


ETHNICITY PAY REPORTING

A guide for
UK employers



The CIPD is the professional body for HR and people development. The registered charity champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 150,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.



- 1
- 2
- 3
- 4
- 5
- 6
- 7

Guide

Ethnicity pay reporting: A guide for UK employers

Contents

1	Introduction: The opportunities and the challenges of ethnicity pay reporting	2
2	The rationale: Why ethnicity pay reporting is essential	4
3	The statistics: What ethnicity pay data to report	6
4	The process: How to report and act on ethnicity pay	14
5	Conclusion: This is the time	25
6	Appendix 1: The legal framework	25
7	Appendix 2: Key terms	26

Acknowledgements

This guidance was prepared by Dr Duncan Brown, principal associate at the Institute for Employment Studies.



1

2

3

4

5

6

7

1 Introduction: The opportunities and challenges of ethnicity pay reporting

The moral case for pay fairness across all ethnic groups should be as self-evident to any people professional as equal pay regardless of gender. Yet while unequal pay for men and women has been illegal in the UK since 1975, that is not the case for people from ethnic minority backgrounds.

Despite the Office for National Statistics' [2019 annual review](#) finding that '*most of the minority ethnic groups analysed continue to earn less than White British employees in 2019*', many are unaware of the scale of the pay gap.

The 2018 UK [Government consultation](#) on mandatory ethnicity pay reporting attracted an overwhelmingly positive response. A [2020 petition](#) to introduce mandatory ethnicity pay reporting acquired more than 130,000 signatures. Many employers already report their ethnic pay differences voluntarily, including [the CIPD](#), yet we still await the Government's response.

In the absence of legislation, the CIPD believes that employers should aim to voluntarily compile ethnicity pay reports as part of their organisation's approach to improve inclusion and tackle inequality in the workplace. This guide aims to:

- encourage more employers to publish their ethnicity pay data voluntarily
- facilitate this process by recommending the most appropriate and effective approach to categorising and reporting their data
- encourage analysis and use of the resulting information to produce effective action plans to address the ethnicity pay gaps revealed.

To maximise the opportunities and minimise the challenges of ethnicity pay reporting, there are six principles the CIPD recommends:

- 1 **Align ethnicity pay reporting with gender pay reporting, but recognise the differences.**
- 2 **Remember ethnicity representation is as important as, and strongly linked to, ethnicity pay gaps.**
- 3 **Recognise the value of simplicity and clarity.**
- 4 **Focus on action.**
- 5 **Start and improve.**
- 6 **Combine comparability in data with tailoring of analysis and actions.**

The challenges

The greater complexity of ethnicity pay reporting compared with gender pay reporting may be one reason for the Government's delayed response to its consultation. In 2018, the [EHRC found that half \(51%\) of employers said they face barriers to collecting employee ethnicity data](#), including data collection being intrusive and employees not wanting to share the information. Challenges include:



- 1
- 2
- 3
- 4
- 5
- 6
- 7

- **Deciding on the most appropriate categories of ethnicity to report:** reporting all those with ethnic minority backgrounds as a single category like ‘BAME’ (as well as often being an inappropriate term) masks the variations in labour and pay market outcomes between ethnicity groups. Using the [ONS Census’s](#) five ethnicity categories, or more detailed 18-category breakdown (see [section 3](#)), on the other hand, risks skewed results because of low numbers. See below for more on terminology.
- **Intersectionality:** intersectionality of ethnicity with other aspects of diversity – such as gender – makes unpicking any pay gap more complex.
- **Regional differences:** the challenge of reflecting the local community’s ethnic mix in a workforce will be very different for, say, an employer based in Lincoln compared with one in London. This may also vary between the different nations within the UK.
- **Uncertainty and discomfort around language and terminology:** this can stop people from having conversations about race.

The obstacles to collecting, analysing and reporting ethnicity pay data are undoubtedly greater than for gender pay reporting. But there is evidence of progress, particularly post-COVID-19. In 2020 a [survey of more than 100 employers](#) carried out by PwC found that 67% collect ethnicity data (up from 53% in 2018), 23% calculate their ethnicity pay gap, and 40% of these have published it voluntarily. And the opportunities are numerous.

The opportunities of ethnicity pay reporting

A 2019 CIPD [survey](#) of 243 members found the overwhelming majority supported the Government’s compulsory ethnicity pay reporting proposal. The ‘top five’ benefits identified were:

- to develop a reputation as a fair and progressive employer (66%)
- to address workplace inequalities (61%)
- to develop greater transparency and accountability (58%)
- to offer ethnic minority employees equal access to development and progression opportunities (55%)
- to create more inclusive workplaces (55%).

This guide is intended to support employers who wish to take advantage of these opportunities and improve inclusion in their organisation through voluntary ethnicity pay reporting.

Definitions and terminology

The ONS defines ethnicity pay gaps as *‘the difference between the median hourly earnings of the reference group (White or White British) and other ethnic groups as a proportion of average hourly earnings of the reference group’*. The CIPD recommends additional, more detailed analysis of pay by the more granular ONS ethnicity categories wherever possible.

Terminology can be a barrier to conversations about racial disparities – 32% of respondents in the [CIPD’s employee survey](#) said uncertainty around language and terminology stops people from having conversations about race.

The CIPD recognises that any one term will not resonate with everyone. We advise employers to be sensitive in the language and terminology used, and to engage and invite input from staff and external experts.



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The CIPD follows the [Race Disparity Audit's](#) recommendations in this guidance, referring to 'ethnic minorities' rather than using BME/BAME (black and minority ethnic/black, Asian and minority ethnic), which highlights some groups and omits others. Race Disparity Audit research suggests that very few people recognise these acronyms, while few people from ethnic minorities identify with them and many dislike them. Aggregate terms like BME and BAME encompass people from a diverse range of backgrounds, cultures and traditions. However, government departments, public bodies, the media and other groups use these terms. We therefore reference them in relation to research that has been conducted using these terms.

2 The rationale: Why ethnicity pay reporting is essential

While ethnicity pay reporting remains voluntary, it is likely that one of the main barriers will be failure to secure the necessary support and resourcing from senior leadership. The rationale for voluntary reporting therefore needs to be strong.

The CIPD puts forward three main arguments in support of ethnicity pay reporting:

- the moral case for fairness and equal treatment
- the business case of improved performance and the related evidence that pay transparency 'works'
- the current context, including the COVID-19 pandemic, which demonstrates a growing wealth of evidence of racial inequalities and lack of progress in addressing them, leading to mounting pressure on governments and employers to act.

More evidence on these issues is available in the [CIPD's Race Inclusion reports](#).

The moral case

There is an obvious moral argument for closing ethnicity pay gaps – no one should be disadvantaged by their ethnic origin in the workplace.

The EHRC observes: *'We have long known that people from a range of ethnic minorities are treated less fairly across all areas of life,'* with the [Is Britain Fairer?](#) report showing substantial differences in pay gaps across different ethnic groups. For example, white British employees earned a median hourly rate of £11.67, compared with £9.93 for Pakistani workers and £9.24 for Bangladeshi workers. Clearly, this is down to a whole range of social, economic and employment factors, but responsible employers cannot simply blame society. They need to do something to effect change.

Ethnic differences also interact with other diversity strands. This means that we cannot, for example, fully address gender pay gaps or disability discrimination without also considering ethnicity. Any organisation that wants to improve inclusion and diversity must therefore consider how voluntary reporting and action plans will contribute to these aims.

The business case

There is growing evidence that reporting on and addressing ethnicity pay gaps has major economic and financial benefits for the UK economy as well as for individual employers and their employees.



- 1
- 2
- 3
- 4
- 5
- 6
- 7

The Department for Business, Energy and Industrial Strategy (BEIS) analysis (2016, cited in [EHRC 2019](#)) calculated that improving employment rates and workplace progression for people from ethnic minorities could contribute £24 billion per year to the UK economy.

There is also a clear benefit to employers. McKinsey’s 2018 study [Delivering through Diversity](#) found that organisations with the most ethnically and culturally diverse teams were the most financially successful, being 33% more likely to outperform their peers on profitability. The [IES also believes](#) that more diverse employment practices contribute to higher employee engagement and greater loyalty to the organisation.

Current context

The pandemic and social movements such as Black Lives Matter have increased the pressure on employers to address the employment and pay disadvantages and unequal treatment of non-white ethnic groups.

Ethnicity pay reporting, as the 2020 parliamentary petition demonstrated, is an important component in this response. This can be seen in three main areas.

1 COVID-19 accentuated existing racial inequalities

The parliamentary inquiry ([Unequal Impact? Coronavirus and BAME people, 2020](#)) concluded that:

Throughout the coronavirus pandemic, BAME people have been acutely affected by pre-existing inequalities across a huge range of areas, including health, employment, accessing Universal Credit, housing and the no recourse to public funds policy. As the pandemic progressed, many of these underlying inequalities made the impact of the pandemic far more severe for BAME people than their White counterparts.

Health-wise, ethnic minority groups were over-represented in many of the occupations subject to the highest mortality rates from COVID-19, most notably social care. According to the [King’s Fund](#), 34% of critically ill COVID-19 patients and 64% of the deaths of NHS staff during the first lockdown were people of BAME origin.

2 Many popular existing diversity initiatives lack impact

While the [CIPD’s research](#) found that the majority of employers (77%) believe that ensuring workforce diversity is a priority, only 36% of them collect and analyse data to identify differences in pay and progression for employees from different ethnic groups – which is even less than for disabled employees (44% data collection and analysis).

The failings of existing, common inclusion and diversity policies have also been exposed under such pressures. Harvard professor Iris Bohnet shows evidence of lack of impact and argues in favour of [‘diversity by design’](#), that is, compulsory measures to address bias against minority groups, including blind recruitment processes and representative selection panels by employers, and mandatory pay reporting.

