

ETHNIC DISPARITIES AND INEQUALITY IN THE UK: CHARTERED MANAGEMENT INSTITUTE (CMI) RESPONSE

November 2020

EXECUTIVE SUMMARY

CMI's response outlines how there have been some positive signs of change when looking at reducing ethnic disparities and inequality in the UK. These include the consultation on ethnicity pay reporting, the Black Lives Matter (BLM) movement that has accelerated and added a renewed impetus to the Diversity and Inclusion (D&I) agenda, and a narrowing of the ethnicity pay gap.

However, the ethnicity pay gap still exists and we continue to wait for the Government's response to the ethnicity pay reporting consultation which closed in January 2019. Research has also shown the unequal impact that the Covid-19 pandemic has had on diverse ethnic groups.

The causes of ethnic disparities are complex but we believe one of the key causes is the lack of managers and leaders from diverse ethnic backgrounds. Under representation at management level and above is driven by poor quality data and a gap between the rhetoric and actions of those in positions of influence within organisations.

Managers and leaders are instrumental in the success or failure of efforts to create balance and without support at the highest level within organisations there is little hope for genuine progress. Although there are examples of good practice, it is clear much more needs to be done. We recommend the following:

- **Introduce mandatory ethnicity pay gap reporting** as part of the forthcoming Employment Bill or earlier, to improve the quality of data and enhance transparency. As a starting point, this should mirror the approach of gender pay gap reporting, covering organisations with more than 250 employees.
- **Require organisations to publish action plans for closing any pay gaps.** Employers should have to report on progress against these annually. Action plans must recognise the pivotal role of managers and leaders in creating diverse and inclusive workplaces and give them the support they need to become champions of D&I.
- **Work with professional bodies, such as CMI, to develop an online portal providing guidance and best practice to employers on how to close gaps.**
- **Obtain more detailed and up-to-date data.** The [Commission on Race and Ethnic Disparities](#) should work to improve the quality of data that we have on ethnicity in the workplace and gain better insight into the full range of barriers that workers from diverse ethnic backgrounds face.

Please see [Annex A](#) for answers to the relevant consultation questions.

ABOUT CMI

1. CMI is the only Chartered professional body in the UK for management and leadership. We have a community of over 140,000 members including aspiring and practicing managers from a diverse range of ethnic backgrounds, across all sectors, industries and levels of seniority. At CMI, we aim to draw from our wide reach across different types of organisations in different parts of the economy to share best practice and encourage an ongoing positive dialogue on race at work.
2. [CMI Race](#) was established in 2017 to put diversity and inclusion at the heart of great leadership. Our foundational report, [Delivering Diversity](#), sets out the economic reasons why diversity in the workplace should be a business-critical issue for every organisation and leader and provides clear, practical steps that leaders can take to make an impact.
3. In October 2020 we published [Moving The Dial On Race: a practical guide on workplace inclusion](#). This sets out the practical, positive action that managers and leaders can take at every level in every organisation. We know that managers are instrumental in the success or failure of efforts to create balance: good managers champion fair opportunities for all, bad managers block this. Our work is steered by the CMI Race Advisory Committee.¹
4. Our forthcoming CMI Race report, *The Push for Progress on Workplace Inclusion* sets out that despite being vocal about promoting an inclusive culture, senior leaders in organisations need to take more action to build inclusive cultures and support racial diversity in their organisations. Greater efforts are particularly needed in the private sector and in small and medium size businesses (SMEs) to better scrutinize their existing initiatives.

THERE ARE SIGNS OF CHANGE

5. Over the past two years there have been some positive signs of change. In October 2018 the Government launched its consultation on ethnicity pay reporting. This was a welcome move. More recently, we have seen the BLM movement which has accelerated and added a renewed impetus to the D&I agenda. The Office for National Statistics (ONS) has also stated that the ethnicity pay gap between White and ethnic minority employees has narrowed to its smallest level since 2012 in England and Wales.²

BUT IT IS CLEAR MUCH MORE NEEDS TO BE DONE

6. Despite these developments, overall progress to reduce ethnic disparities and inequality has been painfully slow. The consultation on introducing mandatory ethnicity pay reporting closed in January 2019, making it nearly two years since this concluded and, at the time of writing, we are yet to receive a Government response.

