



Quoted Companies Alliance

6 Kinghorn Street
London EC1A 7HW

T +44 (0)20 7600 3745

F +44 (0)20 7600 8288

mail@theqca.com

Ethnicity Pay Reporting team
Department for Business, Energy & Industrial Strategy
Spur 1, 1st Floor
1 Victoria Street
London
SW1H 0ET

ethnicitypayreporting@beis.gov.uk

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To whom it may concern,

Ethnicity pay reporting

We welcome the opportunity to respond to the Department for Business, Energy & Industrial Strategy's consultation on ethnicity pay reporting.

The Quoted Companies Alliance's *Corporate Governance Expert Group* has examined the proposals and advised on this response from the viewpoint of small and mid-size quoted companies. A list of *Expert Group* members can be found in Appendix A.

Overall, we believe that, along with gender pay gap reporting requirements, ethnicity pay reporting can help cultivate a greater level of trust in business by the public. That said, we believe that the merits of pay disclosure must be suitably balanced with practical realities of what smaller companies can realistically do, bearing in mind their smaller resources.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "T. Ward".

Tim Ward
Chief Executive

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

A company limited by guarantee registered in England
Registration Number: 4025281

Ethnicity pay reporting

Q1 What are the main benefits for employers in reporting their ethnicity pay information?

We support any measure that both encourages and promotes transparency within business.

For smaller quoted companies seeking to grow, this is an essential component in attracting external investment from a wide range of investors; creating and preserving long-term value for shareholders; and contributing to sustainable long-term economic growth.

In order for smaller quoted companies to be given the best opportunity to succeed in what is a crucial period for the UK economy, as it adjusts its economic relationships with its closet trading partners, it is essential that these companies are able to fully maximise the potential of all members of its workforce – regardless of any identifiable characteristic, including ethnicity.

We believe that diversity within a company's board and workforce will, over the long-term, increase its company's overall performance and effectiveness. Utilising all of the talent at its disposal will result in better decision-making, which will be reflected in improved corporate and investor relations and a greater degree in long-term shareholder value.

While it is important that companies recruit the best people regardless of their background, enabling companies to identify discrepancies in pay between different ethnic groups can help them (a) understand whether all sections of the workforce are being fairly rewarded for their contribution to the company's growth and development; (b) recognise where this may not be the case; and (c) if required, devise appropriate, targeted measures which will drive more equitable, inclusive workplaces. Increasing their awareness in this regard will help companies recruit and retain staff.

We believe that, along with gender pay gap reporting requirements, ethnicity pay reporting can help cultivate a greater level of trust in business by the public.

That said, we believe that the merits of pay disclosure must be suitably balanced with practical realities of what smaller companies can realistically do, bearing in mind their smaller resources.

Q2 What type of ethnicity pay information should be reported that would not place undue burdens on business but allow for meaningful action to be taken?

As a general comment, we believe it is imperative to ensure that any legislation which is proposed by the government can be easily understood and implemented by company directors. In practice, this will mean maintaining a high level of consistency regarding the information to be reported on both gender and ethnicity pay.

Equally, any reporting requirements should be proportionate. That is, smaller companies should not face the same demands imposed on larger companies.

Accordingly, we believe the most useful ethnicity pay reporting information would be by either pay quartile or quintile.

However, we would encourage the government to carefully consider what information will actually be useful in determining any ethnicity pay gaps.

It should be noted that there would be difficulties in transposing the gender pay gap reporting methodology to ethnicity pay reporting. The gender pay regulations require comparison of the average woman to the average man. Therefore, if a company hires no or few women in either the lowest or the highest paid jobs, and only a few women in mid-level roles, it can end up with a very “good” looking gap. Yet, this does not necessarily illustrate that women are treated equitably with regards to pay.

This approach is only likely to be exacerbated in terms of ethnicity pay reporting. A cursory glance at the 2011 UK census will show that the distribution of ethnic minority people is not even across the UK and are more likely to be located in the UK’s cities and larger towns.

Thus, ethnicity pay information disclosed by companies primarily located in regions of the UK with low levels of ethnic minority people as a proportion of the local population may not necessarily provide an accurate representation of a company’s treatment of its workforce, if compared to a company operating across the UK with a workforce that represents the UK’s demography.

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

We consider it important that any data on pay by ethnic group be contextualised.

As we commented in our answer to Q2, ethnic minority people are more likely to live in the UK’s cities and larger towns. Thus companies located in less diverse parts of the UK may naturally have a workforce that is less diverse than UK averages.

In addition, our members located in Northern Ireland tell us that rather than discrimination on racial grounds, a bigger challenge facing their society concerns the Fair Employment and Treatment (Northern Ireland) Order 1988 which outlaws discrimination on the grounds of religious belief, political opinion or philosophical belief.

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

We have no comments.

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

We have no comments.

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

We have no comments.

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

We have no comments.

Q8 For a consistent approach to ethnicity pay reporting across companies, should a standardised approach to classifications of ethnicity be used? What would be the costs to your organisation?

We have no comments.

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

We have no comments.

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

We believe that companies with more 250 employees should be within scope for mandatory ethnicity pay reporting.

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

We have no comments.

Appendix A

The Quoted Companies Alliance Corporate Governance Expert Group

Will Pomroy (Chair)	Hermes Investment Management Limited
Tracy Gordon (Deputy Chair)	Deloitte LLP
Jonathan Compton David Isherwood	BDO LLP
Kalina Lazarova	BMO Global Asset Management (EMEA)
Nick Graves	Burges Salmon
Colin Jones	Candid Compass
David Hicks	Charles Russell Speechlys LLP
David Fuller	CLS Holdings PLC
Jack Shepherd	CMS
Nick Gibbon	DAC Beachcroft LLP
Daniel Redman	Design Portfolio
James Lynch	Downing LLP
Melanie Wadsworth	Faegre Baker Daniels LLP
Rory Cray	FIT Remuneration Consultants
Richie Clark	Fox Williams LLP
Nigel Brown	Gateley Plc
Tamsin Dow	Hogan Lovells International LLP
Darshan Patel	Hybridan LLP
Carmen Stevens	Jordans Limited
Peter Kohl	Kerman and Co LLP
Ian Greenwood	Korn Ferry UK
Darius Lewington	LexisNexis
Damien Knight	MM & K Limited
Louis Cooper	Non-Executive Directors' Association (NEDA)
Jo Chattle	Norton Rose Fulbright LLP
Amanda Cantwell Julie Stanbrook	Practical Law Company Limited
Philip Patterson	PricewaterhouseCoopers LLP
Kerin Williams	Prism Cossec
Marc Marrero	Stifel
Peter Fitzwilliam	The Mission Marketing Group PLC
Edward Craft	Wedlake Bell LLP
Edward Beale	Western Selection Plc