While ethnicity pay reporting alone does not close or address ethnicity pay gaps directly, there is good evidence that it helps to prioritise and focus attention on actions which do.

3 Environmental, social and governance (ESG) priorities have moved up the corporate agenda

By the end of 2020, the total assets in sustainable funds hit a record of almost \$1.7 trillion, [up 50% over the year](#). The expected focus on short-term financial returns following the economic recession resulting from the pandemic hasn’t happened. Greater attention is being paid to the corporate risks arising from the ‘E’ of climate change, but also on the ‘S’ of ESG, with investors and society increasingly focused on how companies treat all their stakeholders, especially employees.



- 1
- 2
- 3
- 4
- 5
- 6
- 7

As a result, we are seeing parallel changes in management practices. [PwC research](#) found that half of FTSE 100 companies now link their executive bonuses to ESG targets, for example, with workforce diversity and climate change being the most common measures employed.

There is clearly a strong case for supporting ethnicity pay reporting and the need for HR professionals to convince leadership colleagues of this.

3 The statistics: What ethnicity pay data to report

Although the continuing lack of legislative compulsion means UK employers currently have total flexibility on what to include in their voluntary ethnicity pay reports, this presents a significant risk. If employers decide to publish differently defined statistics, we will lose any sense of cross-employer and sector comparability and the ability to benchmark with others.

In the absence of legislation, the CIPD believes that all employers should publish annual ethnicity pay reports with three common components:

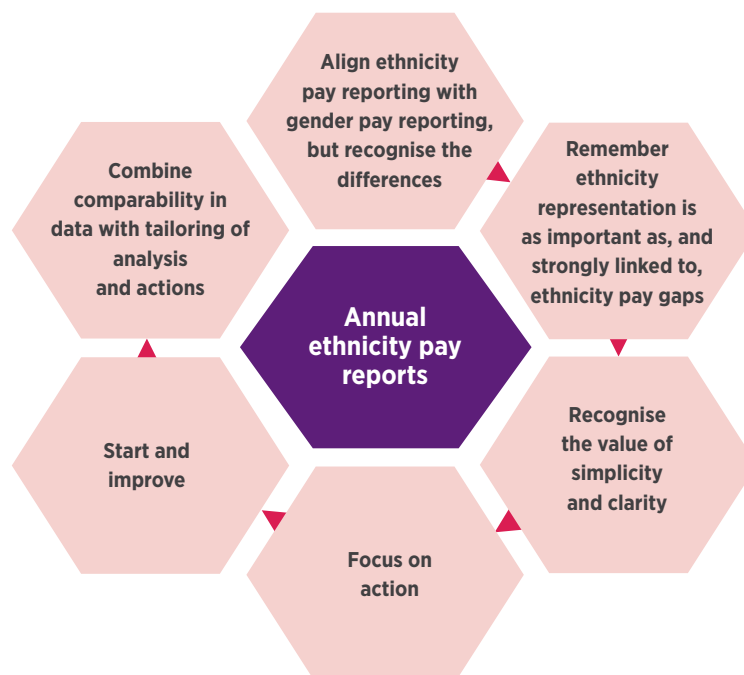
- a uniform set of eight commonly designed statistics (see [page 8](#)) to profile pay by ethnicity in their organisation
- a supporting narrative to explain the nature and causation of any pay differentials and gaps by ethnic group evident in their statistics
- an action plan of initiatives defined to reduce and remove any such gaps over time.

We have aligned the recommended eight statistics, their definitions and format as far as possible with the six compulsory statistics required in gender pay gap reports, as outlined below.

Principles and justification

We have followed several core principles in selecting the most appropriate information for employers to include in their annual ethnicity pay reports:

Figure 1: Core principles in selecting the most appropriate information to include in annual ethnicity pay reports





- 1
- 2
- 3
- 4
- 5
- 6
- 7

1 Align ethnicity pay reporting with gender pay reporting, but recognise the differences

From a practical perspective, this alignment makes sense. Any compulsory reporting legislation on ethnicity will most likely be introduced as an extension of the existing gender pay regulations (reporting data drawn on the same snapshot date, using the same statistics and definitions – of employees, of pay, and so on). This will minimise the additional work and bureaucracy for HR and payroll (remembering that gender pay gap reporting is not yet mandatory in Northern Ireland). But there are differences in reporting on ethnicity which you will need to reflect, most notably the larger number of categories required beyond the male/female groupings on gender, so bear these in mind.

2 Remember ethnicity representation is as important as, and strongly linked to, ethnicity pay gaps

The under-representation of ethnic minority compared with white employees in UK organisations’ senior management, and over-representation in low-paid jobs, is even more evident than the gender representation gap in these roles. We recommend that employers report on their ethnicity group representation breakdowns in each quartile, as well as their pay gaps by quartile (which many employers do voluntarily on gender).

3 Recognise the value of simplicity and clarity

While a single gender pay gap figure can be criticised for providing no indication as to how it can be reduced, it has been very successful in securing attention and action to address any gaps. We recommend that (alongside a narrative and action plan) the following two pay statistics are published by organisations:

- **Median ethnicity pay gap:** The difference between the median hourly rate of pay of all white full-pay relevant employees and the median of full-pay relevant employees from other ethnic minority/BAME backgrounds
- **Mean ethnicity pay gap:** The difference between the mean hourly rate of pay of all white full-pay relevant employees and that of full-pay relevant employees from other ethnic minority/BAME backgrounds. This will highlight any difference between the median and mean average pay of their white and ethnic minority employees.

4 Focus on action

Data and analysis are interesting and necessary, but only in so far as they support effective action to address any ethnicity pay gaps. The CIPD believes that narrative reports to explain pay gaps and action plans designed to close them should be compulsory, alongside the mandatory publication of the six statistics in annual gender pay reports.

5 Start and improve

Employers vary in their experience, ability and the resources they can devote to ethnicity pay reporting. Our recommendations focus on what we believe employers should be able to calculate and analyse, while suggesting more detailed categories, breakdowns and actions that could be done. It will take sustained action, over a number of years, to have a serious impact on any gaps revealed; therefore an evolutionary approach is key.

6 Combine comparability in data with tailoring of analysis and actions

There should be a minimum of core information communicated in every employer’s annual ethnicity pay report. This additional analysis – by detailed ethnicity category, by stage in the employment cycle, by ethnicity and gender, and so on – is crucial for employers to fully understand and address any ethnicity pay gaps evident in their stats.



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- 2
- 3
- 4
- 5
- 6
- 7

Perhaps most critical is the need for the statistics to balance the requirement to be:

- as simple, clear and easy-to-produce as possible, to minimise the administrative and resource burden on employers, especially SMEs
- sufficiently detailed and meaningful, to highlight the exact location and nature of any gaps, and indicate how they have been caused and how they might be closed.

In our view, the six compulsory gender pay reporting statistics (detailed below) successfully achieve this balance, with the single mean and median pay gap figures providing a focus for attention and measurement-through-time of overall progress. The additional bonus and pay quartile breakdowns highlight common causes of gender pay gaps, which are discretionary variable pay policies and a lack of female representation in senior and higher-paying roles/the top pay quartile in many employers.

We recommend these same six statistics are also applied to ethnicity pay reporting, incorporating the same definitions of employees and hourly pay, the same snapshot reporting dates, and so on. But we also recommend two additional statistics to reflect the greater complexity and difficulty typical of ethnicity pay reporting and analysis compared with gender (as outlined on [page 9](#)).

The six pay statistics

The CIPD recommends all employers publish the following data in any voluntary ethnicity pay reports

Table 1: The six pay statistics

Median ethnicity pay gap	The difference between the median hourly rate of pay of all white full-pay relevant employees and the median of full-pay relevant employees from other ethnic minority/BAME backgrounds.
Mean ethnicity pay gap	The difference between the mean hourly rate of pay of all white full-pay relevant employees and that of full-pay relevant employees from other ethnic minority/BAME backgrounds.
Median bonus gap	The difference between the median bonus pay paid to all white relevant employees and that paid to relevant employees from other ethnic minority backgrounds.
Mean bonus gap	The difference between the mean bonus pay paid to white relevant employees and that paid to relevant employees from other ethnic backgrounds.
Bonus proportions	The proportions of relevant employees from white and other ethnic backgrounds who were paid bonus pay during the relevant period.
Quartile pay bands	The proportions of full-pay relevant employees from white and other ethnic backgrounds in the lower, lower-middle, upper-middle and upper quartile pay bands. As well as the proportion of staff in each quartile who are from white compared with the proportion of those from other ethnic minority backgrounds, which is the same measure as required under the gender pay reporting regulations, we recommend that employers also publish their median ethnicity pay gaps for the staff in each quartile, as many employers chose to do voluntarily for gender.

In addition, we propose two additional statistics that focus on encouraging the full representation of ethnic minority staff in the workforce (Table 2).



- 1
- 2
- 3
- 4
- 5
- 6
- 7

Table 2: Additional statistics that focus on encouraging the full representation of ethnic minority staff in the workforce

<p>The proportion of an employer's total UK workforce from BAME/other ethnic minority backgrounds</p>	<p>Ideally presenting this in the context of external demographic data and the extent to which their workforce mirrors the ethnic diversity of their community. IES research found that demographic differences between urban and rural areas significantly impacts on recruitment from ethnic groups and ethnic minority pay. So, employers should consider including ONS/NRS working age population data for regions and nations, broken down into Government Statistical Services (GSS) harmonised ethnicity categories. They should then be able to use this data as contextual information for their narrative and action plans.</p>
<p>The proportion of employees who have disclosed their ethnicity</p>	<p>Low ethnicity disclosure rates is a key problem for employers and it is vital to profile the workforce and to address any ethnicity pay gaps accurately and for producing effective action plans. The remaining proportion of employees might be further broken down into those not known or not asked to provide their ethnicity, and those who have given a 'prefer not to say' response.</p>

The statistics themselves (mean, medians, and so on) and how to calculate them, as well as the relevant terms and definitions, such as employees, pay and bonuses, snapshot dates, and so on, are summarised below and are defined in detail in the [CIPD's Gender Pay Reporting Guide](#). More information on key terminology is also included in [Appendix 2](#).

