

August 2016

Attracting and progressing ethnic minority talent is a business imperative

People from ethnic minority backgrounds represent a significant pool of talent for UK businesses. More than 1 in 10 people in the UK labour market are from Black and Minority Ethnic (BME) backgrounds. This proportion is set to rise as ethnic minority groups are the fastest growing among 16 to 19 year olds.¹ As many firms face skills shortages, harnessing the potential of ethnic minority groups will be ever more critical over the long term to fill skills gaps.

Brexit has brought issues in the UK labour market into sharp relief, particularly low levels of productivity and equality of opportunity. There is a clear link between the two, with widening equality of opportunity offering a route to kick-start higher productivity as our businesses make better use of more people's skills and ideas. Ultimately, making our workplaces more inclusive of ethnic minority groups is a priority for business because it improves the bottom-line.

Ethnic diversity, as with other diversity characteristics, tends to be a proxy for diversity of thought. Broadening the range of perspectives, knowledge and ideas in a business fosters cultures which challenge organisational thinking, leading to better ways of working. This is the case for businesses with greater diversity of thought at leadership level or throughout the organisation. Greater innovation in everything from commercial strategy to product development increases business' chance of tapping into their customers' needs.

Representing 14% of the UK population, customers from ethnic minority backgrounds represent a vast market for UK businesses.² Designing products and services that actively attract ethnic minority groups is an opportunity for businesses to increase their market penetration and drive higher revenue. This is especially important for businesses with a large millennial consumer-base who are more likely to favour brands that are strongly associated with diversity and inclusion. Developing a diversity and inclusion conscious brand also gives businesses greater opportunities to win commercial customers as clients are increasingly prioritising diversity as part of their contracts.

Beyond the UK, having a workforce which includes people from ethnic minority backgrounds is increasingly important in a global economy. Doing business often requires a cultural understanding of the place in which you're operating. Businesses that have this breadth of knowledge and experience have a greater opportunity to win custom, clients and contracts around the world.

Businesses are keen to work with government and each other to share good practice on improving the recruitment and progression of ethnic minorities. The business view is that current obstacles will be tackled by:

- Taking voluntary approaches to improving ethnic diversity as part of businesses' wider opportunity to build inclusive workplaces;
- Collecting ethnicity data to identify barriers and set voluntary targets for improvement;

¹ Annual Population Survey, 'Population aged 16-19 by ethnic group', 2005-2016

² ONS, 2011 Census England and Wales, March 2011

- Increasing employees' confidence discussing race and ethnicity in the workplace to drive culture change;
- Schools and colleges working with business to better support ethnic minority students' transition into work;
- Judging candidates on skills and competencies to increase recruitment from ethnic minority groups;
- Making employee development part of line managers' appraisals to improve progression.

Voluntary approaches to improving ethnic diversity should be part of businesses' wider opportunity to build inclusive workplaces

Businesses should commit to recruit, develop and support ethnic minority employees as part of a wider commitment to practices that are inclusive of all staff, irrespective of background. Inclusive workplaces improve the experience of all employees as taking a holistic approach highlights that the experience of different diversity strands is also relevant to ethnic minority staff. This is because ethnicity often intersects with characteristics such as gender, disability, sexual orientation and low-income backgrounds of which employers also need to be inclusive.

An inclusive workplace is one in which action is taken to ensure that its practices and culture does not indirectly disadvantage any one group. Developing an inclusive workplace requires systemic organisational change to embed cultures that are open and confident in talking about race and ethnicity. This is critical because it underpins the sustainable and long-term change in business' relationship to race and ethnicity that is required to make progress in developing ethnic minority talent.

This type of culture change is most effectively achieved through business-led voluntary action. The alternative, prescriptive legislative approaches, fosters compliance led behaviour that does not drive the business-wide culture change that is needed to underpin long-term progress. Approaches that mandate businesses to collect data and report on their ethnic representation in prescribed formats risk making the advancement of ethnic minorities a compliance exercise for HR rather than a *business* issue.

A nationally applied target for the representation of ethnic minorities is also less relevant than to issues of gender representation because there is much greater regional variation in the ethnic composition of local labour markets. A national average target would be very difficult to meet for a business operating solely in a less diverse area, while the same target would be too low for a business in an area with a higher than average ethnic minority population.

