

ETHNICITY PAY REPORTING: Government Consultation

Closing date: 11 January 2019

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Consultation questions

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

Sage is the global market leader for technology that helps businesses of all sizes manage everything from money to people - whether they're a start-up, scale-up or enterprise. We do this through Sage Business Cloud - the one and only business management solution that customers will ever need, comprising Accounting, Financials, Sage Intacct, Enterprise Management, People & Payroll and Payments & Banking.

Having access to a diverse pool of talent is critical to the future success as the UK's leading tech company. It will also be critical to our ability to resonate with a diverse customer base of 3 million SMEs around the world and innovate at the pace we need to so we can remain competitive.

Commitment to tackling inequality of opportunity in the workplace is key to Sage's brand integrity and supporting the success of our business as well as our colleagues, customers and partners. We welcome this initiative to review ethnicity pay information and how it should be reported on by employers in order to enable meaningful action.

The focus on data that the pay reporting initiative brings is an important step forward in taking informed positive action and will help motivate employees from ethnic groups to raise awareness of issues or barriers they may face. It creates a benchmark for annual improvement and sets the context for programmes of work to improve mobility and workplace prospects for under-represented ethnic groups.

2. What type of ethnicity pay information should be reported that would not place undue burdens on business but allow for meaningful action to be taken?

- a) One pay gap figure comparing average hourly earnings of ethnic minority employees as a percentage of white employees**
- b) Several pay gap figures for different ethnic groups, using standardised ethnicity classifications**
- c) Ethnicity pay information by £20,000 pay band**
- d) Ethnicity pay information by pay quartile**
- e) All of the above**
- f) Other**
- g) Don't know Please state the reasons for your answers.**

We believe that broadly Ethnicity Pay Reporting should follow the model of Gender Pay Gap reporting, using d) Ethnicity Pay Information by pay quartile. However, there are a few contextual factors that will need be considered when designing the programme, which we discuss below.

It is important to avoid simplistic comparisons such as white vs non-white pay across the organisation. These types of comparisons have been evident in the reporting requirements for gender pay gap and detract from contextual analysis. In the case of ethnicity reporting more contextual data will be required including: the sector, the breakdown of different ethnic groups and where the company headquarters / workforce is located.

Also, reporting may not create a true reflection of the situation across the entire workforce initially as data on ethnic groups is likely to be lacking due to low rates of self-reporting. Companies will need time to invest in programmes to capture data more effectively and improve analysis.

Although reporting will be for the UK, global companies will have action plans that apply in multiple jurisdictions and it would be useful to take account of global best practice and how the issue is being tackled by companies in other markets where reporting is required such as the US and South Africa.

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

Contextual data should be included to help identify barriers to employment, progression and to assess whether the diversity of the workforce reflects the local ethnic mix. Some of this data can be provided by employers, but Government statistics will also have a role to play. It would be helpful to have further guidance on what data employers should aim to capture or could obtain from third parties.

Employers can cross reference data with, for example, numbers of colleagues from ethnic groups that hold senior positions within the firm, or any patterns in the kinds of role they occupy. For global businesses like Sage this will need to be looked at across our regions, where the classification of minority ethnic groups will differ. Also, whether roles are part or full time will be important, length of time in the organisation and educational attainment would help to identify whether concerns raised in “Race in the Workplace” by Baroness McGregor-Smith are being addressed over time.

Geographical location of headquarters within the UK will make a significant difference to the potential for recruitment from certain ethnic groups in specific locations. For example, Sage’s UKI headquarters are in the North East, we also have offices in Reading, Manchester and London plus a number of remote workers. The Government’s Regional Ethnic Diversity Census 2018 highlights that whilst London has the smallest percentage of White British people in the UK, at 44.9%, the North East has the highest percentage, at 93.6%. Employers ethnic diversity targets should aspire to reflect the local population mix as well as attempting to improve representation at the national level.

4. Should an employer that identifies disparities in their ethnicity pay in their workforce be required to publish an action plan for addressing these disparities?