Summary of key terms

Ethnicity pay gap

This is calculated as the difference between the median (or mean) hourly earnings of the reference group (your white employees) and the median among your other ethnic groups/BAME employees, expressed as a proportion of average hourly earnings of the reference group. For example, a positive 5% ethnic pay gap between white British and employees from other minority ethnic groups would show that the median hourly earnings for employees in the latter category are 5% less than median hourly earnings of white employees. Conversely, a negative 5% pay gap would denote that they earn 5% more, on average, than white British employees.

Employees

The definition used for ethnicity pay reporting ideally should be aligned with your annual gender pay report, which is the employer's population of 'relevant full-pay employees', that is, those employed on the 'snapshot date' and receiving their full basic pay or piecework pay in the pay period. This excludes anybody not receiving their full pay in the relevant period, for example people on long-term sickness absence. Agency staff are included as employees of the agency and so should not be included in an employer's calculations. Nor should a firm's partners and directors if they are not employees. Where possible, though, the CIPD would encourage employers to include these people in a separate analysis in their accompanying narrative.

Pay

Pay is defined as hourly gross ordinary pay, including basic pay, piecework pay, shift premiums, paid leave pay and allowances, and so on.



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Bonus pay

Bonus pay includes all variable payments, such as individual and team bonuses, profit-sharing, gainsharing payments, and so on.

Hourly pay

Hourly pay is calculated based on earnings and hours worked in the relevant pay period (pay period including the snapshot date, for example the month for monthly paid employees); bonus calculations are based on cash payments received in the 12 months leading up to the snapshot date (the [CIPD's Gender Pay Gap Reporting Guide](#) contains some illustrative examples on pages 32–33).

Snapshot date

The pay calculations are based on a 'snapshot date' of 31 March for public sector organisations, and 5 April for the private and voluntary sectors – again, we recommend the same date is used for ethnicity pay reporting.

The median

If you rank all of your people by their hourly pay, and then compare what the person in the middle of your ethnic minority population pay range received with what the person in the middle of your white population pay range received, and multiply by 100, you get the median ethnicity pay gap expressed as a percentage of the white employee pay. This is the preferred measure of the ethnicity pay gap, according to the ONS.

The mean

To calculate the mean ethnicity pay gap, add together all the hourly pay rates that people from an ethnic minority group earn, divided by the number of people from an ethnic minority group in the workforce, and then compare that with the same calculation for white people. Again, multiplying by 100 gives you the percentage difference. While the ONS statistically prefers the median as its primary measure, some argue that for employers the mean better captures significant differences at the top and bottom of the income distribution.

Proportions and percentages

A proportion is a number which is read in comparison with other numbers, in this case white and ethnic minority groups' pay levels. It can be expressed as a numerical value (25 out of 100 ethnic minority employees received a bonus payment compared with 20 white employees), a fraction (a quarter of the ethnic minority people we employ received a bonus payment), or a percentage (25% received a bonus payment). The gender pay regulations require percentages, but it is worthwhile remembering that in some circumstances a numerical value may be a more effective way of communicating your findings.

Quartiles

A pay quartile represents a quarter, or 25%, of your total workforce, ranked by pay. The pay quartiles then need to be broken down by ethnicity. For example, the top pay quartile would be the highest 25% of earners of all full-pay-relevant employees of all ethnicities, including white employees. Then for those top 25% you would work out and report the proportions that were white employees and the proportion that were other ethnicities/BAME. So, if you had a business with 800 employees in total, 200 employees would be in the top quartile. If 150 of them were white employees and 50 from other ethnic minorities, you would report an ethnicity mix in that quartile of 75% white employees and 25% BAME employees. And you would then repeat the calculation for the other three quartiles. Examples of these calculations are shown in the [CIPD's Gender Pay Gap Reporting Guide](#).

More information on these definitions is available in [Appendix 2](#).



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Comparison criteria

An additional complexity with ethnicity pay is deciding on the most appropriate categorisations of ethnic group to use. This is probably as important a decision as the actual statistics themselves.

The [CIPD employer roundtables and survey](#) at the time of the 2019 government consultation found that calculating ethnicity pay information by the same quartiles as used for gender pay gap reporting was the most popular single option (favoured by 34%), with:

- one pay gap ‘single figure’ comparing average hourly earnings of ethnic minority employees as a percentage of white workers being the preference for more than a third (30%)
- almost a quarter (23%) supporting calculating and publishing several pay gap figures for different ethnic groups, using ONS standard ethnicity classifications (which we recommend employers consider in addition to the recommended statistics)
- a fifth also agreeing that a mixture of measures could be used.

Respondents from larger employers were slightly more likely to prefer using the more detailed ONS ethnicity categories and using the same quartiles breakdown as those used for gender pay gap reporting (37%); they were a little less likely to support using the single white employees/BAME employee pay gap figure.

By contrast, employers with fewer than 250 workers were more likely to prefer one pay gap figure comparing average hourly earnings of ethnic minority employees as a percentage of all white employees (41%), reflecting the fact that most have not reported their gender pay gaps before. Even using the five-category ONS breakdown would leave many with categories with insufficient numbers to be able to report data.

The single overall median/mean comparator figure was the subject of the most debate. On the one hand, it should be easy to calculate and, by being less granular, it would be harder to identify individuals even in the smallest employers. However, large employers felt it might obscure differences within the BAME workforce (although it was acknowledged that this issue could be tackled through additional analyses).

The advantages of the single headline figure, as one survey respondent said, was that:

The Government has a large number of ethnicity classifications. Comparing each individual group means that you might be looking at very small populations versus a very large population, and that makes the output much less meaningful, as one or two people could make a large change in that group's gap. While it won't provide a detailed insight into the gap, a single comparison of non-white British employees with others would allow comparison of the gap in earnings between the majority ethnicity group and everyone else.

We also see great benefit in applying internationally recognised and standardised definitions of ethnicity pay and pay gaps. This ensures the quality and comparability of the information, and maximises its value relative to the cost and time involved in the reporting process.

For the [ONS](#) national statistics, the headline measure of the ethnicity pay gap uses Annual Population Survey data and is calculated as:

The difference between the median hourly earnings of the reference group (White or White British) and other ethnic groups as a proportion of average hourly earnings of the reference group. For example, a positive 5.0% ethnic pay gap between White British and Indian ethnic groups would denote that the median hourly earnings for



- 1
- 2
- 3
- 4
- 5
- 6
- 7

employees of an Indian ethnicity are 5% less than median hourly earnings of White British employees. Conversely, a negative 5% pay gap would denote that employees of Indian ethnicity earn 5% more, on average, than White British employees. Using this terminology ensures consistency with existing analysis of different pay gaps.

The [EHRC](#) reflects this in the definition of ethnicity pay gaps it applies to individual employers as well, defining this as:

The difference between the average hourly pay of ethnic minorities and White British people. It is usually expressed as a percentage difference, with White British people's earnings representing 100%.

We recommend using this ONS binary definition of white combined compared with BAME combined as the ethnicity categorisation for the core statistics that all employers should publish. Many employers will also want to carry out additional analyses using the ONS categories as they investigate the exact location and causation of gaps, which we recommend and describe in the next section of this guide.

Ethnicity category definitions

Table 3 profiles the ethnicity categories that were used for classifying people in the 2011 census, with Table 4 showing the numbers in each category in that 2011 census returns to give some idea of the relative scale of each group. The 2021 census has used an almost identical breakdown, with the only difference being that Roma people have been separated as a distinct additional category. Their numbers are so small that this distinction will make no difference for almost every individual employer.

Table 3: Survey ethnicity categories and structure

English/Welsh/Scottish/Northern Irish/British	NET: White British	NET: White (combined)
Irish	NET: White other	
Gypsy or Irish Traveller Any other white background		
White and black Caribbean White and black African White and Asian Any other mixed/multiple ethnic background	NET: Mixed/multiple ethnic groups	NET: BAME
Indian Pakistani Bangladeshi Chinese Any other Asian background	NET: Asian/Asian British	
African Caribbean Any other black/African/Caribbean background	NET: Black/African/Caribbean/black British	
Arab Any other ethnic group	NET: Other ethnic group	

Table 4: Number of people in each category in 2011 census

Ethnic group	Number (thousands) and percentage			
	UK born		Non-UK born	
White	44,744	92.2	3,435	45.8
British	44,186	91.0	949	12.6
Irish	178	0.4	354	4.7
Gypsy or Irish Traveller	51	0.1	7	0.1
Any other white background	360	0.7	2,126	28.3
Mixed/multiple ethnic group	985	2.0	239	3.2
White and black Caribbean	401	0.8	26	0.3
White and black African	113	0.2	53	0.7
White and Asian	271	0.6	71	0.9
Any other mixed/multiple ethnic background	200	0.4	90	1.2
Asian/Asian British	1,770	3.6	2,443	32.6
Indian	606	1.2	807	10.7
Pakistani	631	1.3	493	6.6
Bangladeshi	232	0.5	215	2.9
Chinese	93	0.2	300	4.0
Any other Asian background	207	0.4	628	8.4
Black/African/Caribbean/black British	873	1.8	992	13.2
African	323	0.7	666	8.9
Caribbean	358	0.7	237	3.2
Any other black/African/Caribbean background	192	0.4	89	1.2
Other ethnic group	168	0.3	395	5.3
Arab	64	0.1	167	2.2
Any other ethnic group	105	0.2	228	3.0
		100.00		100.00
All	48,571	86.6	7,505	13.4

As you can see, there are six larger groupings (sometimes referred to as five plus the ‘other ethnic group’ category, or ‘five plus one’). These are:

- broken down further into 18 sub-categories, and
- amalgamated into two overall ‘white’ and ‘BAME’ groups, which are the basis for the headline single ethnicity pay gap figure published by the ONS and which we recommend are used for the core, common statistics published in all ethnicity pay reports.

