



The Colour of Success:

Key DEI Insights for UK Executives

A detailed, data-driven examination of ethnic diversity in UK workplaces and beyond – over 400 pages of leading diversity reports, distilled into 16 pages of essential data, insights, and recommendations

Curated by Diversity Economics Institute, January 2024
Estimated reading time: 30 minutes

Contents

<u>Executive Summary</u>	3
<i>Diversity Economics Institute, 2023</i>	
<u>Improving the Ethnic Diversity of UK Business</u>	4
<i>David Tyler & The Parker Review Committee, 2023</i>	
<u>Race in the UK Workplace: The Intersectional Experience</u>	6
<i>McKinsey, 2023</i>	
<u>Ethnic Diversity in Politics and Public Life</u>	8
<i>House of Commons, 2023</i>	
<u>Ethnic Minority Businesses</u>	10
<i>An independent report by BVA BDRC, 2023</i>	
<u>Race to Equality: UK Financial Services Report 2022</u>	12
<i>Reboot, 2022</i>	
<u>Race and ethnicity</u>	14
<i>The IFS Deaton review, 2022</i>	
<u>Inclusion across financial services: Piloting a common approach to measurement</u>	16
<i>FSCB, FSSC 2022</i>	
<u>Building a New DEI Paradigm</u>	18
<i>DEI's Strategic Recommendations</i>	
<u>Appendix</u>	19
<u>Data Library</u>	20

EXECUTIVE SUMMARY

Diversity Economics Institute is pleased to provide you with our first report on racial and ethnic diversity in the UK workplace – a curated compilation of the most insightful and important diversity reports in recent years. You'll find within a comprehensive overview of the racial and ethnic diversity landscape in 2023, including key data points, analysis, insights, and recommendations for UK business leaders, entrepreneurs, investors, and policy makers. We have utilised AI and machine learning to help us analyse and condense over 419 pages of primary reports, extracting the most meaningful information for you to quickly gain a holistic view – all within 20 pages, a quick 30-minute read!

Some of the key topics covered within this report are:

- FTSE Companies: Progress in Ethnic Diversity on Boards
- Intersectional Experiences of Black, Bangladeshi, Pakistani Women in Workplaces
- Ethnic Minority Representation in UK Politics
- Characteristics and Challenges of Ethnic Minority Businesses
- Underrepresentation in UK Financial Services Sector
- Overview of Ethnic Inequalities in the UK (IFS Deaton Review)
- Perceptions of Inclusion within Financial Services



The reports reflect a positive trend in ethnic diversity in business, particularly in leadership roles, signifying a crucial shift that mirrors the diverse society in business structures. However, they caution that these changes must be deep-rooted and systemic, not merely superficial. In the workplace, the focus is on the unique challenges faced by ethnic minorities, especially women, underlining the intersection of race and gender. This highlights the need for targeted strategies to foster equitable and inclusive work environments. In politics and finance, while there are improvements in ethnic minority representation, significant gaps remain. This calls for more deliberate efforts to ensure equal representation and opportunities across these sectors.

Collecting precise data is increasingly important in gaining a clearer understanding of the disparities to support new strategies and activities. In order to resonate with the current generation's experiences, leaders must boost targeted interventions and champion a renewed lexicon – underscored by data.

While the report spotlights areas of significant progress, it also acknowledges persistent challenges, barriers, and the need for continuous effort and adaptation. By implementing the recommendations found herein, leaders can create a better vision for the UK, in which racial equity is ingrained in the workplace and in society.

We at Diversity Economics Institute are encouraged by the data we are uncovering, and we hold great hope for a future in which inclusivity and belonging are a cultural norm in the workplace.



Af Malhotra
Founder

Improving the Ethnic Diversity of UK Business

David Tyler & The Parker Review Committee, 2023

SUMMARY

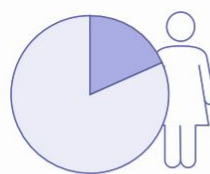
The EY Parker Review Report 2022 provides an in-depth analysis of the current state of ethnic diversity within UK businesses, particularly focusing on the FTSE 350 companies. It highlights significant progress made since the initial Parker Review in 2017 but also underscores areas needing further improvement. The report emphasizes the critical role of ethnic diversity at the board level, underscoring its importance not just from a moral and ethical standpoint but also for the enhanced decision-making and improved business performance diverse perspectives bring.

The report presents a mixed picture of progress across the FTSE 350 companies. While many have met or are on track to meet the target of having at least one director of color on their boards by 2024, a considerable number are yet to achieve this goal. Specifically, the report notes that 96% of FTSE 100 companies and 67% of FTSE 250 companies have met the December 2024 target. This data reflects an increase in diversity compared to previous years, indicating a positive trend towards more ethnically diverse boards.

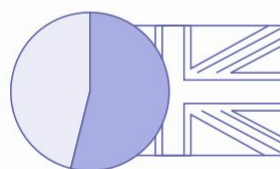
In terms of methodology, the report explains the voluntary census among the FTSE 350 firms and details the direct engagement with these companies. The collected data cover aspects such as the total number of directors and their self-identified ethnic backgrounds. This thorough approach ensures a comprehensive understanding of the current landscape and aids in tracking progress over time.

The challenges and opportunities associated with increasing ethnic diversity are candidly addressed in the report. It talks about the complexities in data collection and the need for transparency and commitment from leadership. The document also provides strategic insights into effective data collection methods, emphasizing the importance of self-identification of ethnicity and considering legal frameworks.

Best practices and recommendations are a key component of the report, offering strategies for companies aiming to enhance their ethnic diversity. It underscores the necessity of a clear diversity strategy, consistent communication, and integrating diversity and inclusion into every business aspect. The inclusion of case studies from various companies, like EY UK, Snap Inc., and Tesco PLC, demonstrates how high rates of ethnicity self-identification contribute to broader organizational goals.



Overall, the latest census data show that ethnic minorities comprised about 17% of the UK population in 2021



London is the most ethnically diverse with 54% of the population identifying as white

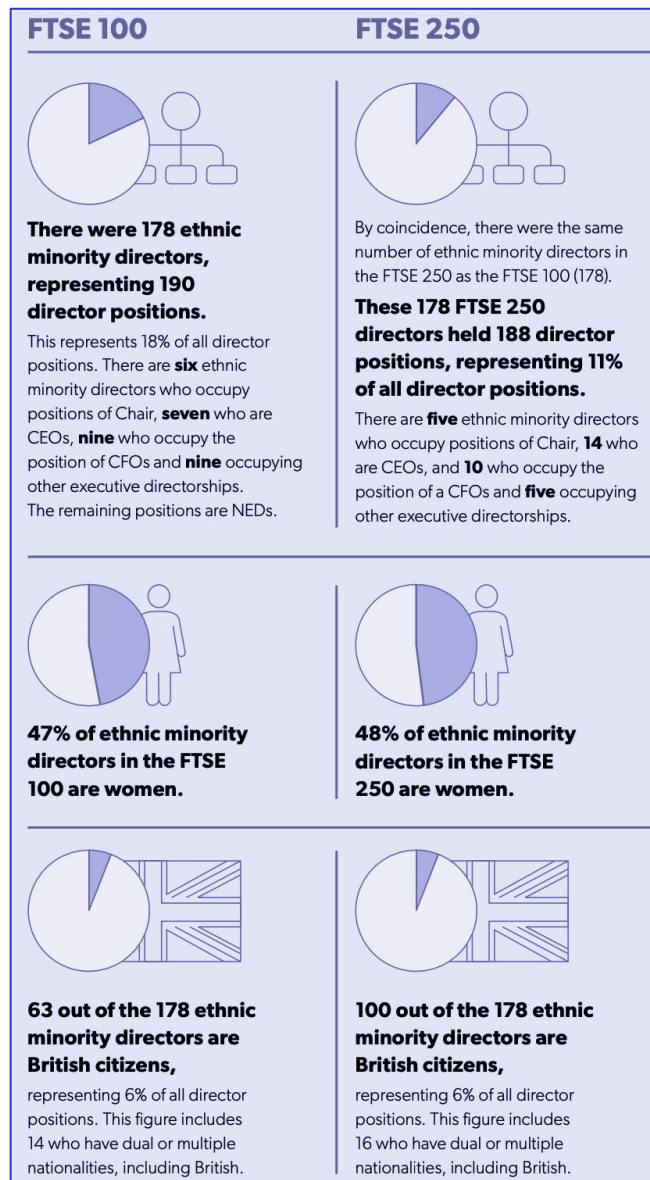
whereas this group comprised **77%** of the population in the West Midlands and **93%** in the North-East.

