diverse companies are 35% more likely to outperform. Another report by the CBI, TUC, and EHRC - "Talent not Tokenism" - found that improving diversity helps companies understand their customers better, especially when it comes to spending habits. It also helps firms fill skill gaps, as people from different backgrounds will naturally bring a different skill set, which can prove hugely beneficial.
- It is also well-documented that on average minority households earn less than the median for white families. According to a report by the Resolution Foundation think-tank, Bangladeshi and Pakistani households earn about a third less on average than the median for white families – which represents a gap of £8,900 and £8,700 respectively. Earnings in black African families are around a fifth less than white families.
- Ethnicity pay gap reporting can be the first step for many organisations to prioritise diversity and inclusion within the workplace. For further reading on the state of the diversity in the PR and communications industry, the PRCA Diversity and Inclusion Guidelines were published in 2018 and act as a guide for organisations in the industry. The report offers businesses advice on how to monitor and collect diversity metrics, how to implement fair and transparent recruitment practices, and it also summarises the reasons why organisations should take these issues seriously.
- Critically, improvements cannot be made in the workforce without monitoring: what is measured is addressed and the gathering and reporting of ethnicity pay information represents the first tangible actions necessary to drive a lasting change.

### **(Q2) 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?**

- Aligning with the mandatory gender pay gap reporting requirements, we welcome - in principle - suggestions that ethnicity pay information be reported (in part) as a single pay gap figure comparing the average hourly earnings of ethnic minority employees as a percentage of white employees.

- The methodology, timing, and process should ultimately mirror the mandatory gender pay gap disclosure methodology, timing, and process. To expand:
  - Median ethnicity pay gap: this is the best representation of the “typical” pay difference.
  - Mean ethnicity pay gap: this looks at both the low and high earners in an organisation and is particularly useful for assessing over-representation at the low earning extreme or the high earning extreme.
  - Median bonus ethnicity pay gap: this shows the typical difference in bonus pay for white employees and BAME employees who receive bonuses
  - Mean bonus ethnicity pay gap: this shows the overall difference in bonus pay for white employees and BAME employees who receive bonuses, considering the largest and smallest bonuses received.
  - Proportion of white employees and proportion BAME employees that received a bonus during the year.
  - Salary quartiles: the proportion of white and BAME employees in each quartile pay band across an organisation.
- This response must be framed by the fact that binary figures - “X vs Y” or “X as a percentage of Y” - are inherently problematic and potentially divisive. Developing on this, it must be noted different minority groups can (and do) face different issues in the workplace, and simply pooling all these individual employees can only be done if that nuance remains central to the narrative or contextual information disclosed.
- Intersectionality - the idea that the categorisations that apply to people (such as their race, class, gender, and sexuality) result in overlapping areas of discrimination or disadvantage, are interconnected, and therefore cannot be examined in isolation - is key and all output from government should reflect this fact. Ethnicity pay information, like gender pay gap information, cannot be considered in isolation because any demonstrable issue cannot be solved in isolation.

**(Q3) What supporting or contextual data (if any) should be disclosed to help ensure ethnicity reporting provides a true and fair picture?**

- We welcome the fact this consultation has itself raised the issue of contextual data and how it can contribute towards a clear picture for the end user.
- Alongside more obvious data (such as a figure for employees in an organisation who prefer not to disclose their ethnicity), supporting or contextual data for organisations looking to voluntarily expand on their analysis and disclosure could include:
  - Showing ethnicity representation across different occupational groups and representation by business region or unit.
  - Disclosing the full-time ethnicity pay gap and the part-time ethnicity pay gap.
  - Considering the ethnicity breakdown by job level or grade.
  - Showing and contextualising the representation of white employees and BAME employees at different quartiles (including providing mean and median ethnicity pay gaps for each quartile).

- Offering a fuller picture of the bonus situation at the organisation by, for example, looking at the median and mean bonus ethnicity pay gaps for each ONS group, or by redrawing quartiles to consider the total remuneration of employees.

**(Q4) Should an employer that identifies disparities in their ethnicity pay in their workforce be required to publish an action plan for addressing these disparities?**

- As many responses to this consultation will note, the current gender pay gap legislation does not require organisations to publish any sort of action plan.
- As the gender pay gap reporting has shown, however, a number of organisation will elect - for a variety of reasons - to publish their own action plan (which is often - rightly - coupled with granular analysis, nuanced qualitative details, and levels of disclosure which exceed the statutory minimum).
- We welcome – in principle – the suggestion that employers publish an action plan and we anticipate widespread support for this proposal, given it would raise the minimum standard currently set by the gender pay gap legislation. It is important to qualify this support: organisations must be given the time and space to address the specific problems they may encounter. An action plan could detail the precise measures being taken to address precise issues within a specific timeframe and with a specific intended outcome.
- Given the importance and implication of this proposal, we would propose that the government consult on this issue separately.