We asked in our [CIPD ethnicity pay consultation](#) survey whether respondents used the ONS standard ethnicity classifications for reporting. Of the 100 respondents who answered, almost half (47%) said that they did. Around a fifth (19%) said that they do not use ONS standard classifications, whereas 34% don’t know.

Of the 47% of respondents who use ONS classifications for collecting data, 30% use the more detailed 18 standardised classifications from the 2011 census, 15% use the five/six standardised classifications from the 2011 census, and 13% say they use the 16 standardised classifications from the 2001 census.



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There was a consensus among respondents that using up-to-date census categories and figures was preferable, to reflect the current demographics in society. At some of the employer roundtables, there was a view that employers should use the classifications that mirror those used for the 2021 census, otherwise the danger is that employers will not be able to compare if their own employee population is not as ethnically diverse as the local population official data.

The CIPD is acutely aware of the problems of combining disparate ethnicity groups in order to report a single all-white employees compared with all BAME/other ethnic minority group employees pay gap figure. It is often inappropriate culturally to blend groups together and present them as having a single view. In its own [ethnicity pay report](#) the CIPD uses this binary classification, but refers to the comparison as being between the 'pay of white employees and that of employees from other ethnic backgrounds', avoiding the BAME term. The CIPD also publishes a more detailed breakdown of all-white employees compared with three BAME sub-categories of black, Asian and other mixed ethnicity employees. PwC uses exactly the same categories and breakdown in its [ethnicity pay report](#).

Mathematically, doing this binary categorisation may also mask some of the differences between the pay of the white British majority in a firm and some of the various ethnic minority groups, hence the additional analyses that the CIPD recommends.

So, while this blending together may often not be appropriate in conversations with individuals, many employers will often be in the position of needing to do this amalgamation for reporting purposes. Using all the ethnicity categories where an organisation has few employees in some groups could risk individuals being identifiable, or that any tracking of the success of an initiative will reflect a small number of individuals' experiences.

However, as with gender, we recommend that these simple binary median and mean pay comparison figures are published by all employers. It should provide a focus on the issue and help to drive more detailed analysis to get at the causes of any gap. It is also particularly suitable for the majority of the UK's smaller employers.

4 The process: How to report and act on ethnicity pay

Ethnicity pay reporting should not be data-gathering for its own sake. Rather, these statistics should be a powerful means of driving action to build more equal, inclusive and diverse organisations.

As well as publishing the eight common statistics recommended in the previous section, the CIPD believes that every employer's annual ethnicity pay report should also contain:

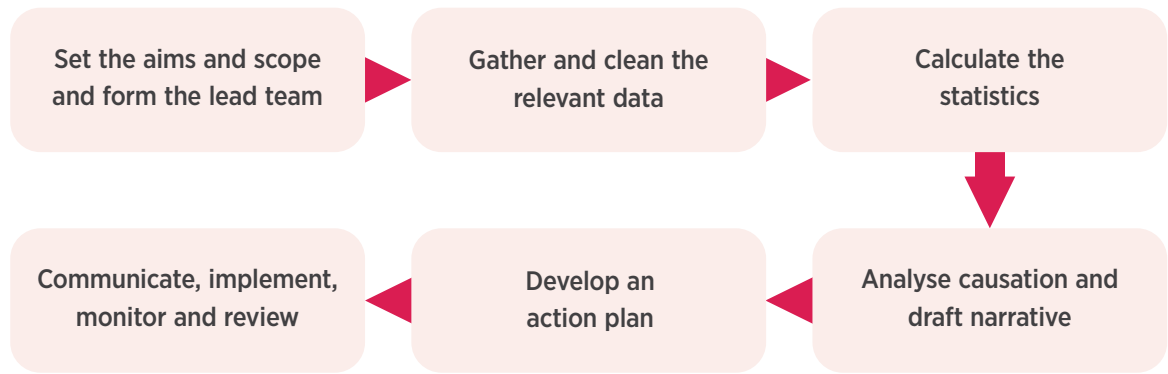
- a narrative based on deeper analysis of the nature and causation of any ethnicity pay differences found in the eight headline statistics
- an effective, targeted action plan of measures designed to close any of these gaps.

We recommend that employers follow a common process to research and produce their ethnicity pay report.



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Figure 2: Stages in the EPR process



Stages in the EPR process

1 Set the aims and scope and form the lead team

What are you trying to achieve? Why are you doing this, given that it is not currently a legal requirement in the UK? If it is to become a more equal, diverse and inclusive organisation, how are you going to achieve this? What level of resources will you need to produce your report? Having a clear and agreed statement of aims will help to focus the process and address any difficulties. It will also ensure expectations of the results are clear, managed, and manageable.

Our [principles](#) of being simple and clear and evolving your approach are relevant here. In your first year of reporting, you could aim to publish accurate and representative core statistics on a binary all-white/other ethnic minorities categorisation. You can then move on to be more ambitious in future years. This could include more detailed analysis and driving action to address pay disparities, possibly setting and monitoring specific targets linked to this.

Scope is an important consideration. In one sense the answer is obvious: ‘we will include all our employees and report on their pay by the most appropriate categorisation of their ethnicity.’ But do you know the ethnicity of all of your staff? If not, what level of disclosure and coverage will you be comfortable with to produce and publish as your core stats, and regard them as valid and representative of your whole workforce?

Critically, in terms of scope and content, how important is it to link work on ethnicity to other diversity strands? Do you agree that the link with gender is key and therefore to adopt the statistics and definitions from compulsory gender pay reporting and use these? Or are you going to adapt/modify them in some way? It is important to confirm this, as there are numerous options on what and how to report on ethnicity pay (as highlighted in [section 3](#)).

[John Lewis](#) now includes its annual gender and ethnicity pay reports within one overall Equality, Diversity and Inclusion (EDI) publication, *Be Yourself Always*, emphasising the interaction of factors of inequality and the need to address them in an integrated and holistic way.

At the [Greater London Authority](#) the 2018 data analysis and action plan on ethnicity pay was ‘developed in collaboration with the BAME staff network, Unison, GLA staff and other stakeholders and has been endorsed by the Diversity and Inclusion Management Board led by the Chief Officer’.



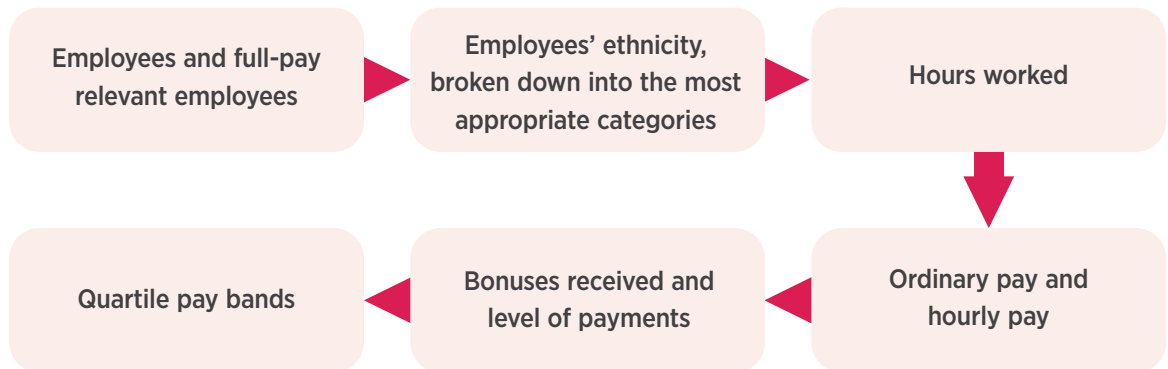
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2 Gather and clean the relevant data

The strength of any report is dependent on the quality of the information and data that goes into it. Many employers have been able to significantly improve the coverage and quality of their data required for their gender pay reports since compulsion was introduced and the statistics and definitions finalised in the 2017 legislation and associated guidance. But as already noted, the challenges on ethnicity are often more significant, with many employers starting from a lower initial point of coverage.

The process of data-gathering and cleaning and the data that you need to record to calculate is illustrated in Figure 3.

Figure 3: The data required



Employees and full-pay relevant employees: You will need to have a list of all employees and all full-pay relevant employees. You will already have these if you produce annual gender pay reports. Remember that you cannot use full-time equivalents but must base your calculations on the number of individual employees employed on the snapshot date. A full-pay relevant employee is one employed and receiving full pay during the specified pay period. An employee taking parental leave or sick leave on full pay or on unauthorised absence would be included, but employees on reduced pay, for a reason such as maternity leave or any other form of long-term special leave, should not be included. Although not required by the regulations, the CIPD also recommends that you record employees' contract status. This will help to decide who to include in the calculation of your gender pay gap (salaried partners, for example). It will also help with year-on-year comparisons and seeing the impact of any changes in status of workers, if say, for example, your organisation decided to give permanent contracts to a team of self-employed or agency staff.