Source: David Tyler & The Parker Review Committee, 2023

The report concludes with forward-looking recommendations for companies to continue improving ethnic diversity. It advocates for aiming for high ethnicity self-identification rates and incorporating this data into wider diversity and inclusion strategies. This serves as a critical guide for businesses and policymakers, providing a comprehensive view of the state of ethnic diversity in UK business and laying out practical steps for ongoing improvement.

KEY INSIGHTS & ACTIONS

- **FTSE 350 Progress:** As of 2022, 96% of FTSE 100 and 60% of FTSE 250 companies have at least one ethnic minority director, a significant increase since 2016.
- **Impact on Boards:** Ethnic minority directors positively impact boards but have limited influence on wider company culture due to the small size of boards.
- **Senior Management Targets:** The report introduces targets for ethnic minorities in senior executive roles to ensure equal opportunities.
- **Self-Set Senior Management Targets:** FTSE 350 companies are encouraged to set their own ethnic diversity targets for senior management by December 2023.
- **Focus on Large Private Companies:** The largest 50 UK private companies are targeted to have at least one ethnic minority director by December 2027.
- **Importance of Data Collection:** Effective data collection on employee ethnicity is crucial for fairness and career progression of ethnic minority communities.
- **Voluntary Targets and Approaches:** Voluntary targets extend to senior management and the top 50 private companies, acknowledging regional diversity variations.



Source: David Tyler & The Parker Review Committee, 2023

Race in the UK Workplace: The Intersectional Experience

McKinsey, 2023

SUMMARY

This report delves into the complex challenges Black, Bangladeshi, and Pakistani (BBP) women face in the UK workplace, emphasizing the intertwined nature of race and gender. These dual identities profoundly influence pay, workforce involvement, and career advancement. A striking issue is the significant pay and participation gap BBP women experience compared to White peers and BBP men. In 2019, BBP individuals earned 15-16% less than White British workers, with BBP women especially disadvantaged in workplace equality metrics. Equal pay and increased workforce involvement among BBP women can harness untapped potential, boosting organizational outcomes and economic growth.

Career progression for BBP women is riddled with barriers, often rooted in systemic biases and inadequate representation in leadership. Only half of 80 surveyed UK companies had commendable ethnic-minority representation in executive roles, indicating a severe underrepresentation. This gap means fewer role models and mentors for BBP women, essential for career growth. Systemic biases in hiring and promotions further impede their advancement. For example, many BBP women receive ambiguous rejections about "cultural fit," hinting at biased hiring. Solutions include unbiased hiring, mentorship programs, and promoting leadership diversity.

BBP women's cultural and social challenges deeply influence their work experiences. They grapple with balancing family expectations, facing workplace prejudices, and countering stereotypes.

These issues shape their career paths and mental health. For instance, familial role expectations might clash with career goals requiring a careful equilibrium. Workplace biases can foster unsupportive environments, affecting BBP women's job satisfaction and retention. Addressing these requires a workplace culture that values cultural diversity, supports work-life balance, and offers bias and inclusivity training.

Lastly, the report sheds light on BBP women's job search challenges, marked by opacity and more obstacles than their White male peers. They often send more applications and face barriers hindering career growth. Solutions include more transparent job application processes, clear candidate feedback, and rejection based on tangible criteria. Enhancing social capital by creating platforms for BBP women to network with professionals, mentors, and peers can offer crucial career navigation support. Collaborations between organizations, educational entities, and nonprofits can promote career paths for young BBP women, ensuring a talent pipeline and easier access to opportunities.

Two-thirds of companies have high female representation, but only 50% have high ethnic-minority representation.

Companies maintaining higher-than-average representation of given group in executive levels for the past five years

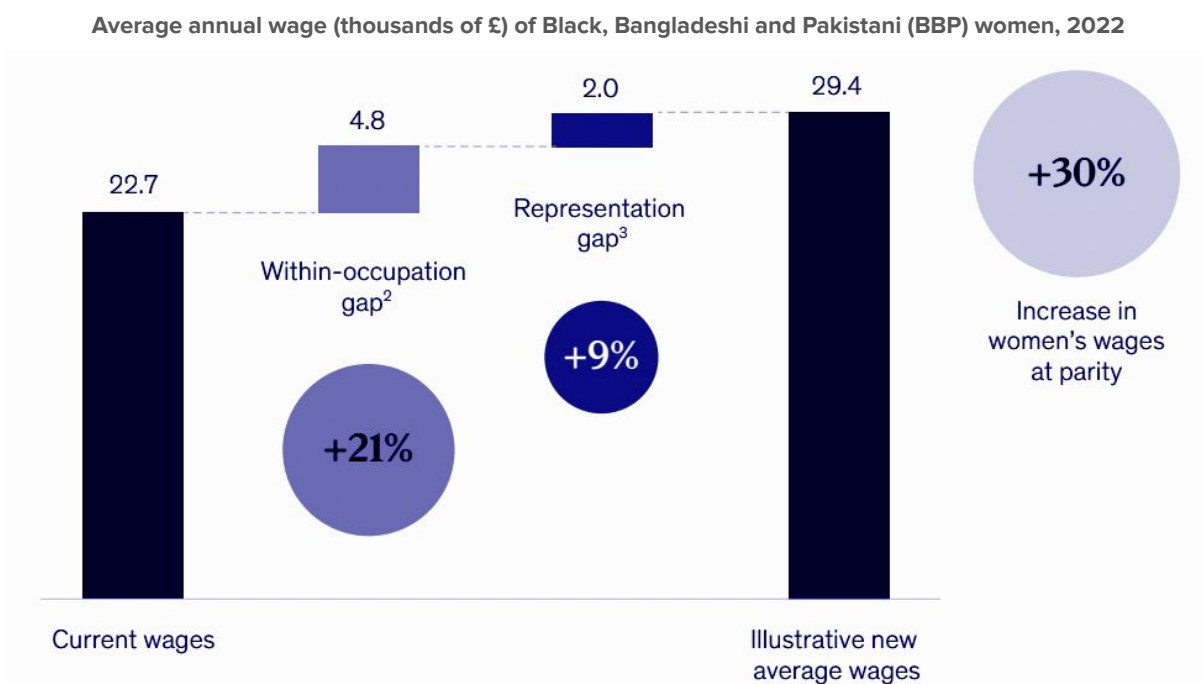


Source: McKinsey, 2023

KEY INSIGHTS & ACTIONS

- **Pay and Participation Disparity:** BBP individuals earn 15-16% less than White British in 2019. Clear compensation data reveals pay disparities, enabling companies to ensure fair pay based on role and experience.
- **Underrepresentation in Leadership Roles:** Few BBP women hold leadership roles. Transparent promotion processes can ensure diverse leadership, with ethnically diverse companies outperforming peers in profitability by 33-36%.
- **Systemic Biases in Recruitment and Promotion:** BBP women face recruitment biases like "cultural fit" issues. A recruitment redesign, diverse outreach, and bias-free processes can foster workforce diversity.
- **Cultural and Social Challenges:** BBP women navigate societal expectations, needing workplace support. Platforms for sharing experiences, strong company values, and strict policy enforcement ensure an inclusive environment.
- **Lack of Transparency and Support in Career Development:** Young BBP women face career challenges. External collaborations, diverse partnerships, and resources for BBP communities can boost career support.
- **Diverse Challenges for Different Groups:** Racial equity progress varies among groups. While BBP individuals generally earn less, specific groups like Indian and Chinese workers earned more than White counterparts in 2019.