¹ Membership of the Committee can be found on page 49 of our practical guidance

² ONS (2020), [Ethnicity Pay Gaps: 2019](#)

7. The ONS states that most minority ethnic groups still earn less than White British employees, with large variations between different ethnic groups and regions. For example, the largest ethnicity pay gap is in London at 23.8% and the smallest is in Wales at 1.4%.³
8. The Equality and Human Rights Commission in April 2020 stated that those who identified as Black, Asian and Minority Ethnic (BAME)⁴ were 14 percentage points more likely to have been unemployed than those who were non-BAME.⁵ And research from the Resolution Foundation found the likelihood of a previously-furloughed worker not being in work in September was particularly high for those from a BAME background (22 percent were no longer working in September versus an overall figure of 9 percent).⁶
9. CMI's own data below shows that more action needs to be taken if we are to build truly diverse and inclusive workplaces. Managers and leaders are key to driving change.

WHAT IS CAUSING ETHNIC DISPARITIES AT WORK?

10. The causes of ethnic disparities and inequalities at work are complex, but at CMI we believe that one of the key causes and ways that we can tackle these issues is by addressing the lack of people from diverse ethnic groups in management and leadership positions.
11. Back in 2017, the McGregor-Smith Review stated that although 1 in 8 of the working age population are from an ethnic minority background, they make up only 10% of the workforce and hold only 6% of top management positions.⁷
12. More recently, Business in the Community has stated that Black people make up just 1.5% of top management positions across the private sector, an increase of only 0.1% since 2014. The figure for the public sector is only 1%, whilst just 1% of the police force identify as Black African or Black Caribbean. This is despite Black people making up more than 3% of the population in England and Wales.⁸
13. The 2020 Parker Review report found that 59% of companies did not have a single director of colour on their board, with even less ethnic diversity in the FTSE 250.⁹
14. CMI's *Delivering Diversity* report also found that diverse ethnic representation was low at senior levels. 54% of respondents to a CMI survey said that fewer than 5% of their senior management team were Black, Asian or Minority Ethnic and 83% said that fewer than 5% of their board represented diverse ethnic groups.¹⁰

³ Ibid.

⁴ BAME and non-BAME are the terms used in the cited research. We recognise that these terms are problematic but whatever the language used, we emphasise that the important thing is for organisations to have the conversation in the first place

⁵ EHRC (2020), [How Coronavirus has Affected Equality and Human Rights](#), p.15

⁶ Resolution Foundation (2020), [Jobs, jobs, jobs: evaluating the effects of the current economic crisis on the UK labour market](#), p.6

⁷ The McGregor-Smith Review (2017), [Race in the Workplace](#), p.6

⁸ <https://www.bitc.org.uk/news/black-livelihoods-matter-less-than-2-in-top-management-roles-are-black/>

⁹ The Parker Review (2020), [Ethnic Diversity Enriching Business Leadership](#), p.17

¹⁰ CMI (2017), [Delivering Diversity](#), p.18, (CMI survey of 24 FTSE 100 HR and D&I leaders)

15. The same research also highlighted the biggest challenges in promoting race and ethnic diversity in the management pipeline.¹¹ The top five were:

- A lack of diverse role models
- Gender diversity being a higher priority in the company¹²
- Difficulty of acquiring reliable data on race and ethnic diversity
- Difficulty of what language/ terminology to use
- Perceptual, cultural or communication barriers

WHAT IS DRIVING ETHNIC DISPARITIES?

16. The first step in addressing racial and ethnic disparities is improving the quality of data. This can enhance transparency and help uncover and address the problems that exist within organisations. Worryingly however, our research shows that under half (44%) of managers said that their organisation collected data and set targets for race diversity/ethnicity.¹³

17. This is why, since 2017, CMI has been calling for ethnicity pay reporting. As a starting point, we want to see this mirror the approach for gender pay gap reporting and cover organisations with more than 250 employees in all sectors. This should also include data by quartiles to illustrate any obstacles to progression.