Employees' ethnicity, broken down into the most appropriate categories: You need a record of the ethnic group of your relevant and full-pay relevant employees, which involves you determining which ethnicity categorisation you are going to use. Even if you decide to only publish the average pay for the binary all-white/other ethnicities/BAME categories in your report, it is usually worth gathering data using the more detailed 'five plus one' and/or 18 ONS categorisations. Most employers already attempt to capture this information when they are recruiting their employees and it makes sense to align these categories across the employment journey of your staff. The main problem tends to be low levels of disclosure and coverage within many employers and a high proportion of 'don't knows/not stated' in your data. Therefore, the CIPD recommends you publish this statistic too, as an indication of the quality of your data.



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Hours worked: A record of the weekly working hours for full-pay relevant employees – this information underpins the calculation of the hourly rate, used in calculating both the mean and median pay gaps.

Ordinary pay and hourly pay: A list of all pay received in the relevant pay period for full-pay relevant employees only – this information underpins the calculations of the mean and median pay gaps. You will also need to record compulsory employee deductions, such as court orders requiring child support payments, or other forms of attachment of earnings. This is because employees' ordinary and bonus pay is calculated before deductions are made at source. You also need to record any benefits which are paid for by the employee on a salary-sacrifice basis, as under the gender pay gap regulations '*the employer should use the employee's gross pay after any reduction for a salary-sacrifice scheme*'. As with the data on hours, many employers will already have this data and have done the calculations for men and women and so the same information can be used for ethnicity – all you need to do is relate the pay information to ethnicity rather than gender categories.

Bonuses received and level of payments: A record of all bonuses received in the relevant bonus period (12 months prior to the snapshot date) for all relevant employees and full-pay relevant employees – this information underpins the calculation of the bonus pay gap as well as the mean and median pay gaps.

Quartile pay bands: This information underpins the reporting of the proportion of different ethnicities within each of the quartile pay bands and of the average pay levels and any gaps for all white and other ethnicity employee categories within each quartile.

Consider adding additional employee characteristics that may have an impact on ethnicity pay levels, such as gender, age, education, and other personal information that you hold. The ethnicity pay gap increases with age and is wider for men than women, and the level of education appears to be one factor linked to it. This information will help with your additional analysis and narrative drafting.

Increasing ethnicity disclosure and coverage

If you don't know the ethnicity of your employees, you can't start reporting on their pay. New HR information systems are improving analytical capability but they depend on the quality of the data held. So, if your current coverage is low and you don't know the ethnicity of the majority of employees, how can you report meaningfully on your ethnicity pay?

Fortunately, there is a lot of recent research to highlight how employers can improve in this regard, and there are now many examples of employers having made rapid improvements by paying attention to these factors. For example, the CIPD's report, [Encouraging Ethnicity Data Disclosure](#), cites many useful cases and tips.

According to the EHRC:

*As it is not a legal requirement for organisations to collect data on an employee's ethnicity (except for listed public authorities in Scotland and Wales) our research has shown that those which are most successful in encouraging staff to share information on ethnicity tend to put significant effort into demonstrating **why they are collecting the data and how it will be used** to drive meaningful change in the workplace.*



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Actions for encouraging higher self-reporting rates focus on reassuring employees that they can trust how the employer will be using the data and that it will be held confidentially. Employers should also make the data easy and ‘normal’ to provide and update. Specifically, the [CIPD recommends](#):

- **Collect ethnicity data at continuous stages throughout employment:** for example, in recruitment, at induction/onboarding, during annual appraisals, and so on.
- **Consistent communication campaigns:** encourage employees to self-report and outline how this information will be used to embed equality, inclusion and diversity in organisational culture and change.
- **Provide different opportunities for staff to give this information:** check and update the information on a regular basis.
- **Clearly explain to employees how the data will and will not be used:** employees are likely to have many questions and potential fears around this, such as: ‘Where is this information being held and who can have access to it?’, ‘Might this be a basis for, rather than a means of preventing, discrimination against me?’ These need to be addressed.
- **Use staff networks to act as champions:** the CIPD’s survey respondents talked about the value of using staff networks to answer any questions employees had, particularly those they may not feel comfortable asking of their line manager or HR.

When asked what steps employers should take to encourage disclosure, the top four listed most frequently by employees were:

- a clear explanation of how the data would be used
- assurances of confidentiality
- visible evidence of the organisation’s dedication to creating a fairer and more inclusive organisation
- senior leaders showing their commitment to equality, inclusion and diversity.

These findings reinforce the importance of providing visible evidence of the organisation’s dedication to creating a fairer and more inclusive organisation, with regular and effective communications with employees about your equality, inclusion and diversity strategies.

It’s worth noting that the CIPD believes this provision of information should always be voluntary. So, employers should always include a ‘prefer not to say’ option.

Individual confidentiality is also obviously key here. Employers must ensure that all such special category data is kept confidential, stored securely and complies with relevant legislation. In their actual report, there should be a clear minimum threshold for the number of respondents from any one ethnic group being reported, and responses should be suppressed if they fail to meet this threshold to protect their confidentiality. Ten respondents per category might be a suitable threshold. Individual responses should also be anonymised.

The [ONS](#) has published guidance and recommended survey questions in order to gather data on ethnicity in the most effective and consistent manner.

3. Calculate the stats

As outlined on [page 8](#), the CIPD recommends that employers calculate the following statistics:

- 1 median ethnicity pay gap
- 2 mean ethnicity pay gap
- 3 median bonus gap
- 4 mean bonus gap
- 5 bonus proportions



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- 6 quartile pay bands
- 7 the proportion of their total UK workforce who are from BAME/other ethnic minority backgrounds
- 8 the proportion of their employees who have disclosed their ethnicity.

More information on calculating these statistics can be found on pages [9](#) and [10](#) in the examples given for gender pay gap reporting in the [CIPD's Gender Pay Gap Reporting Guide](#).

4 Analyse causation and draft narrative

A narrative section in your annual ethnicity pay report would typically have the following aims and components:

- additional analyses and breakdowns of data gathered, to more fully understand the nature and location of any ethnicity pay gaps and differences between different ethnic groups
- analyses of a wider range of diversity and other data to identify the inter-relationships and likely causation of any ethnicity pay differences evident in your published statistics
- a summary of some of the existing policies and practices that you have in place to combat the risks of different pay between people in different ethnic groups
- an evidential base, justification and support for the subsequent targeted action plan.

These additional analyses, some or many of which may not actually be published for reasons of space and/or confidentiality, need to be tailored to each employer. It represents 'a detective's job', to highlight, with as much accuracy as possible, where gaps are located and what associated and underlying factors might be driving them.

Considering existing reports and research studies on the relevant factors which influence ethnicity pay variations, we would expect the following analyses to be useful.

Pay figures broken down by more detailed categorisations of ethnicity

To really understand and address any differences in pay based on ethnicity will require going deeper than the headline binary comparison figure. We recommend smaller employers do so using the 'five plus one' ONS categories and larger employers segment the analysis using the full 18-category ONS classification wherever possible.

This type of analysis invariably finds that some ethnicities have small or no differences with the average pay of white employees, but some may display significant shortfalls. This will enable much more effective targeting and communication of initiatives developed to remove them.

The Greater London Authority publishes an overall all-white/BAME headline categorisation of pay comparator figures, but then breaks this down further to show actual hourly pay rate averages and percentage differences for each of the six ONS categories. The 2018 analysis shows that the gap for black/black British employees at 24% was more than double the overall BAME average of 11%.

To balance the demands of analytics pushing for more detailed breakdowns and confidentiality considerations encouraging more aggregation, both the [CIPD](#) and [PwC](#) break down the same binary categorisation and headline pay data into three – those employees of Asian, of black and of mixed ethnic background – and compare these groups with their white employees.



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Statistics broken down by more detailed categories of pay

This will often help to better locate and understand the nature of any ethnicity pay gap. We have already recommended that you calculate and show any ethnic differences by pay quartiles. A more detailed and commonly carried out analysis is to review the data by organisational level or grade. Certain types of pay, such as market pay supplements and management bonus plans and performance-related payments, are also, we know from [research](#), prone to significant differences and advantages for white male employees. So, you may want to analyse these separately from your amalgamated ordinary total pay and amalgamated bonus pay figures.

The [GLA](#) shows the pay differences in each of its 15 grades. [John Lewis](#) breaks down its ethnic minority representation and pay across each of the organisation’s ten job levels. This analysis showed that while 16% of the lowest Level 10 employees in 2019 were from these groups, only 3% of staff in their most senior and highest paid levels were. The [CIPD graphs](#) compare the distribution of white and ethnic minority people at the CIPD by rate of pay, showing that people from ethnic minorities are more likely to occupy lower-paid roles than white people, supporting the focus on increasing their representation in senior, higher-paid roles – a common target for leading UK employers.

Relevant external comparator data

This is often gathered and presented to put each organisation’s findings into better context. This might be compared with national figures, or with the relevant local area or sector.

[John Lewis](#), which employs staff across the UK, shows its total representation of employees from ethnic minorities of 15% of its workforce alongside the UK employed population figure of 14%.

In terms of analysis aimed at identifying underlying factors of causation, two types of analysis seem to be most common and helpful.

First are analyses of variations at different points in the employment cycle, for example in recruitment applications and acceptances, rates of promotion and associated pay levels, performance appraisal ratings, positioning within pay grades and ranges, and so on.

[John Lewis](#) not only breaks down its ethnicity group representation by level, but it also shows the proportion of promoted staff into each level categorised similarly. At every level, the proportion of promotees from ethnic minorities is higher than the proportion in the grade staff are being promoted into, showing one set of actions they are taking that is proving to be effective in increasing the representation and pay of employees in these more senior levels.

Second are analyses of the relationships between pay levels and those demographic and other factors which have been found in research to help to explain ethnicity pay gaps at the national level (which we have summarised in [section 1](#)).