Achieving pay and representation parity for Black, Bangladeshi and Pakistani women could increase their average annual salary by nearly 30 percent.



Source: McKinsey, 2023

SUMMARY

In this October 2023 report, researchers Elise Uberoi and Helena Carthew explore the representation of ethnic minorities in UK public roles. The term "minority ethnic" goes beyond statistics, representing a myriad of cultures, traditions, and histories that enrich British society. It encompasses those not identifying as the "White" group in Great Britain and specific Northern Ireland categories.

UK population by ethnic group, 2022/23

Ethnic group	UK %
White	84%
All other ethnic groups	16%
Asian / Asian British	8%
Black / Black British	4%
Mixed / Multiple ethnic groups	2%
Other ethnic groups	2%

Source: House of Commons Library, 2023

Data from 2022/23 indicates that 16% of the UK identified as minority ethnic. This showcases the UK's multiculturalism, but the experiences of these individuals present a blend of achievements and challenges. Their growing numbers in political and public roles highlight progress and the community's resilience. However, in many sectors, their representation doesn't align with their population percentage, pointing to representation gaps.

The NHS and social work sectors are diversity exemplars. Their high minority ethnic representation signifies a commitment to a diverse workforce's benefits. Specifically, the NHS boasts 26.2% staff and 48% doctors from these backgrounds, illustrating how diversity can enhance service quality.

Politically, post the 2019 General Election,

10% of House of Commons members hailed from minority ethnic backgrounds, indicating a shift towards inclusive governance. Prime Minister Rishi Sunak's diverse 2022 Cabinet further amplifies this commitment, suggesting a power structure reflecting the nation's diversity. Yet, challenges remain. Unequal representation in regional legislatures and local governments underscores the need for broader inclusivity. Grassroots movements, community engagement, and targeted policies are vital for comprehensive representation.

The data also highlights systemic issues, such as minority ethnic underrepresentation in higher pay brackets, suggesting biases and entrenched inequalities. This emphasizes the need for sectors to focus on hiring, retention, and employee growth. Diversity, Equity, and Inclusion (DEI) are essential for societal progress. They drive innovation, empathy, and resilience. A diverse team is a blend of ideas and experiences, better equipped to address challenges and resonate with diverse audiences. The NHS's success is a testament to diversity's benefits, emphasizing its ethical and practical importance.

In conclusion, while strides towards inclusivity are evident, sustained efforts, introspection, and embracing diversity are crucial for a truly inclusive society.

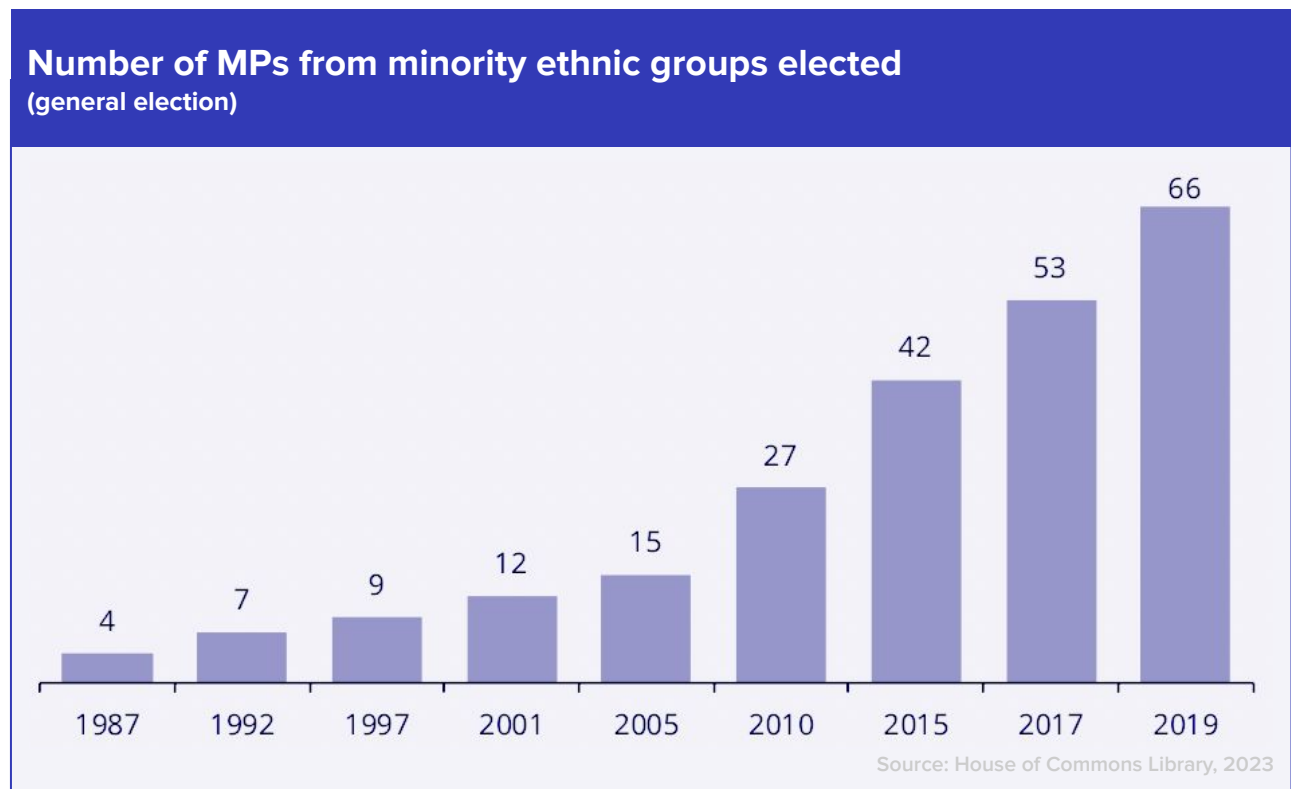
Population by ethnic group England, Wales and Northern Ireland, March 2021

Ethnic group	England & Wales			Northern Ireland
	England	Wales	Wales	
White	81%	94%	82%	97%
White British	74%	91%	74%	..
Other White	8%	3%	7%	..
Asian / Asian British	10%	3%	9%	2%
Black / Black British	4%	1%	4%	1%
Mixed / Multiple ethnic groups	3%	2%	3%	1%
Other ethnic groups	2%	1%	2%	0%

Source: House of Commons Library, 2023

KEY INSIGHTS & ACTIONS

- UK Population Overview:** In 2022/23, approximately 16% of the UK population was from a minority ethnic background. In 2021, this ranged from 3% in Northern Ireland to 18% in England. The representation of minority ethnic groups in political and public positions has increased however, their representation in many positions remains lower than their proportion in the general population.
- House of Commons:** After the 2019 General Election, it's estimated that 66 Members of the House of Commons (10%) were from minority ethnic backgrounds. If the House of Commons reflected the UK population, there would be about 104 MPs from minority ethnic backgrounds.
- Scottish Parliament:** 4.5% of the 129 members were from minority ethnic backgrounds as of September 2022.
- Senedd Cymru/Welsh Parliament:** 5% of the 60 members were from minority ethnic backgrounds.
- Northern Ireland Assembly:** None of the 90 members were recorded as being from a minority ethnic group.
- Diversity in the Public Sector:** In NHS England, 26.2% of staff with 48% of doctors reported being from a minority ethnic background in 2022.
- Representation in the Civil Service and Armed Forces:** The ethnic profile of the UK Civil Service and the UK Army was similar to that of the wider economically active population. However, in most other public services, minority ethnic representation was lower, with Fire and Rescue services reporting the lowest figures
- Minority ethnic representation in local government:** It is lower than the corresponding population in all countries of the UK. Some local authorities, especially in London, closely reflected the local ethnic makeup, but many had no councillors from minority ethnic groups.