Businesses should collect ethnicity data to inform stretching targets for improvement

The starting point for businesses that are making progress on ethnic minority outcomes is having a clear picture of the ethnic composition within their workforce. Collecting and analysing data can help a firm to identify the barriers within their organisation. Knowing this baseline gives businesses a clearer idea of which barriers they need to better understand in order to make progress. Businesses should use this data to inform targets that are stretching for their organisation, and set milestones that are meaningful in helping to achieve an ethnic representation that better reflects their local labour market and customer base. Taking a data-driven approach enables businesses to more effectively measure progress and hold leaders to account in delivering it.

Many businesses are taking this approach. These organisations have a role in sharing good practice and encouraging other employers to collect ethnicity data and set targets to better understand what is going on within their business. While there are common themes like recruitment issues and progression issues, the specific barriers vary from workplace to workplace. Each business needs to understand the barriers within their organisation and develop tailored solutions to improve recruitment and progression practices.

Such targets should be benchmarked according to the local area in which the business operates and employers should have flexibility to include the metrics that are relevant to their business. Employers should breakdown progression rates by ethnic group, as an aggregate measure for BME staff is unlikely to offer insight into which ethnicity groups face the greatest barriers to progression. Other metrics might include

breakdown of ethnic minority representation by division site, department, level or pay to give employers greater insight into how best to target resources to improve ethnic diversity in their talent pipeline.

Culture change depends on staff being confident discussing race and ethnicity in the workplace

Businesses are more likely to see long-term behaviour change as a result of changing recruitment and progression practices when set within an organisation-wide drive towards culture change. This requires leaders to take accountability for improving ethnic minority representation within their organisation, and being spokespeople for the benefits it brings for all staff.

To do so, leaders need to have the tools and confidence to talk about race and ethnicity at work. Managers and employees need the same confidence to establish an open workplace culture at all levels of the business. Networks for ethnic minority staff bring issues of race and ethnicity at work to greater prominence and can be a safe-space for employees to support one another and share experiences from across the organisation. Some businesses have found that a greater change is brought about by establishing networks that raise the awareness of race and ethnicity with all staff rather than establishing networks specifically for black and minority ethnicity employees.

More broadly, there is a lack of external guidance about how best to deal with race and ethnicity in the workplace. While employer-led or specialist organisations exist on issues of sexual orientation and disability, there are less prominent equivalents for race and ethnicity. Businesses in all sectors would like greater specialist support, particularly on the best language to discuss issues of race and ethnicity in internal communications and support for line managers. Business is keen to work with government and third party organisations who may be able to offer advice in this area.

The benefit for businesses that do foster greater openness about race and ethnicity is a continued drive towards behaviour which underpins changes to recruitment and progression practices. Employers that promote greater cultural openness report increased rates of self-disclosure on ethnicity, giving businesses greater insight into the ethnic composition of the workforce and therefore how resources should most effectively be allocated to improve it.

Schools and colleges must work with business to better support ethnic minority students' transition into work

Ethnic minority groups would better transition into work if their educational outcomes were improved and if employers offer them the work experience opportunities that are less readily available within their networks. It requires businesses, schools and colleges to work together to inform study choices with better careers advice and work experience opportunities. The importance of this partnership is highlighted by the fact that just one in ten apprenticeships started in 2014/15 were by people from ethnic minority groups.³ The higher incidence of unemployment among ethnic minorities compared to white workers with similar level qualifications also highlights the importance of getting this transition right.⁴

The majority of businesses (80%) have links with schools and colleges, and three-quarters are willing to increase their involvement.⁵ Employers should use these partnerships to inspire students from underrepresented backgrounds to enter their sector. By working with careers services, businesses can help make careers advice more informative of the types of subjects or training students should choose to enter a particular sector. This is important to challenge occupational stereotypes in sectors with lower ethnic minority representation, for example in manufacturing and finance.⁶

Broadening the backgrounds of the people businesses offer work placements and internships to will broaden the pool of people with the necessary skills and experiences for entry level positions. Not knowing what it's

³ EHRC, *Healing a divided Britain: the need for a comprehensive race equality strategy*, August 2016

⁴ TUC, *Black, qualified and unemployed*, April 2016

⁵ CBI/Pearson, *The right combination: education & skills survey 2016*, July 2016

⁶ Annual Population Survey, 'Industry by ethnic group', 2005-2016

like to work in a sector, or knowing what they need to do to get there is a major barrier preventing some ethnic minority students applying to sectors with higher earnings potential. While this problem is not specific to ethnicity, students from ethnic minority backgrounds are less likely to have the personal networks to know about work experience opportunities, and less likely to have the educational or financial support to complete the internships that are often a stepping stone to higher-skilled careers.