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The most significant of these factors include:

- **Gender:** At the national level the [IES's research with the EHRC](#) showed not only different pay gaps for different ethnic groupings compared with white employees, but also significant differences within these groups according to gender. Nationally, the ethnic minority pay gap is significantly higher for males than females. This linked analysis is particularly important to highlight employee groups where these factors interact and compound to depress pay levels. The [UCEA study](#) found that *'being a woman from an ethnic minority background could compound this disadvantage significantly, depending on the ethnic group in question'*. Disabled employee pay analysis is also recommended by the CIPD and this factor can have similar compounding effects on ethnic group differences.
- **Overseas-born status:** An employee's UK-born or overseas-born status also has a major impact on pay at the national level, with gaps on average reducing significantly for second-generation and locally born ethnic minority people.
- **Location:** There are significant variations in levels of representation and pay for ethnic minority groups across the UK according to location. There was a strong consensus from CIPD members that it is often helpful for an organisation to be benchmarked against their local demographics, instead of a national average, and we believe that universal generic targets on this are neither fair nor effective. This often also supports more tailored and specific self-targeting of improvements in closing ethnicity and gender pay gaps by individual employers as part of their action plans.
- **Age:** We know that nationally the ethnicity pay gap increases with age. Is that the case in your organisation and, if so, how does that impact on your action plan to reduce and eliminate ethnicity differences?

Employers with more advanced HR data analytics capabilities may want to model and consider the combined effect of these factors in the development of their action plans, replicating research that has been carried out on the national data.

5 Develop an action plan

The [EHRC's strategy](#) for closing the UK's ethnicity pay gaps emphasises that *'pay gaps are a good indicator of inequalities in access to work, progression and rewards'* and so require wide-ranging and multi-pronged initiatives to address the deep-seated economic, social and cultural factors underpinning them.

As well as ethnicity pay reporting by employers, the EHRC makes six main recommendations to address pay gaps:

- 1 Unlock the earning potential of education by addressing differences in subject and career choices, educational attainment and access to apprenticeships between ethnic groups.
- 2 Improve work opportunities for everyone, no matter who they are or where they live – unemployment rates vary significantly by ethnicity, and the employment of some ethnic groups is heavily concentrated in low-paying occupations.
- 3 Make jobs at all levels available on a flexible basis.
- 4 Encourage men and women to share childcare responsibilities.
- 5 Reduce prejudice and bias in recruitment, promotion and pay decisions.
- 6 Report on progress in reducing pay gaps.



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The [IES's research review](#) on 'what works' in closing ethnicity pay gaps similarly highlighted the following areas for action:

- Make recruitment processes anonymous to address commonly found biases.
- Provide training and nurture talent from under-represented groups.
- Raise minimum pay levels.
- Target increases in under-represented groups at senior levels.
- Implement wide-ranging inclusion and diversity policies.
- Introduce pay reporting and transparency.

Each employer needs to address its own unique employment situation. The following examples show how other organisations have approached this.

Greater London Authority (GLA)

At the Greater London Authority, [The Diversity and Inclusion Action Plan \(2019\)](#) sets out the aim 'to work towards eliminating pay gaps between different groups. The GLA's ethnicity pay gap and related action plan supports delivery against this commitment.'

The actions specified in their plan are wide-ranging and include:

- anonymous recruitment processes
- diverse recruitment panels
- establishing and working closely with their BAME Network
- unconscious bias training
- setting up a new inclusion and diversity governance body led by the chief officer, with regular six-monthly reporting of progress against key targets
- BITC membership and commitment to the BITC Race at Work Charter.

Royal Borough of Kensington and Chelsea

At the [Royal Borough of Kensington and Chelsea](#), where the median ethnicity pay gap figure has remained at 12.3% for 2019 and 2020, a variety of analyses were undertaken as part of an independent BITC audit, including 'analysing the earnings of our female employees from different ethnic groups'. In addition to completing the audit and becoming a BITC Race Champion, actions to reduce the ethnicity pay gap during 2019 included:

- increasing the use of apprenticeships as a route for developing the workforce – 56% of the 27 people recruited on to apprenticeships in 2019 were BAME
- BAME mentoring circles have been launched in the Council with ten BAME employees being mentored by an external mentor for six months
- 24 diversity champions have been trained to create a safe space for staff to raise concerns.

Additional actions planned in 2020 included:

- implementing a new equality and diversity strategy, including specific objectives for the workforce, as well as the services provided to the community
- undertaking a full review of the council's current pay, grading and PRP schemes – more white than BAME employees currently receive performance-related payments



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- 3
- 4
- 5
- 6
- 7

Royal Borough of Kensington and Chelsea (continued)

- introducing mandatory training on cultural sensitivity for all new starters and refresher courses for equality and diversity training for existing staff
- recruiting and training a further cohort of Diversity Champions during spring/summer 2020
- launching the Inclusive Mentoring scheme, with the executive management team becoming mentees to staff who represent any of the nine different protected characteristics
- introducing the monitoring of starting salaries on appointment to ensure there is equity for women and BAME staff at the start of their careers
- encouraging the 25% of the workforce who have not yet disclosed their ethnicity to record it on their personal record
- continuing to work in partnership with the Timewise Foundation to support the use of flexible and agile working for employees and job applicants.

Summary of successful actions

Common elements in the action plans of successful organisations are as follows:

- clear ethnicity pay and diversity strategies and goals, with accountability at senior levels for achieving specific goals
- wide-ranging and comprehensive initiatives, covering many areas of people management throughout the employment cycle
- evidence and analysis-based actions and initiatives
- focus on internal development and career/talent management (see the [CIPD's Race Inclusion reports](#) on ensuring equality of career progression opportunities)
- measures specifically designed to address the identified ethnicity pay issues as well as integrating this agenda with the wider EDI strategy and measures designed to progress it
- clear targets and progress monitoring, but actions are implemented as part of a sustained approach recognising that these gaps cannot be closed overnight or by single initiatives
- senior leadership accountability for addressing ethnicity pay and representation gaps, with wider management accountability and extensive employee and ethnic groups' involvement, for example through employee networks and minority ethnic groups.

6 Communicate, implement, monitor and review

Improved pay transparency, in order to address ethnicity pay differences, is perhaps the key objective behind support for ethnicity pay reporting. Most organisations will want to publicise their results externally, for example by:

- publishing their report on their website and including key findings in their annual reports
- uploading their core statistics onto websites that enable organisational comparisons.

The [CIPD's race inclusion strategy reports](#) recommend the following on internal communications:

- Develop a communications and involvement strategy as part of your 'comprehensive and well-resourced race inclusion strategy' to communicate aims and achievements, to share the organisation's diversity data and to explain the race equality and inclusion and diversity (I&D) strategy.
- Collect, analyse and publish a framework of relevant ethnicity data and statistics across all the HR processes in your organisation, including pay and reward.



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- Communicate your action plan for tackling any ethnicity-based disadvantage that your data exploration reveals.
- Support senior leaders to lead the way in initiating positive conversations about race, to be clearly visible as part of the I&D strategy and to communicate the importance of race and ethnicity in the organisation.
- Support line managers to manage their teams in a non-discriminatory fashion and support the career development of those who report to them.
- Establish employee network groups to facilitate conversations about race and other diversity strands in a safe space.
- Consult employees, for example via employee network and ethnicity groups, on the most appropriate individual and collective terminology to use in relation to ethnicity.

Much of the communications advice contained in the [CIPD's Gender Pay Reporting Guide](#) is highly relevant to ethnicity pay reporting. It suggests a specific communications plan to inform and ensure consistency. It typically needs to contain:

- your aims
- your key messages
- a breakdown and analysis of your key audiences
- planning actions and messages through each of your key channels of communication, including their timing and sequencing.

You will also want to consider the best way of presenting your ethnicity pay data. Stating figures in pounds and pence is often more helpful than percentages, while illustrations and visuals sometimes work better than long paragraphs of text.

As with any form of publicity, there are risks with greater pay transparency. They include:

- **Not understanding the ethnicity pay gap:** It's important that your spokespeople understand what the ethnicity pay gap is, how it compares externally and how it plays out in your organisation. It's also important that your employees understand what ethnicity pay reporting is, its limitations, and why you are using eight different measures.
- **Inadequate data:** If you are missing key data, say so, but also say what you intend to do to ensure this data is captured for future reports.
- **Being unprepared for questions and questioning of your ethnicity pay report and the data it contains:** Even if you don't think you are going to be questioned, it's a good idea to be prepared. Draw up a Q&A and ask internal stakeholders for their input.

It is good practice to determine a process for reviewing progress and to allocate responsibilities, directly involving your leaders and managers and holding them accountable. Common progress measures obviously include any overall reduction in ethnicity pay gaps, but can also include:

- progress over a number of years towards a set target ratio of senior posts being filled by employees from ethnic minority groups
- progressing towards a target percentage of ethnic minority staff in particular employee populations, such as professors in universities or traders in financial institutions; improving the ethnicity mix in recruitment and promotions is another target to consider
- monitoring the impact of specific initiatives, such as anonymous recruitment, representative selection panels on the mix of internal promotions, the removal of performance-related pay on pay differences within grades, and so on.

Further details on such communications planning can be found in the [CIPD's Gender Pay Reporting Guide](#).



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5 Conclusion: This is the time

Racial inequalities are unacceptable and need to be investigated and addressed. The COVID-19 pandemic has highlighted pre-existing inequalities. Through its direct impact on health and the associated economic hit, it has in many cases also exacerbated them. COVID-19 has made reactions against inequality even stronger and more widespread. What a tremendous legacy it would be from such terrible circumstances if the pandemic stimulated effective action by employers to expose and address racial and other aspects of inequality.