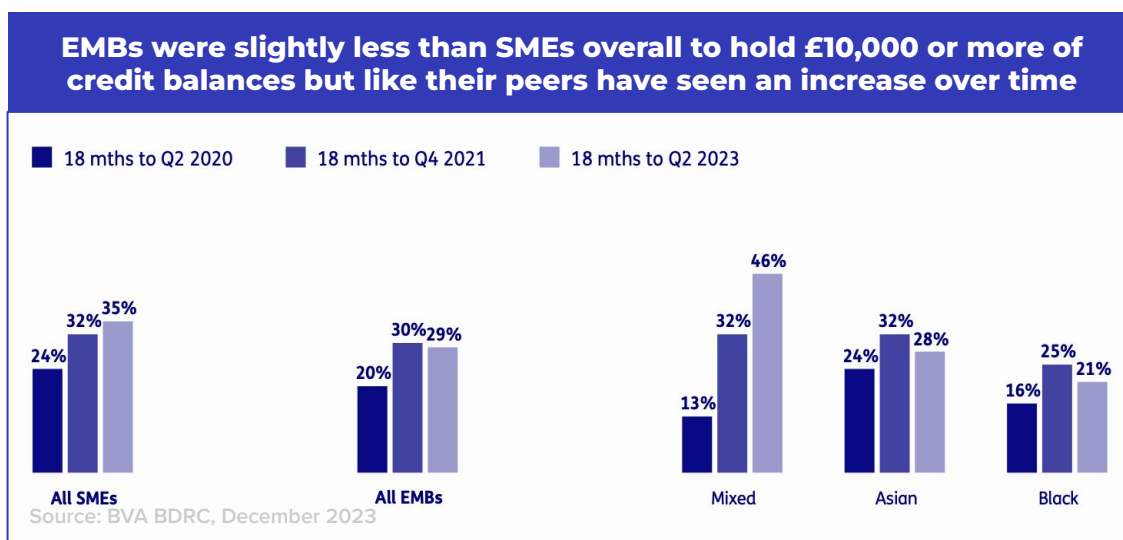
SUMMARY

The "Ethnic Minority Businesses Report" for the period up to Q2 2023, as part of the SME Finance Monitor, provides a comprehensive analysis of the characteristics and challenges of Ethnic Minority Small and Medium Enterprises (EMBs) in comparison to SMEs in general. The report reveals that the majority of EMBs (79%) are small businesses without employees and are notably younger than their counterparts, with 59% having been trading for 5 years or less, compared to 30% of all SMEs. This trend of younger businesses extends to their owners or managing directors as well, with 67% of EMBs led by individuals under 50 years old, in contrast to 39% in the general SME sector.

A significant finding of the report is that EMBs exhibit a higher tendency towards ambition and risk-taking. Almost 6 in 10 EMBs (57%) meet the definition of 'Ambitious Risk Takers', indicating a strong inclination towards growth and risk-taking (65% have ambitions to grow significantly, and 73% are prepared to take risks). This is substantially higher than the general SME population, where only 27% fall into this category. Additionally, EMBs are more likely to engage in growth-related activities, such as hiring more staff (37% vs. 22% of all SMEs) or developing new products or services (24% vs. 17%). They also have a greater propensity to trade overseas (23% vs. 19%) and employ staff from overseas (20% vs. 11%).

However, the report also highlights some challenges faced by EMBs. A significant proportion of EMBs (30%) describe themselves as 'Struggling', a rate higher than that observed in the overall SME sector (18%). This struggle is partly attributed to lower profitability in the previous year (56% vs. 75% for all SMEs), a tendency to downsize (43% vs. 36%), and slightly less innovation (35% vs. 40%). Additionally, half of the EMBs had to inject personal funds into their business, often out of necessity.

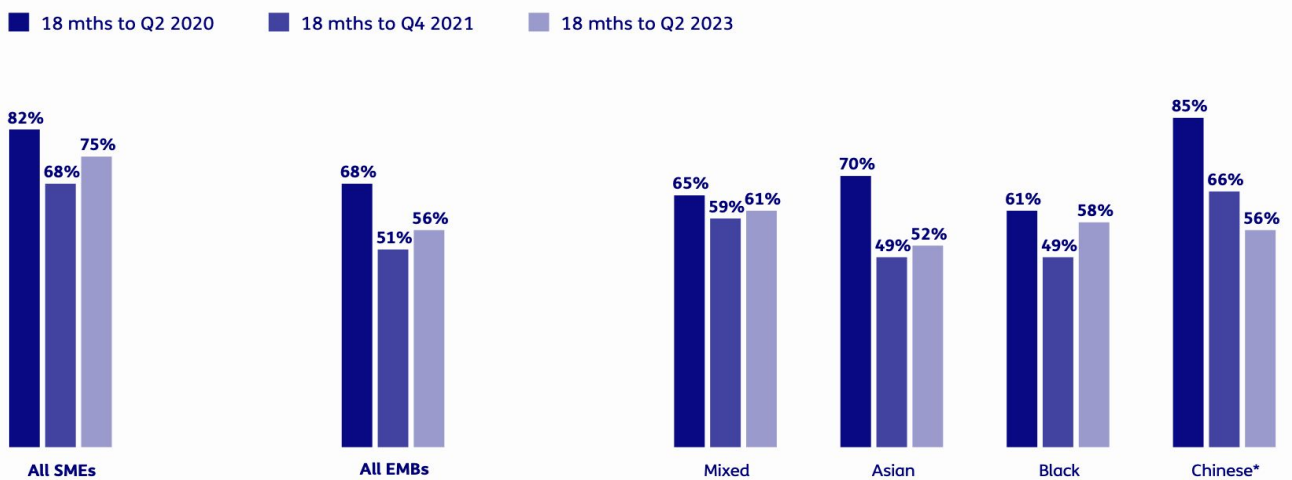
From a financial perspective, EMBs mirror their SME counterparts in using traditional forms of external finance (37% for both), but they are more likely to borrow more than before the pandemic (55% vs. 46%) and express greater concern about repaying the funding they have received (35% vs. 17%). Despite these challenges, EMBs retain a high level of trust in their banks (60% vs. 59% for all SMEs) and show a similar level of borrowing activities. However, their applications for finance are somewhat less likely to be successful, especially for those without employees or applying for the first time. Looking ahead, EMBs demonstrate a higher ambition for growth, with more EMBs planning to apply for finance (16% vs. 8%) or being future would-be seekers (26% vs. 15%), although their confidence in success is lower compared to their SME peers (24% vs. 37%).