18. But this by itself will not remove racial and ethnic disparities. Organisations covered by pay gap reporting should also be required to publish annual action plans and report publicly on progress against these on a regular basis.

19. This is needed as our research suggests there is a gap between rhetoric and action.¹⁴ Despite 83% of managers agreeing that their senior leaders are active and vocal in promoting an inclusive culture, the figures drop when we look at the extent to which senior leaders are engaging in a range of initiatives.

We found that:

- 76% of managers agreed their senior leaders use policies and practices that support representation, progression and success of colleagues from diverse ethnic groups
- 76% of managers agreed they support managers to develop an inclusive culture in their teams
- 67% of managers agreed they listen to the lived experiences of those from diverse ethnic groups
- 62% of managers agree they invest sufficient resources to implement action plans relating to race
- 61% of managers agree they actively talk about race in the workplace
- 56% of managers agree that they have developed and implemented concrete action plans to improve race relations
- 55% of managers agree that they create opportunities for colleagues who do not face racism to ask questions and learn about race at work

¹¹ Ibid, p.20

¹² It is important to note here that we are not suggesting that organisations should take an either/or approach to diversity, but that they should be taking appropriate action across all areas of diversity

¹³ CMI Manager's Voice poll of 838 managers conducted between 8th and 11th September 2020

¹⁴ Ibid.

20. We also found that while the majority of managers (85%) said they feel comfortable to talk about race with their team at work, significantly fewer (50%) have reported actually talking about racial justice and equality in society with their team, and even fewer (34%) reported talking about their organisation's response to BLM.¹⁵
21. Organisations need to be doing more to improve the representation, retention and progression opportunities for people from diverse ethnic groups. To do this, it is vital that senior leaders are committed to creating an inclusive culture with a well-resourced, concrete action plan in place. Line managers also need to be equipped with the right tools and empowered to play their part in creating an inclusive working environment, and to be able to talk about race with their teams.

WHAT ARE THE SOLUTIONS?

22. There are a number of good practice approaches that organisations of all sizes and within all sectors can adopt to help improve representation, retention and progression opportunities for diverse ethnic groups. A range of measures are set out in detail in our [Delivering Diversity](#) report and our recent CMI Race publication [Moving the Dial on Race: a practical guide on workplace inclusion](#) provides practical guidance for managers on how to make real change happen. This covers:
- Supporting people who face racism
 - Learning about how to talk about race
 - Ending microaggressions at work
 - Building support
 - Raising awareness
 - Raising skills
23. We asked managers what initiatives they had in place in their organisations.¹⁶ We found:
- 69% of managers said diversity training is a requirement for all staff
 - 65% said inclusive recruitment practices such as anonymised applications and diverse recruitment panels were in place
 - 55% said inclusive promotion practices such as clear and transparent promotion criteria and allowing employees to self-nominate for promotion were in place
 - 50% said a race equality strategy, with action plan was in place
 - 47% said a network for staff members from diverse ethnic groups was in place
 - 44% said their organisation collected data and set targets for race diversity/ethnicity such as ethnicity pay gap reporting and/or making race diversity a KPI
 - 42% said they had a senior leader appointed as a race diversity champion
 - 37% said sponsorship and mentoring was available for staff from diverse ethnic groups
24. These are just some of the approaches that organisations should be adopting to improve the representation, retention and progression opportunities for diverse ethnic groups.
25. There is no one size fits all but the practical approaches above can help. There are also some universal approaches that can help to drive progress such as collecting data, setting targets and implementing action plans.

¹⁵ Ibid.

¹⁶ Ibid.