Ethnicity pay reporting is just one part of that action, but an essential foundation.

We have not attempted to hide or underestimate the complexity of ethnicity pay. However, a growing swell of employers are showing that ethnicity pay reporting can become a 'business-as-usual' process that underpins and drives positive action.

The CIPD believes that all employers should now be undertaking voluntary ethnicity pay reporting. Beyond including the eight common pay statistics we define, these reports will vary substantially, in the size and nature of any gaps they reveal, in the narratives and analyses informing and explaining their data, and in their action plans.

By following the process that we recommend, people management professionals can further contribute to building more effective, engaging and equal organisations.

6 Appendix 1: Ethnicity pay reporting: The legal framework

The principle that women and men are entitled to equal pay for doing equal work is set out in sections 64 to 80 of the **Equality Act 2010** (the 'equality of terms' provisions). With one exception (see note about Section 77 below), these provisions apply only to gender, but this does not mean that pay inequalities on other grounds such as ethnicity cannot be challenged.

The right to equal pay for equal work is a contractual right enforceable through the employment tribunal, and while there is no parallel course of action available to an employee experiencing pay discrimination on grounds of any other protected characteristic, this means only that such pay inequalities are not challenged as a matter of contract, but as a matter of discrimination. However, while there is an extensive body of case law on equal pay between men and women, there is little or no case law to draw on in respect of pay gaps in the other equalities areas such as ethnicity.

Section 77 of the [Equality Act 2010](#) provides that an employer cannot prevent their employees from discussing or providing information about whether or to what extent there is unlawful pay discrimination on any of the protected grounds. Section 77 is the only section of the 'equality of terms' provisions which applies to ethnicity. All other provisions relate solely to gender (equal pay as between men and women).

For the public sector, while the [Public Sector Equality Duty](#) has the potential to encourage attention to be paid to pay gaps more generally, mention of specific protected grounds is confined to Scotland and Wales.

Public Sector Equality Duty

The Equality Act 2010, which replaced the Race Relations Act 1976, makes it unlawful to discriminate against employees, job applicants and trainees because of colour, nationality,



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ethnic or national origin. Section 149 of the Equality Act 2010 brought the Public Sector Equality Duty (PSED) into force in April 2011. The PSED is underpinned by specific duties across England, Scotland and Wales. In Scotland, the PSED applies to race in the same way as it does to disability. The specific duty requires listed public authorities to gather employment information related to race, publish employment information in a ‘mainstreaming report’ every two years (from 2013), and publish equality outcomes and report progress. Scottish public authorities are required (from 2017) to publish a statement on equal pay relating to race. This should include a policy on equal pay and, if applicable, the concentration of certain minority racial groups in specific grades and occupations. There is some evidence of Scottish listed public authorities preparing for these requirements.

In [Scotland](#), public bodies are required to gather employment information related to disability; to publish employment information in a ‘mainstreaming report’ every two years; and to publish equality outcomes relating to disability and report progress. From 2017, Scottish authorities with more than 150 employees have been required to publish a further equal pay statement containing information on occupational segregation and their equal pay policy which, for the first time, will include disability and race. The aim is to ensure that good quality information can be provided in a meaningful way to help assessment of progress on occupational segregation and equal pay policy for disabled and/or ethnic minority staff.

In [Wales](#), public bodies are required to have ‘*due regard to the need to have objectives that address the causes of any pay difference between employees who are from a protected group, and those who are not; if it appears reasonably likely that the reason for the difference is related to the fact that those employees share a protected characteristic, for example, they are from a minority ethnic group*’.

Public sector bodies in Wales are also required to have due regard to the need to have objectives that address the causes of any pay difference between employees who are from a protected group, and those who are not, if it appears reasonably likely that the reason for the difference is related to the fact that those employees share a protected characteristic, for example they are from a minority ethnic group ([EHRC 2014](#)). A review of PSED implementation in Wales conducted in 2013 found that one university had faced opposition to the collection of ethnicity data and, in another case, a local authority attracted negative publicity from the national media about an equalities monitoring exercise. These incidences reportedly caused discomfort around the collection of such information ([Mitchell et al 2014](#)).

7 Appendix 2: Key terms

The statistics themselves (mean, medians, and so on) and how to calculate them, and the relevant terms and definitions, such as employees, pay and bonuses, snapshot dates, and so on, are summarised below and are defined in detail in the [CIPD’s Gender Pay Reporting Guide](#).

Ethnicity pay gap

This is calculated as the difference between the median (or mean) hourly earnings of the reference group (your white employees) and the median among your other ethnic groups/BAME employees, expressed as a proportion of average hourly earnings of the reference group. For example, a positive 5% ethnic pay gap between white British and employees from other minority ethnic groups would show that the median hourly earnings



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for employees in the latter category are 5% less than median hourly earnings of white employees. Conversely, a negative 5% pay gap would denote that they earn 5% more, on average, than white British employees.

Employee

The regulations focus on the number of individual employees, and not on full-time equivalents. This means that each part-time employee, including job-sharers, counts as one employee: when two people share a job, they are counted as two employees.

! Watchpoint

- The duration of employment is not taken into account.

What is a relevant employee?

Relevant employees are all employees employed by you on the snapshot date of any given year. The definition of 'employee' is the same as that in the Equality Act 2010. This is known as an 'extended' definition because it includes employees (that is, those with a contract of employment); workers and agency workers (that is, those with a contract to do work or provide services); apprentices; and some self-employed people, where they have personally to perform the work. The term 'relevant employee' includes both full-pay relevant employees, that is, employees on full pay, and employees employed on the snapshot date, but on less than full pay because of leave. Relevant employees are included in the bonus pay gap calculations.

! Watchpoints

- In any given year, the number of relevant employees may be greater than the number of full-pay relevant employees. This is because you may have employees on unpaid leave.
- The duration of employment is not taken into account.
- The regulations require you to report on the number of individual employees, and not on full-time equivalents. This means that if two people share a job, they are counted as two employees.
- In some circumstances, partners may be included in your headcount of relevant employees.

What is a full-pay relevant employee?

Any employee who is employed on the snapshot date and who is paid their usual full basic pay (or pay for piecework) during the relevant pay period will be a full-pay relevant employee. If an employee is paid less than their usual basic pay or piecework rate during the relevant pay period for reasons other than leave (for example, because they have been on strike), they still count as a full-pay relevant employee. If employees are being paid less than their usual basic pay or piecework rate, or nil, during the relevant pay period because of being on leave, they are not a 'full-pay relevant employee'. It does not matter whether the leave is taken during the relevant pay period – what matters is whether the pay is reduced during that relevant pay period due to the leave. Employees who receive no pay at all during the relevant pay period, for example because they are on unpaid leave, should be excluded.

Anyone not receiving their full pay in the relevant period, for example people on long-term sickness absence, is excluded. Agency staff are included as employees of the agency and so should not be included in an employer's calculations. Nor should a firm's partners and directors if they are not employees. Where possible, though, the CIPD would encourage employers to include these people in a separate analysis in their accompanying narrative.



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Snapshot date

The snapshot date will always be 31 March for public authorities, and 5 April for all other employers, in any year in which they have 250 or more relevant employees. The snapshot date is:

- the date which determines who counts as an employee for the purposes of gender pay gap reporting
- the date used to determine employees' hourly pay (your gender pay gap calculations are based on hourly pay, as defined by the regulations)
- the date from which you have a year to publish your gender pay gap report.

Pay

Pay is defined as hourly gross ordinary pay, including basic pay, piecework pay, shift premiums, paid leave pay and allowances, and so on.

What is a pay period?

The pay period is the period in which the employer pays the employee basic pay. The duration of pay periods will vary, but is typically a week, a fortnight or a month. If employees are paid in an irregular manner (for example, you pay them an irregular amount every month), it may be prudent to designate up to a year as the pay period. If an employee does not receive basic pay but does receive some other form (or forms) of ordinary pay (say, for piecework), the pay period is the period in which you most frequently pay that form of ordinary pay. For example, if the employee receives pay for piecework only, and you pay them for the number of pieces created in a week, the pay period is a week.

! Watchpoints

- You will need to make sure that the length of the pay period is the same for all relevant pay employees. If it does vary (with some employees having, say, a pay period of a week, and others a month), you will need to take account of this in your calculations.
- The period over which a bonus is paid may differ from that for ordinary pay and allowances. If the period for which a bonus is received is the same as the relevant pay period, the full amount of the bonus should be recorded. If the period for which the bonus is received differs from, or exceeds, the pay period – for example, the ordinary pay period is a month, but the bonus pay period is a year – you will have to pro-rate the amount of bonus; in other words, you will have to divide the amount of bonus by the number of days in the bonus period, and multiply the result by the number of days in the pay period.

What is the relevant pay period?

The relevant pay period is the pay period within which the snapshot date falls.

! Watchpoints

- Any ordinary pay received in the relevant pay period that would normally be received in a different pay period (such as a payment to remedy an accidental underpayment in the previous period) should be excluded from your calculation of hourly pay.
- Similarly, if an employee receives any backdated pay in the relevant pay period, only the amount attributable to the relevant pay period should be included in your calculation of ordinary pay. You do not have to add in any payments made at other times even if they relate to, or should have been paid in, the relevant pay period. So, for example, if an employee receives a pay award in July backdated to March, there is no need to change the figures captured on the snapshot date to take account of this.



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What is the relevant bonus period?

The relevant bonus period will always be the preceding 12 months ending on the snapshot date being used for calculations. For example, where the snapshot date is 5 April 2019, the relevant bonus period will be 6 April 2018 to 5 April 2019.