KEY INSIGHTS & ACTIONS

- **Post-Pandemic Recovery:** Over 59% of SMEs report a 'good' business mood post-pandemic, signaling recovery but still facing challenges like increased costs and recruitment issues
- **Operational Costs and Staffing:** SMEs face increased operational costs and staff recruitment challenges, emphasizing the need for strategic cost management and innovative hiring solutions
- **EU Trading Impact:** Adjustments to EU trading arrangements pose challenges; SMEs need strategies for market diversification and new trade partnerships
- **Innovation and Diversification Emphasis:** EMBs show lower innovation rates; focus on new technologies and market diversification is advised for growth
- **Tailored Financial Support:** EMBs experience unique financing challenges; financial institutions should offer customised support and advice to improve EMBs' funding access
- **Support for Younger SMEs:** Many EMBs are young and small; targeted programs for mentorship and development resources are essential
- **Finance Application Confidence:** EMBs exhibit lower confidence in finance application success; initiatives improving financial literacy and application guidance are necessary

EMBs were less than SMEs overall to have been profitable, with both groups seeing a decline in profitability during the pandemic that has not yet been recovered



Source: BVA BDRC, December 2023

SUMMARY

The "Reboot UK Financial Services Report 2022" focuses on the underrepresentation of ethnic minorities in the UK financial sector. Conducted by Coleman Parkes in August 2022, it surveyed 800 mid-to-senior level employees, including 600 ethnic minority and 200 white employees, across financial services, representing 392 companies with a combined annual revenue of approximately £1.4 trillion.

The financial sector contributes significantly to the UK economy, generating £173.6 billion in 2021, which is 8.3% of the country's total economic output. Despite its size and diverse clientele, the sector struggles with diversity. The average financial services salary (£42,583) considerably exceeds the UK's gross median salary (£25,971), highlighting the sector's economic significance and the potential for racial pay disparities.

The report reveals that ethnic minorities face significant challenges in financial services, including discrimination, lower career progression compared to white peers, and underrepresentation, especially in senior roles. Institutionalised racism remains prevalent, and despite efforts, there is no substantial evidence of improvement. Only a third of respondents believe their organization's leadership is fully committed to Diversity, Equity, and Inclusion (DE&I).

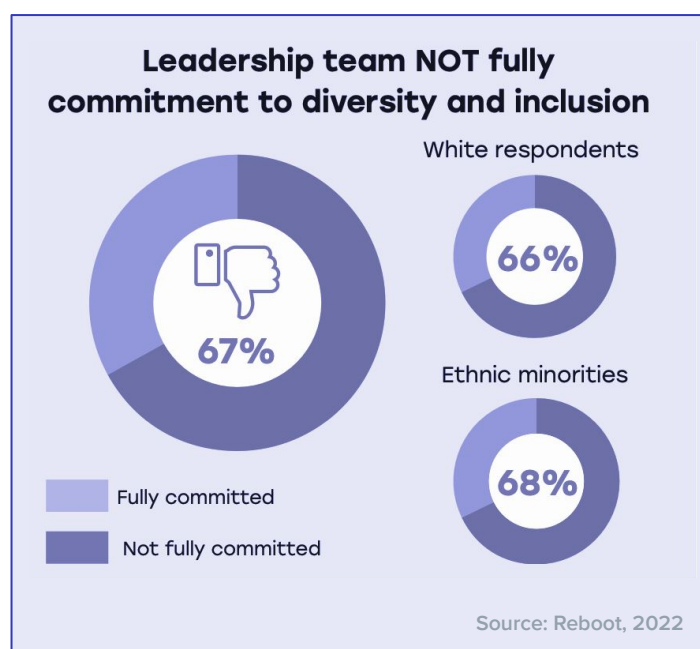
In terms of career progression, 44% of ethnic minority respondents feel it's lower than their white peers. A quarter of ethnic minorities feel their career progression has not met expectations. Discrimination is a major issue, with 68% of ethnic minority employees experiencing it. The survey found that racial jokes are still tolerated in workplaces, and ethnic minorities feel their identity affects opportunities.

Regarding recruitment, representation, and pay, there is underrepresentation at senior levels, with two-thirds of organizations not diverse at this level. Pay disparities drive ethnic minorities to seek new roles in more equal environments. Despite efforts to improve recruitment diversity, there is a gap between policies and execution.

The report suggests that financial services companies should focus on improving diversity and inclusion training, increasing transparency in ethnicity pay gap reporting, and fostering a more inclusive culture. It emphasizes the need for authentic action from companies and leaders to harness the potential of a diverse workforce.

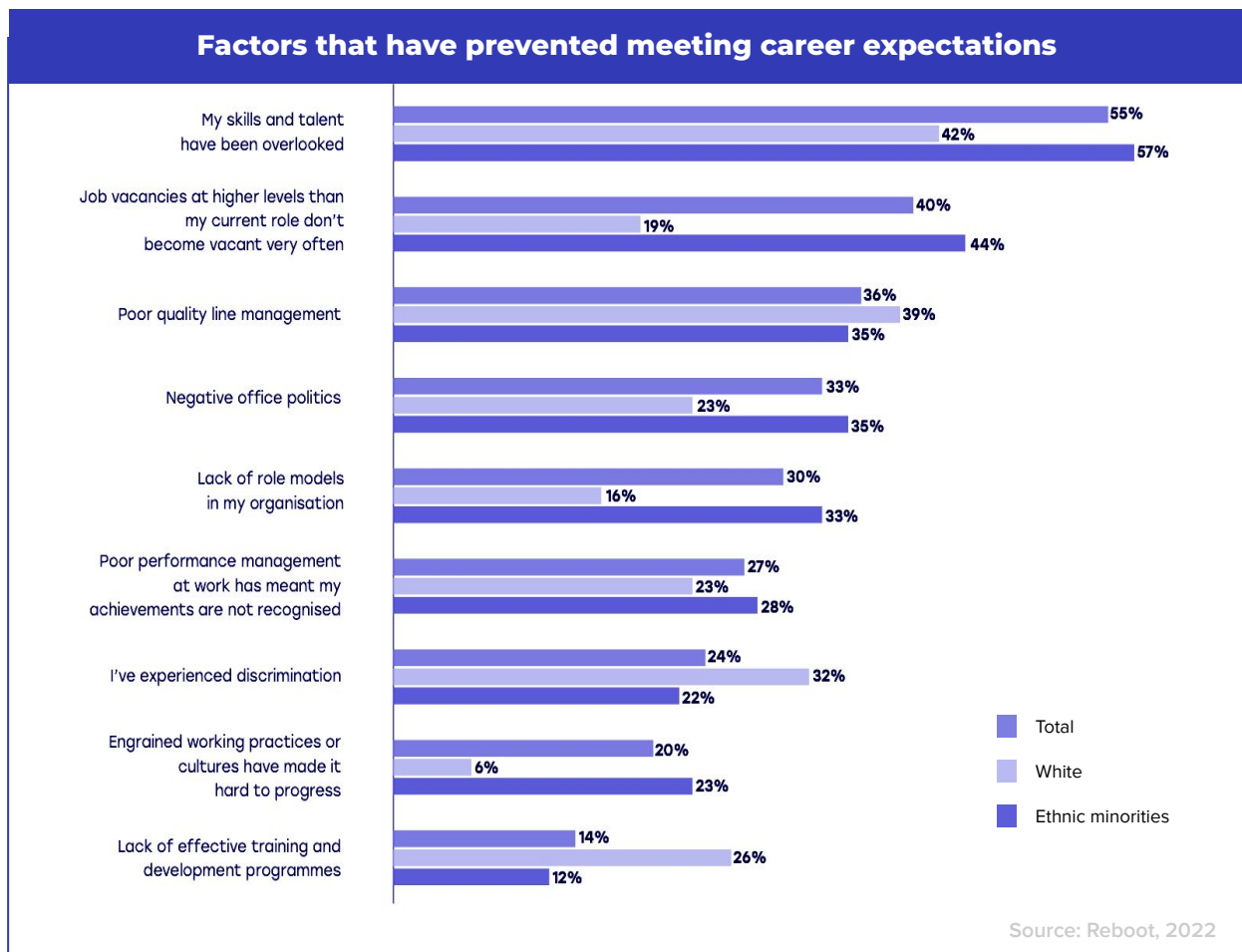
The Race to Equality Index, a measure of DE&I across the financial services industry, showed a modest improvement from 65 to 67 out of 100 over the past year, indicating slow but positive progress. The report concludes with a call to action for financial services firms to take charge in removing barriers to progress, challenge negative office cultures, and close the ethnicity pay gap through transparency and accountability.