**(Q5) Do you currently collect data on ethnicity at your workplace? If yes, do you use standard ethnicity classifications for reporting? If so, which ones?**

- The industry census - conducted by the PRCA - uses the following standard ethnicity classifications (complete with a “Prefer not to say” option):
  - White British
  - Other White (European, American)
  - Black Caribbean
  - Black African
  - Black British
  - Any Other Black Background
  - Indian
  - Pakistani
  - Bangladeshi
  - Asian British
  - Any Other Asian Background
  - Chinese
  - Mixed White / Black Caribbean
  - Mixed White / Black African
  - Mixed White / Asian
  - Other Mixed Background
  - Any Other Ethnic Group

**(Q6) What do you think are the most effective approaches for employers to improve employee self-reporting or declaration rates?**

- Internal communication is the key to ensuring that employees are willing to declare this information. Since employees are not legally obliged to declare this information, educating employees on the benefits of collecting and monitoring this data is crucial. Employees should also be assured that their data will be stored safely and that all their records will be confidential. Finally, employers should communicate how employee data will be used, the benefits of ethnicity pay gap reporting, and who will be able to access this data.
- Employers should communicate these measures to all employees through face-to-face presentations and briefing documents. All line managers should also be given all the key information on these measures, so they are able to answer any questions from their employees.
- It is important to note that this exercise will be futile unless employees are engaged throughout the process and not worried about this data leading to discrimination.

**(Q7) How should self-reporting or non-disclosure rates be reflected in the information reported by employers?**

- Given the importance of it, organisations should be required to publish their response rate and their non-disclosure rate: without response rates and non-disclosure rates, the end user of this disclosure exercise will not be party to important contextual data necessary for comparison or a “full” view of an organisation. Importantly, low response rates and high non-disclosure rates are themselves possible manifestations of a broader workplace issue.

**(Q8) 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: without a standardised approach to classifications of ethnicity, no meaningful comparisons (both between organisations, across industries, or year-on-year) can be made. In terms of ease and consistency, government should deploy the 18 standardised ONS ethnic classifications used in the 2011 census

**(Q9) Please outline steps that should be taken to preserve confidentiality of individuals.**

- Organisations should be required to present (externally) and use (internally) aggregate “headline” figures; as ever, clear consideration needs to be given to who is responsible for handling the raw data, how that is stored, and how unnecessary disclosure of personally identifiable data can be avoided.
- Internal communications is a necessary part of the communications plan: government and organisations required to disclose must, from the very start, recognise this.
- The Department for Business, Energy, and Industrial Strategy should - in its communications and guidance - also recognise that organisations required to disclose are not their sole

audience, but that employees whose data is being disclosed are an equally important audience. They will rightly have questions about validity, privacy, and use of their own data.

**(Q10) What size of employer (or employee threshold) should be within scope for mandatory ethnicity pay reporting?**

- We anticipate that a number of consultation responses will feature original research or surveys in support of a particular threshold. When the PRCA surveyed the PR and communications industry to aid our response to the gender pay gap consultation in 2015, we found the 250 or more employees threshold to be inappropriate and unsupported.
- With the 250 or more employees threshold in place, however, ethnicity pay information should - framed by the fact that it should be reviewed to ensure evidence-based policy and the fact that we could be concerned with the positive consequences of this reporting rather than the positive intentions behind it - follow these same guidelines and use this same threshold and reporting period in the first instance before seeking to lower both thresholds.
- The Department for Business, Energy, and Industrial Strategy should anticipate that a number of organisations below the threshold will want to voluntarily disclose (either externally and/or internally) their ethnicity pay information. Voluntary reporting - using aggregate figures and on the condition that it does not inadvertently disclose individuals' personal data - should be welcomed and supported in guidance.

**(Q11) What support measures do you think would be useful for employers?**

- The government should not only provide materials referenced in this consultation (such as standard ethnicity classifications) but also seek to provide clear framework and worked examples (so that organisations without in-house practitioners experienced in this area could effectively deliver on these requirements) alongside relevant data (to act as a benchmark for organisations disclosing these details).
- Ultimately, combining gender pay gap reporting and ethnicity pay reporting into one exercise is a significantly supportive measure for employers that would be welcomed (and, while it sits outside of the current consultation scope, would allow various reforms such as the inclusion of partnerships).