26. Taking practical steps is important because, despite its benefits, [lessons from previous crises suggest](#) D&I may recede as a strategic priority for organisations as they choose to focus on what are considered more pressing needs around workforce capacity, productivity and the physical and mental health of employees in the current pandemic. Indeed our research shows only 10% of all UK employees ranked the diversity of their organisation's workforce as a critical workplace priority before the pandemic, compared with 39% of Black employees; this dropped to 7% and 35% respectively as we emerged from the first lockdown.¹⁷ This is concerning.
27. Creating more diverse and inclusive workplaces is not only the right thing to do, but also brings many business benefits in a time of crisis. CMI research shows that 96% of managers agree that D&I greatly supports organisational resilience, 93% agree it supports organisational innovation and a further 93% agree that inclusive leadership enables better decision making.¹⁸ This is echoed by [McKinsey](#) who state that "the most diverse companies are now more likely than ever to outperform less diverse peers on profitability". Now is the time organisations should be doubling down on tackling racial and ethnic disparities.

RECOMMENDATIONS

28. **Introduce mandatory ethnicity pay gap reporting as part of the forthcoming Employment Bill or earlier.**
- As a starting point, this should mirror the format and scope of the gender pay gap rules already in place for large employers. This means all organisations with more than 250 employees will be covered by the requirement, with an expectation that over time the scope should expand - allowing businesses time to adjust to the new requirements.
 - Employers should publish a headline pay gap figure comparing the 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.
 - However, we recognise that use of the terms BAME and non-BAME are problematic. So where possible, employers should present pay data by different ethnic groups following [ONS classifications](#). The Government could consider a phased approach, whereby larger organisations present more granular information.
29. **Organisations must be required to publish action plans for closing any pay gaps.** This should include SMART targets for progress, from recruitment right through the management pipeline. Employers should have to report on progress against these plans annually. This should be monitored and enforced through the Equality and Human Rights Commission, who should be empowered to take action against employers who regularly fail to meet their targets with little signs of progress. Action plans must recognise the pivotal role of managers and leaders in creating diverse and inclusive workplaces.
30. **Government should work with professional bodies, like CMI and other organisations to develop an online portal providing guidance and best practice to employers.** For example, guidance on

¹⁷ CMI (2020), [Management Transformed: managing in a marathon crisis](#), p.20

¹⁸ CMI Manager's Voice poll of 624 managers conducted between 2nd and 5th June 2020

how to create diverse and inclusive workplaces and signposting to relevant [skills development](#). The role of the Race Disparity Unit could be strengthened in order to deliver this.

31. **Obtain more detailed and up-to-date data.** The [Commission on Race and Ethnic Disparities](#) should work to improve the quality of data that we have on ethnicity in the workplace to gain more insight into the full range of barriers faced by workers from diverse ethnic backgrounds. For example, collecting ethnicity pay gap data across large organisations and the public sector.

ANNEX A: ANSWERS TO CONSULTATIONS QUESTIONS

Q1. What do you consider to be the main causes of racial and ethnic disparities in the UK, and why?

The causes of racial and ethnic disparities are complex and a number of factors can play a role. We believe that one of the causes for disparities in employment (e.g. ethnicity pay gaps) is the under representation of people from diverse racial or ethnic backgrounds in management and leadership positions - as outlined in more detail in our full response.

One of the barriers to increasing representation in management is a lack of good quality data on ethnicity in the workplace. This facilitates a gap between rhetoric and action. CMI research finds that despite managers reporting that senior leaders are active and vocal in promoting an inclusive culture, the figures drop when we look at the extent to which senior leaders are taking action and engaging in a range of initiatives.¹⁹ Furthermore, whilst the majority of managers said that they feel comfortable to talk about race with their team at work, significantly less have reported actually talking about racial justice and equality in society with their team, and even less reported talking about their organisation's response to BLM.

The lack of data means that managers and leaders may not be aware there is a problem in their organisation and even if they are aware, the lack of data means it is difficult to hold them to account for their actions to close gaps and reduce inequality.

Q2. What could be done to improve representation, retention and progression opportunities for people of different ethnic backgrounds in public sector workforces (for example, in education, healthcare or policing)?

We need to break the culture of secrecy around ethnicity data. This is why, as a first step, we think large organisations (250+ employees) should have to report their ethnicity pay gaps by law. This will improve transparency and help uncover and address some of the problems that exist within organisations.