In summary, the report highlights the significant gaps and challenges in diversity and inclusion within the UK financial services sector, emphasizing the need for tangible actions and changes to create an equitable and inclusive work environment.



KEY INSIGHTS & ACTIONS

- **Underrepresentation in Senior Roles:** Two-thirds of financial organizations lack senior-level diversity, indicating a significant gap in ethnic minority representation in influential positions.
- **Discrimination Prevalent:** A staggering 68% of ethnic minority employees reported experiencing discrimination in the workplace, showcasing a persistent issue of institutionalised racism.
- **Career Progression Barriers:** Nearly half (44%) of ethnic minorities feel their career progression is considerably slower compared to their white colleagues, suggesting systemic barriers.
- **Salary Disparities Highlighting Racial Pay Gaps:** The financial sector's average salary (£42,583) is much higher than the UK's median (£25,971), implying potential racial pay disparities.
- **Ineffective DE&I Efforts by Leadership:** Only one-third of survey respondents believe that their organization's leadership is fully committed to diversity, equity, and inclusion initiatives.
- **Training and Policy Gaps in DE&I:** Despite the presence of DE&I training, about 53% of employees don't feel they can reach their full potential regardless of their identity.
- **Mandatory Ethnicity Pay Gap Reporting Supported:** A significant 75% of participants advocate for mandatory ethnicity pay gap reporting, indicating a strong desire for transparency and accountability.
- **Lack of Ethnic Minority Role Models in Leadership:** The evident underrepresentation and absence of ethnic minority role models in leadership roles hinder career aspirations and diversity progress.
- **Recruitment Diversity Issues:** The majority of respondents believe that a lack of diverse recruitment approaches is a critical barrier to achieving organizational diversity.
- **Increasing Focus on Ethnicity in ESG:** Over half of the employees agree that the social aspect of Environmental, Social, and Governance (ESG) criteria is increasingly focusing on ethnicity-related issues.



SUMMARY

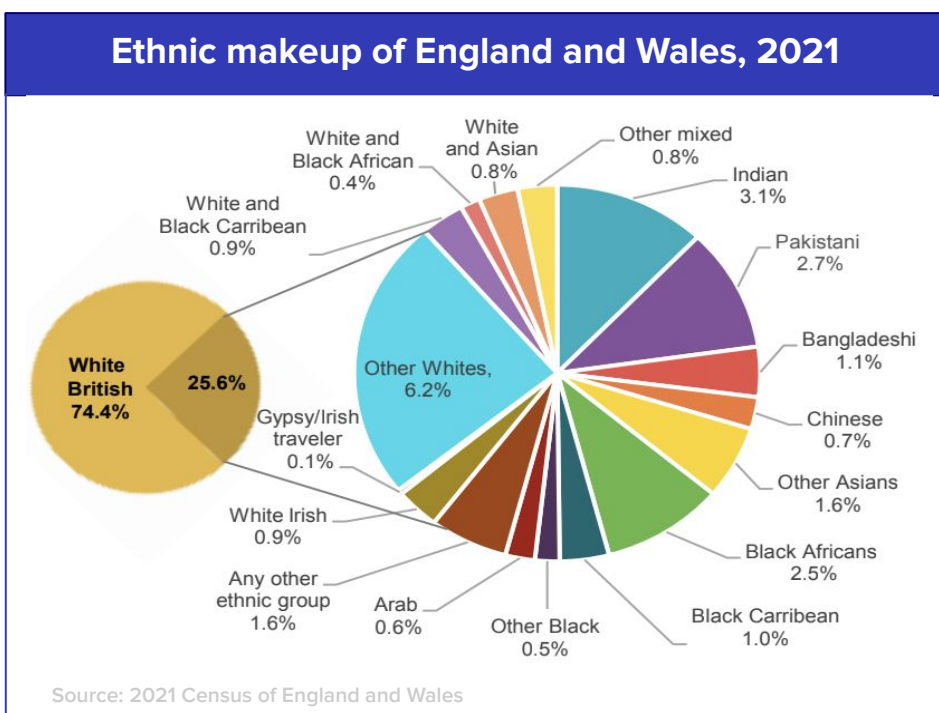
The "Race and ethnicity" report, funded by the Nuffield Foundation, delves into the intricacies of ethnic inequalities in the UK. It underscores that there isn't a singular narrative of advantage or disadvantage. Instead, ethnic disparities are multifaceted, deeply rooted in historical contexts, and influenced by evolving demographics and opportunities.

Between 1991 and 2011, the White population of England and Wales grew by less than 2%, while all other ethnic groups combined witnessed a growth of 166%. By 2011, nearly one-fifth of the population in England and Wales identified with an ethnic group other than the White British majority. Official datasets in the UK rely on self-reported ethnic groups, intertwining various aspects of individual identity influenced by historical perceptions of race.

Notably, ethnic groups in England and Wales differ significantly from the White British majority. For instance, a majority of Black Africans are first-generation immigrants, whereas most Black Caribbeans are UK-born. The ethnic minority population is generally younger, and many ethnic groups, like the Black population (58% of which resided in London as of 2011), are predominantly urban.

Educational outcomes for minority ethnic groups have seen remarkable improvements. For instance, GCSE attainment for Bangladeshi students transitioned from a 9 percentage point deficit compared to White British students in 2004 to a 6 percentage point advantage in 2019. Moreover, students from almost all minority ethnic groups are now more likely to attend university than their White British counterparts.

The labour market paints a varied picture. While ethnic employment gaps have narrowed since the 1990s, significant unexplained employment disparities persist. For instance, in the 1990s, Pakistani men were nearly 20 percentage points less likely to be employed than the White majority; by 2019, this gap reduced to 2 percentage points. Yet, median earnings disparities seem more enduring. Despite some groups having higher employment rates, factors like larger households and higher housing costs can lower their living standards. For instance, over half of Bangladeshis were in poverty after housing costs before the pandemic. The health impacts of the COVID-19 pandemic have been disproportionately severe for minority ethnic groups. By the end of 2021, age-standardised mortality rates for Bangladeshi men were 3.6 times higher than for White British men.