! Watchpoint

- Bonuses are included in the calculations if they have actually been received within this period. The period to which a bonus is attributed is not relevant for these. For example, a public sector bonus awarded because of good performance in 2017 but received in March 2019 will need to be included in calculations for the relevant bonus period 6 April 2018 to 5 April 2019.

What are weekly working hours?

Weekly working hours are used to establish an employee's 'hourly pay'. For the purposes of gender pay reporting, employees should be treated as having normal weekly working hours if they have the same contractual hours each week, even if they often work additional unpaid hours.

! Watchpoint

- Weekly working hours, however calculated, do not include paid or unpaid overtime, even when such overtime is worked on a regular basis. This is because overtime is excluded from the calculations.

If an employee (a) has a fixed hourly rate of basic pay (whether they have normal working hours or working hours that differ from week to week or over a longer period), and (b) does not receive any bonuses or any allowances, shift premia or other variable pay during the relevant pay period, you will already know what their hourly pay is, and you will not need to go through the hourly rate of pay calculation set out in the regulations.

If an employee is contracted to work the same number of hours every week, their 'weekly working hours' will be the number of normal weekly working hours specified in their contract of employment on the snapshot date; this is so even if they leave after the snapshot date, but before the relevant pay period ends. An example would be when, for a public sector employee, their pay period of a month straddles the snapshot date of 31 March, but they leave your employment partway through the working week beginning on 1 April.

Employees with variable working hours

If the employee is not contracted to work the same number of hours every week, their 'weekly working hours' will be the average number of hours worked (excluding any hours worked as paid or unpaid overtime) over the pay period that straddles the snapshot date. The average number of hours worked can be found by dividing the total number of hours worked over the 12 weeks that end with the last complete week of the relevant pay period. So, for example, if a pay period of a month ends on Friday, 7 June, and the employee has worked 37 hours for 6 of the 12 weeks (222 hours) and 30 hours for the other 6 (180 hours), the average number of hours worked is 402 divided by 12 = 33.5.

If an employee on a variable hours contract changes their contract during the 12-week reference period, so as, say, to increase the number of hours worked, you will still divide the total number of hours worked over the 12 weeks by 12. If you have an employee on variable working hours, but they have not been employed for 12 weeks by the end of the relevant pay period, or there is some other reason the calculation cannot reasonably be made, you must use a number that fairly represents the number of working hours worked in a week. This can



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be done using the average number of hours you would expect the employee to work in a week, or using the average number of hours of other similar employees.

Employees on piecework

If an employee is paid on the basis of piecework, their weekly working hours will be either the number of hours of work set by the employer, or the number of hours of output work in a week during the relevant pay period.

Employees on call or sleeping in

Hours during which an employee is required to be on call, awake and available for work must be included in their weekly working hours.

Hours during which an employee is sleeping are not included, even if the employee has to sleep at or near their place of work. However, if they are woken up in order to carry out work during the reference period, the waking time must be included in their weekly working hours.

Weeks where no work has been done

An earlier week must be substituted for weeks where no work has been done (such as a week of sick leave). So, in the previous example, if the employee had taken a week's unpaid leave for family reasons, you would ignore that week, and either refer back to the week before the six weeks preceding the snapshot date, or forward to the week after the six weeks after the snapshot date. Weeks where some, but not all, days have been worked (such as a week with three days worked and two days taken as unpaid special leave) must be included.

People contracted to provide services personally

You may have difficulty obtaining the information needed to determine the hourly pay of someone contracted to do work for you on a personal basis as a full-pay relevant employee. It can, for example, be difficult to quantify the hours worked by a consultant retained for their specialist expertise on a particular project, because what you're paying for is not the hours they put in, but their expertise. You can ask for the information, but if you can't get it, the person should still be included as a relevant employee in your headcount, but it will not be possible to include them as a relevant full-pay employee for the purpose of calculating the gender pay gap. Acas recommends that new contracts should seek, where possible, to ensure that those employed under a contract to do work personally are required to provide the information needed for compliance with the regulations.

Ordinary pay

In calculating ordinary pay, you should use gross amounts after salary sacrifice. Ordinary pay includes:

- basic pay
- pay for piecework
- shift premium pay
- pay for leave
- allowances (including London living allowances; allowances for living abroad, where information on these can reasonably be obtained from the host employer; recruitment and retention allowances; car allowances; and allowances for additional roles such as that of a fire warden or first aider; car allowances count towards ordinary pay, the value of a company car does not).



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Ordinary pay does not include:

- payments for expenses (such as travel and subsistence)
- any payments related to overtime (as well as actual ‘overtime pay’; you should exclude payments such as allowances earned during paid overtime hours)
- redundancy or termination of employment
- pay in lieu of annual leave
- non-monetary payments (such as benefits in kind or securities).

! **Watchpoint**

- • It can sometimes be difficult to distinguish between an allowance and a payment for expenses, or an allowance and a bonus payment, or an allowance and a benefit in kind. If you are in any doubt, you should seek professional advice.

Benefits in kind

Benefits in kind are non-cash benefits not usually included in wages, for example, company cars or private medical insurance. Interest-free loans from you to an employee, such as season ticket loans, are also treated as benefits in kind. Benefits in kind are excluded from the calculations.

Salary sacrifice

A salary sacrifice scheme is an agreement between an employer and employee to change the terms and conditions of employment to reduce the employee’s entitlement to cash remuneration in return for some form of benefit – say, a pension contribution – that is not reflected in their salary or wages. The value of salary sacrifice is excluded from the calculations, meaning that you should use the employee’s gross pay after any reduction for salary sacrifice, even if the employee has voluntarily opted into the scheme.

Pension contributions

As employer pension contributions go directly to a pension fund, they are not used for gender pay gap calculations.

For the purposes of gender pay gap reporting, the amount of an employee’s ordinary pay and bonus pay must be calculated before deductions are made at ‘source’, and as employee pension contributions are a deduction, whether or not an employee makes pension contributions will not affect the gender pay gap calculations. Similarly, if an employee uses some, or all, of their bonus to make a pension contribution, this is a deduction and will not affect the gender pay gap calculations. However, where an employee contributes to a pension by means of a salary or bonus sacrifice scheme, the employee’s gross salary after the reduction should be used.

Bonuses

Bonuses include anything that relates to profit-sharing, productivity, performance, incentive and commission. Non-consolidated bonuses are included. Bonuses must be received in the form of cash, vouchers, securities, securities options, and interests in securities.

! **Watchpoint**

- • If your organisation pays bonuses in securities, the value of these is included at the time the employee incurs income tax. And so, if an employee decides to defer their entitlement to bonus pay, for example, in the case of a long-term incentive plan, you would not include the bonus in your calculation until the amount gives rise to income tax.

Bonus pay does not include pay related to paid overtime, redundancy or termination of employment or pay in lieu of annual leave. Long-service awards with a monetary value



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(cash, vouchers or securities) are also included, but any other type of non-monetary award under this category, such as extra annual leave, should be treated as a benefit in kind and excluded. Gross amounts should be used.

! Watchpoint

- It may sometimes be difficult to distinguish whether a bonus (or part of a bonus) relates to overtime hours. If this is the case, the element of bonus pay that may relate to overtime should be included in bonus pay.

You will have to report a gender bonus gap calculation even if you do not pay bonuses. Your percentage figure will be zero.

The mean gender pay gap

The mean gender pay gap is the difference between the mean hourly rates of pay that male and female full-pay relevant employees receive. The mean is the average of all the numbers in a dataset. So, to find the mean hourly rate for your organisation's full-pay relevant male employees, you would add all their hourly rates together and then divide the total by the number of full-pay relevant male employees.

! Watchpoint

- The mean gives you an overall indication of the size of your gender pay gap and of your gender bonus gap. It is also a measure that tells you something about the influence of your payment system on your gender pay gap, especially when looked at in the context of the range.

The median gender pay gap

The median gender pay gap is the difference between the median hourly rates of pay that male and female full-pay relevant employees receive. The median is the numerical value which splits the top 50% of the population from the bottom 50%. To find the median, list all of your calculations of total hourly pay for all employees in numerical order, from the lowest hourly pay to the highest: if there is an odd number of values, the median is the number in the middle; if there is an even number of values, the median is the mean of the two central numbers.

! Watchpoint

- The median gives you an indication of what the 'typical' situation is, but, if your organisation has a complex pay system, there may not be a typical situation. By failing to take account, for example, of the impact on the gender pay gap of a small group of very highly paid employees, a median can give you a 'false positive', meaning that you don't take the action necessary to close the gap.

The mean bonus pay gap

The mean bonus gender pay gap is the difference between the mean bonus pay that male and female relevant employees receive. The median bonus gap is the difference between the median bonus pay that male and female relevant employees receive. In the context of gender pay gap reporting, the range is your organisation's pay dispersion, or the difference between the lowest hourly rate of pay and the highest.

! Watchpoint

- If the range is large, the mean or the median is not as representative of the data as it would be if the range was small, and so the greater your pay dispersion, the less reliable are your calculations of the gender pay gap.



The quartile pay bands

A quartile is one of three points that divide a population into four equal parts. In the context of gender pay gap reporting, the four quartile pay bands are created by dividing the total number of full-pay relevant employees (that is, not the pay bands, but from the lowest hourly pay to the highest) into four equal parts. The intention is not to divide the pay range into four equal parts, but to ensure equal numbers of employees in each quartile.

! Watchpoint

- You cannot use existing pay bands to determine your quartiles. If you are already using quartile measures based on your existing pay bands to provide you with information about your pay data, you will not be able to use these for the purposes of gender pay gap reporting.









CIPD

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk

Incorporated by Royal Charter
Registered as a charity in England and Wales (1079797)
and Scotland (SC045154)

Issued: September 2021 Reference: 8165 © CIPD 2021