But this by itself is not enough. Organisations that are covered by pay gap reporting requirements must also be required to publish action plans and report on progress against these annually. These must recognise the role of managers and leaders who are vital for driving change.

Our full response sets out a number of good practice approaches that organisations can adopt such as diversity training, staff networks and inclusive recruitment and promotion practices. The first step should be collecting better data.

¹⁹ CMI Manager's Voice poll of 838 managers conducted between 8th and 11th September 2020

There is no one size fits all but the practical approaches outlined in our full response can help. Although there are some universal approaches that can help to drive progress such as collecting data, setting targets and implementing action plans. It is important that employers engage staff and listen to their views on how to achieve change and tackle barriers.

We also believe that the public sector should be promoting good practice and acting as an example for other sectors to follow by, for example, implementing ethnicity pay gap reporting.

Q5. How can the ways young people (in particular those aged 16 to 24 years) find out about and access education, training and employment opportunities be improved?

Apprenticeships are a fantastic way of boosting the representation of under-represented groups in the management pipeline and provide access to education, training and employment opportunities. The apprenticeship levy and apprenticeship service are innovations that should be championed. Employers are using the levy to train people at all ages and levels and it is providing programmes that are well recognised by employers and aligned to their needs.

In the case of management apprenticeships, they are improving diversity and widening opportunities. For example:

- 49% of management apprentices are women²⁰
- 46% come from the country's 50% most socio-economically deprived areas²¹
- 2019 data showed that 13% of management apprentices at Level 5 were from a Black, Asian or 'Minority Ethnic' background²²

These apprenticeships are also giving apprentices vital employability skills.²³ For example:

- Over 9 in 10 apprentices (91%) agreed their apprenticeship was or is helping them to develop the skills they need to be more productive at work
- Nearly 9 in 10 apprentices (88%) agreed that their apprenticeship was or is giving them better career prospects
- Nearly three quarters (74%) of apprentices agreed that their apprenticeship was or is giving them the skills they need to achieve promotion in their current role
- Just over 9 in 10 (91%) completed apprentices agreed that their apprenticeship has had a positive impact on their contribution to the organisation that they work for

To continue these positive trends, Government should require providers and employers to collect and publish the demographic data of their apprentices so we can evaluate progress in this area in a transparent way.

Awareness of apprenticeships should also be boosted in schools and career guidance. In particular, degree apprenticeships promote parity of esteem with more traditional academic routes and are recognised and

²⁰ CMI analysis of DfE dataset Apprenticeship framework/standard, demographic and sector subject area PivotTable tool: starts and achievements 2018 to 2019 and Apprenticeship framework/standard, demographic and sector subject area PivotTable tool: starts and achievements 2018 to 2019, sourced on 08/01/20 at <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

²¹ CMI, analysis of CMI administrative apprenticeship data up until the end of the 2018/19 academic year: analysis has been undertaken for all CMI registered apprentices with a postcode

²² CMI survey of 572 management apprentices conducted between 2nd and 27th February 2019

²³ CMI survey of 2,291 management apprentices in January 2020

valued by employers, providing important progression routes for those who were previously unable to access higher level training.

Q10. Can you suggest other ways in which racial and ethnic disparities in the UK could be addressed? In particular, is there evidence of where specific initiatives or interventions have resulted in positive outcomes? Are there any measures which have been counterproductive and why?

Our recent guidance, [Moving the Dial on Race: a practical guide on workplace inclusion](#), provides practical advice and actions that managers and leaders can take to build diverse and inclusive organisations.

This includes a range of specific initiatives, interventions and case studies relevant to the workplace. For example:

- Scheduling conversations with colleagues who face racism to better understand their experiences and agree how the conversation might best continue
- Committing time each week to learn more about anti-racism
- Training your team to understand microaggressions and ensure all staff are clear on zero tolerance to racism, and how incidents will be addressed
- Creating or joining a network to enable people to share, learn, make mistakes and deliver clear outcomes
- Re-examining recruitment and promotion processes to ensure they are free from unconscious bias and that short lists are balanced
- Asking about training for you and your team and seek a long-term solution