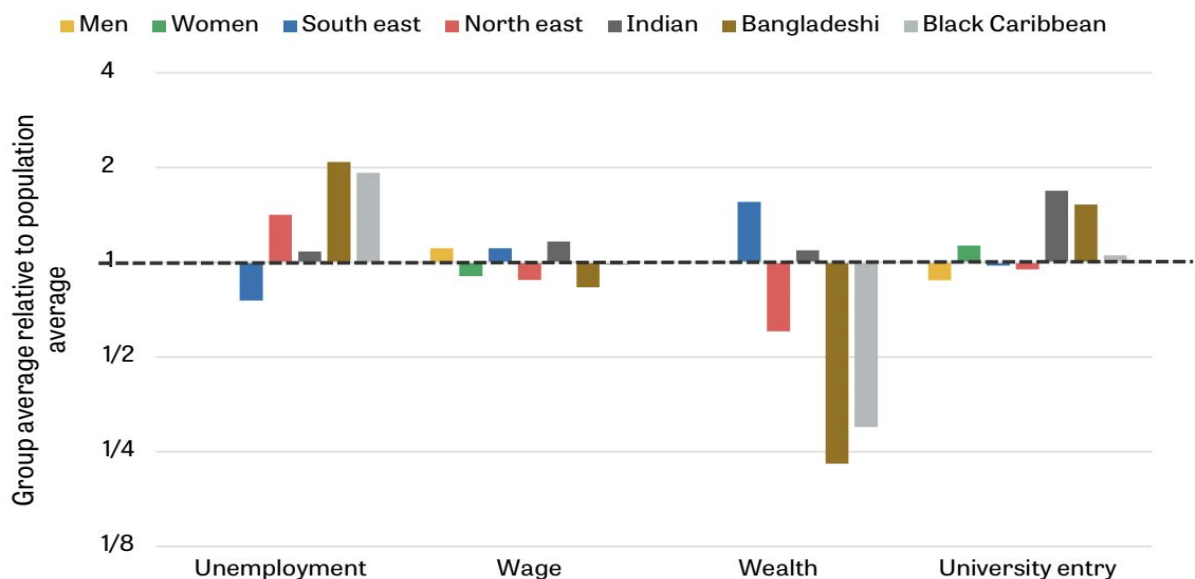


In conclusion, the UK's racial and ethnic dynamics are multifaceted. While there's progress in areas like education, disparities in others highlight the work ahead. The report emphasizes the need for introspection, data-driven approaches, and proactive policies to weave ethnic equality into the UK's core fabric.

KEY INSIGHTS & ACTIONS

- **Complex Landscape of Ethnic Inequalities:** The UK's ethnic disparities are multifaceted, with varied histories and socio-economic outcomes among groups. Black Africans are mostly first-generation immigrants, while Black Caribbeans are UK-born. The young, urban-centric ethnic minority necessitates tailored policies.
- **Rapid Ethnic Diversification:** Between 1991-2011, the White population in England and Wales grew <2%, while other ethnicities grew by 166%. By 2011, 20% identified with a non-White British group, impacting socio-economics.
- **Educational Achievements:** Minority ethnic students have improved educationally. Bangladeshi students shifted from a 9% attainment gap in 2004 to a 6% advantage in 2019 compared to White British peers. Yet, university-level gaps persist.
- **Labour Market Disparities:** Ethnic employment gaps have shrunk since the 1990s. Pakistani men's employment disparity with the White majority decreased from 20% in the 1990s to 2% in 2019. Wage disparities remain.
- **Poverty and Living Standards:** Despite employment gains, factors like larger households lead to lower living standards for some ethnic groups. Over 50% of Bangladeshis, including 67% of their children, faced poverty pre-pandemic.
- **Health Disparities during the Pandemic:** COVID-19 revealed health disparities. By 2021, Bangladeshi men had 3.6 times higher mortality rates than White British men, influenced by factors like vaccine uptake.
- **Discrimination and Representation:** Discrimination persists, especially in hiring. Ethnic minorities remain underrepresented in institutions, highlighting the need for refined policies.
- **The Post-Race Era and Emerging Inequalities:** Events like Obama's election hinted at a post-Race era. However, challenges like the multicultural backlash and COVID-19's unequal impact highlight persistent racial disparities. The UK's evolving ethnic inequalities are shaped by changing immigration and generational shifts.

Example inequalities by groups across different socio-economic outcomes, relative to population benchmark



Source: The IFS Deaton Review, 2022

Inclusion across financial services: Piloting a common approach to measurement

FSCB, FSSC 2022

SUMMARY

The "Inclusion across financial services: piloting a common approach to measurement" report, published in February 2022, is a significant document that sheds light on the state of inclusion within the UK's financial services sector. This report is a collaborative initiative by the Financial Services Culture Board (FSCB) and the Financial Services Skills Commission (FSSC), aiming to measure and improve inclusion for the broader benefit of customers, clients, the economy, and society.

The core of the report lies in a pilot survey conducted by FSCB and FSSC, which sought to establish a baseline for measuring perceptions of inclusion within financial services firms. This undertaking is reflective of an increasing focus on diversity and inclusion in the sector, driven by both regulatory bodies and industry leaders. It recognises that the advantages of a diverse workforce can only be fully realised in an environment where an inclusive culture is actively nurtured.

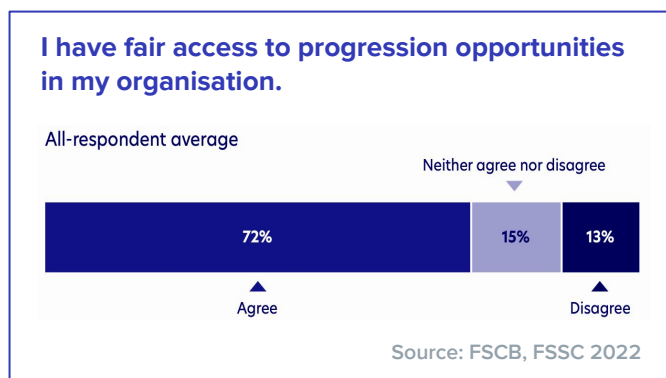
The NHS and social work sectors are diversity exemplars. Their high minority ethnic representation signifies a commitment to a diverse workforce's benefits. Specifically, the NHS boasts 26.2% staff and 48% doctors from these backgrounds, illustrating how diversity can enhance service quality.

From the responses of 3,016 employees across 13 financial firms, the report presents a nuanced view of the current state of inclusion. A significant majority of employees, 89%, felt that their managers effectively promoted an inclusive environment. However, the survey also highlighted areas of concern, such as fears about stereotyping, fairness in progression opportunities, and apprehensions about speaking up due to potential negative consequences. These findings point to the complex nature of creating and maintaining an inclusive workplace, where diverse experiences and perceptions need to be acknowledged and addressed.

The report further delves into the experiences of different demographic groups, revealing notable variations. For instance, employees with disabilities generally felt less positive about inclusion, especially concerning fair access to progression opportunities. Similarly, ethnicity influenced perceptions, with White employees generally responding more positively compared to other ethnic groups. These insights emphasize the importance of understanding and addressing the unique challenges faced by various groups within the workforce.

Leadership and management play a pivotal role in fostering an inclusive environment, as underscored in the report. Positive managerial behavior was strongly linked to employees' sense of belonging and support at work. The report suggests a need for stronger leadership in promoting inclusion at all levels, reflected in fair and transparent processes, greater openness, and recognition of those who champion inclusion.