Interventions that raise students' aspiration and their understanding of the opportunities across all sectors and how to get there are vital. Those companies that make a long-term investment to build a relationship with students and support them through different stages of their transition into work have been able to broaden the backgrounds of candidates applying for jobs with them.

Judging candidates on skills and competencies widens recruitment

Having worked with schools and colleges to broaden the pool of suitable candidates applying for jobs with them, businesses need to adopt recruitment practices that keep recruitment processes manageable while having the least impact on the diversity of candidates applying. Recruitment is a resource intensive process for all businesses, and employers will always need to apply some sort of criteria to filter applications down to a manageable number. But they must ensure that the way in which they do so does not directly or indirectly favour one group over another.

The typical process of judging candidates based on their educational attainment and work experience can be a barrier for some ethnic minority candidates as they are less likely to have had the same opportunities as their white counterparts. Employers can counter this by judging candidates for entry roles based on their potential rather than past experience. To do so, employers should consider putting greater emphasis on skills and competencies in applications and interviews, and giving less weight to qualifications or work experience. This starts with ensuring that the language used in job descriptions attracts the widest pool of candidates. The criteria identified in job adverts as necessary and desirable should be meaningful rather than a filter that could exclude some better suited candidates from ethnic minority groups.

Employers should consider adopting competency-based applications and interviews to maintain emphasis on skills throughout the assessment process. This involves asking candidates how they would tackle a problem, rather than what from their experience would help them to do so. This helps to level the playing field for those ethnic minority candidates that did not have the same educational or work experience as their non-white counterparts, and businesses report that it is actually a more accurate measure of a candidate's ability.

We all have unconscious biases, and the biases of hiring managers have to be recognised and managed. It has been reported for example, that candidates with 'non-white sounding' names are less likely to be shortlisted for interviews.⁷ And one in five female jobseekers from an ethnic minority background have changed their name on a job application because they felt using their real name would count against them.⁸ Employers should consider removing background information such as a candidate's name or the university they attended to ensure that candidates with the right skills and competencies are not filtered out during recruitment processes because of unconscious biases. Another option is recruiting candidates in groups as it makes any biases in the selection process more apparent and visible to address.

Many businesses use recruitment agencies as part of their recruitment process. There is a risk that the challenges facing ethnic minorities in direct recruitment are heightened where recruiters are rewarded for being the quickest to find candidates rather than for putting forward diverse shortlists. At the managerial level, external recruitment often depends on agencies' networks which ethnic minority candidates are less likely to be a part of. Employers should consider requesting that recruitment agencies offer diverse shortlists as a condition of recruitment contracts across entry level, experienced hire and managerial positions to improve ethnic representation at all levels of the business.

⁷ Financial Times, 'Black and ethnic names have less chance of making shortlist', 26 May 2016

⁸ CIPD, "Women change 'foreign sounding' names to get hired", 15 April 2016

Making employee development part of line managers' appraisals improves progression

To maximise the benefit of recruiting diverse candidate intakes, businesses must remove barriers and biases from their progression routes. Businesses benefit most when they develop staff, and ethnic minority employees are no exception. This starts with a board-level commitment to progression opportunities for all and action from line managers to put it into practice by identifying and encouraging people in their team to take the opportunities that suit them.

Changing the way that line managers are appraised to make identifying and developing talent for the long-term benefit of the business as important as delivering that month's targets is an important step and one that too few businesses have taken. This can be because developing people can be much harder and more subjective to measure. But if line managers see developing talent as an optional or extra part of their role then the change that is needed cannot be brought about. Employers should consider making staff development part of line managers' key performance indicators to be clear that they are expected to contribute to realising the potential of all employees within the workforce.

In practice this means line managers coaching their direct reports to understand their potential and explore the different routes their career could take. In this way they will empower employees to own their own career trajectory. There isn't a typical career path that applies to everybody, which is why each employee's development needs and progression path will be different. It may be a direct path from an entry position to a managerial role, or it may involve becoming more valuable to the organisation by gaining experiences from different roles within the business.

Yet too often line managers don't have the knowledge or expertise to recognise that their ethnic minority team members may face specific challenges that require tailored support. Being less likely to have a support network at work is a common barrier facing some ethnic minority employees which makes them less likely to feel integrated into the social fabric of work or develop the informal networks that can aid promotion. As a result, ethnic minority staff may feel less engaged and less likely to remain at the business to pursue progression opportunities. Employers need to ensure that the 'clubbiness' of business does not determine promotion decisions, and instead invest in broadening networking opportunities offered to staff.