We believe that pay reporting lacks any real value if it is not accompanied by a meaningful action plan that sets the building blocks for reviewing progress annually. That is why Sage publishes a [Gender Pay Report](#) that includes an action plan setting out our commitment to:

- *Accountability at work*
- *Flexible working*
- *Recognising female talent*
- *Helping women return to work*
- *Bringing in diverse talent*

These goals aspire to tackle specific causes of gender pay gaps we have identified at Sage, such as a commitment to get more women into tech roles or raising awareness of unconscious bias that might occur in recruitment or promotion.

We would welcome more opportunities to share insights and best practice with other employers. Whilst it's great to see creative and forward-thinking approaches being taken by employers, completing a standard comparison table for action plans with top line summary data would be helpful for digesting information more easily.

5. Do you currently collect data on ethnicity at your workplace? If yes, do you use standard ethnicity classifications for reporting? If so, which ones?

All data is securely stored on the HR system. We apply all GDPR and legislation to keep our data safe. If we shared our ethnicity numbers with the government for the national statistics for example, we would not include any personal data.

We use a structure for ethnicity classification reporting that consists of 22 choices, but we are open to adopting a standard ethnicity classification for reporting in future.

Many people choose not to fill it in so there would need to be concerted campaign to show how we can support colleagues with this data.

We would want it to be captured in existing People systems and would only make this information, which is sensitive personal data, available to HR admin.

We would want all companies to report in the UK using the same UK standardised data, and in our view the more classifications used the richer the data on representation and progression of ethnic groups in the workplace.

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

For the scheme to work it will be essential that employers can find ways to increase employee self-reporting. At Sage we regularly provide updates of new schemes or important initiatives for colleagues through our Intranet YourSage. Data capture will need to be framed positively and in the context of a wider initiative to increase opportunity for all and support a diverse workforce to overcome any fears that it could lead to bias or other negative outcomes.

Eventually we would look to incentivise reporting amongst BAME employees by offering targeted information about positive action initiatives like development programmes, mentorship opportunities etc that employees are likely to be interested in.

Making data capture easy and convenient, using existing systems and stressing confidentiality will also be key.

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

% of disclosure relative to the workforce size should be disclosed, but there will need to be recognition that there may be gaps in the information early on. What is key is that employers show progress in increasing the % of people that have shared their data over time.

- 8. For a consistent approach to ethnicity pay reporting across companies, should a standardised approach to classifications of ethnicity be used? What would be the costs to your organisation? Please outline steps that should be taken to preserve confidentiality of individuals.**

A standardised approach to classification of ethnicity should be recommended and used and it should be one that provides as rich a picture as possible of relative representation, pay and progression of ethnic groups. There would be a cost to implementing new fields, capture and analysis of relevant data across the organisation, production of the report, legal review and wider communications.

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

All data is securely stored on the HR system. We comply with GDPR to protect the right to privacy and keep data safely secured. However, in the case of ethnicity pay reporting guidance we would need to be careful to ensure that combined with contextual data, that all data remains anonymised.

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

This should mirror Gender Pay reporting for the foreseeable future.

However, Government could work with larger companies to raise awareness amongst SME suppliers or customers about best practice and provide templates for voluntary reporting. Any fast-growing company will need to be thinking early on how they will build data capture into their HR systems for reporting once they reach the threshold. So even though companies under 250 employees should not be required to report, Government / employer guidance for those organisations to participate if they choose to would be welcome.

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

The information and guidance surrounding Gender Pay reporting requirements has been clear and implementation has run smoothly so we would hope the same could apply for Ethnicity Pay Reporting.

Timelines for future requirements will need to be clearly laid out early on to allow employers time to prepare. As mentioned above, a similar format – such as a table that could allow for direct comparison of statistics - for reporting would be helpful to compare like for like. Government conferences inviting employers to come together and share their views on progress would be welcome. Currently they tend to be run by other private sector companies and may not focus on the pay gap specifically.