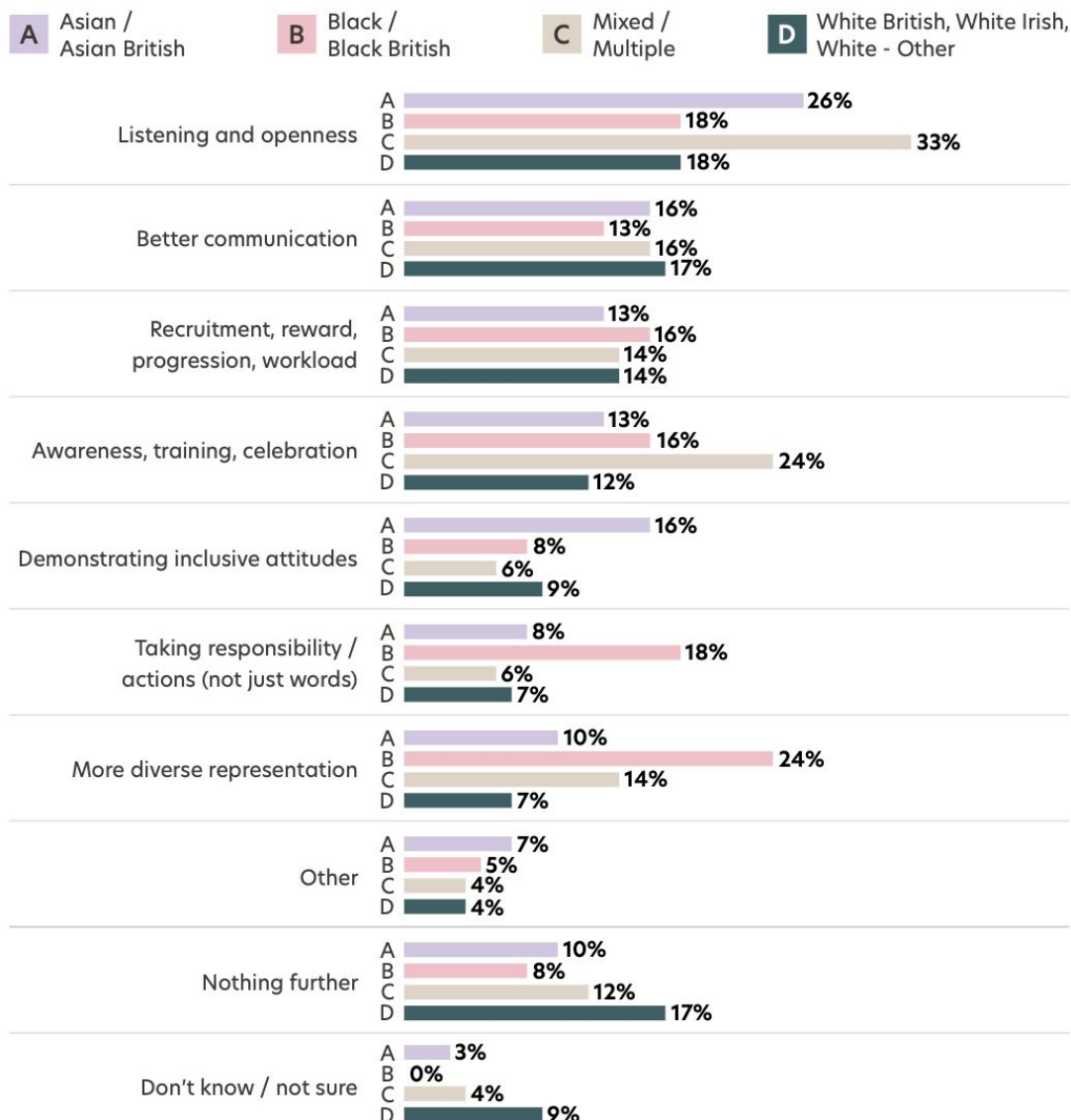
The report also highlights the importance of a 'speak up' culture, where employees feel safe and valued to voice their opinions. This aspect of workplace culture is crucial for fostering a sense of belonging and encouraging diverse perspectives.



KEY INSIGHTS & ACTIONS

- Understanding and Measuring Inclusion:** Essential for firms to measure both diversity (26.6% response rate in the survey) and inclusion, assessing varied employee perspectives to understand inclusion experiences and uncover different workplace perceptions.
- Developing Listening and Learning Culture:** Important to create an environment where feedback is valued and acted upon. 17% of employees expressed concerns about negative consequences when speaking up, highlighting the need for a safe and respectful feedback culture.
- Maintaining Fair Processes and Systems:** Regular review and fairness in HR policies and progression are crucial. The survey found that 13% of employees felt they did not have fair access to progression opportunities, indicating a need for transparent processes to address biases.
- Strong Leadership on Inclusion:** Inclusive leadership at all levels is key. The report reveals that 89% of respondents felt their managers promoted an inclusive environment, underscoring the importance of leadership in fostering inclusivity.
- Employee-Driven Improvement Suggestions:** Employees suggest proactive listening (19% of suggestions related to listening and openness) and clear communication, diverse and fair recruitment practices, and fostering awareness and celebration of diversity.

What could leaders do to make your organization more inclusive?



Source: FSCB & FSCC, 2022

CREATING MEANINGFUL DEI OUTCOMES

Recommendations from Diversity Economics Institute

While the UK is progressing towards inclusivity in the workplace, there are still persistent challenges and barriers to overcome. The following recommendations, presented by Diversity Economics Institute, provide a novel roadmap for those committed to fostering equity, diversity, and inclusion within their organisations. These forward-thinking propositions (a few of many possibilities) – ranging from Mentorship Programs to Impact Investing – are tangible steps towards making our workplaces and society at large more inclusive, equitable, and prosperous. We'd be delighted to conduct a detailed executive briefing for your leadership team. Please reach out to us at contact@diversityeconomics.org.

Innovation Lab Space

Encourage collaboration among diverse employees to address racial disparities. This initiative establishes a space for employees from diverse backgrounds to collaborate and generate innovative ideas to address racial disparities in the workplace.

Mentorship Programs

Connect senior executives with aspiring leaders from underrepresented groups. These programs provide guidance, support, and opportunities for career advancement to individuals from underrepresented groups.

Creating Champions

Select and train employees to champion diversity and inclusion initiatives. This role fosters a culture of acceptance and understanding by having employees serve as advocates for diversity and inclusion within the company.

Impact Fund and Accelerator

Provide financial support, mentorship, working space, and expertise to startups and businesses led by individuals from underrepresented communities. This program promotes economic empowerment and entrepreneurship among underrepresented groups.

Collaboration with Educational Institutions

Design specialised courses and immersive training programs to promote inclusive leadership skills. This collaboration ensures that employees are able to receive pragmatic training using advanced education technologies and techniques, i.e. AR/VR and gamification.

National Amplification Campaign

Launch a data-driven campaign to promote the benefits of diverse teams and inclusive workplaces. This campaign involves social media influencers, celebrities, and thought leaders to amplify the importance of diversity, equity, and inclusion as a cultural default.

Data Consortium

Bring together diverse organizations, researchers, and policymakers to significantly strengthen the quality and availability of DEI data, enabling evidence-based decision-making and helping address the root causes of systemic racism. Lobby government to ensure mandatory (and standardised) DEI reporting.

Cross-Sector Collaborations

Encourage collaborations between businesses, government agencies, academia, and nonprofit organizations to develop innovative solutions. These collaborations leverage the diverse expertise and resources of different sectors to develop a holistic approach to governance, standards, and metrics.

Understanding Summits

Host events to bring together internal and external advocates. Facilitate frank discussions to stimulate innovative solutions and new approaches. Amplify lived experiences to bring human context and promote deeper understanding, compassion, and empathy.

Recognition Programs

Publicly acknowledge and celebrate individuals and business units that demonstrate exceptional commitment and outcomes within your organisation. This program recognises and celebrates progress in promoting diversity and inclusion.

Appendix

METHODOLOGY

Diversity Economics Institute uses its proprietary AI modules (summarisation, question answering, tagging, etc) to ingest and analyse large amounts of data. Human experts then further analyse the AI outputs, curating insights and adding recommendations. This summary of reports is the result of detailed research, enhanced by AI technologies, and seasoned with insights from our experienced analysts. Our mission is to bridge the gap between EDI strategy and employees' lived experiences, and we support leaders with the data and insights necessary to drive change and create irrefutable outcomes, both in qualitative aspects such as innovation and employee engagement, as well as quantitative measures such as revenue and customer satisfaction.

FULL REPORTS FOR DOWNLOAD

Improving the Ethnic Diversity of UK Business, David Tyler & The Parker Review Committee, 2023

Full report pages: 32 pages

Download link: <https://parkerreview.co.uk/wp-content/uploads/2023/03/The-Parker-Review-March-2023.pdf>

Race in the UK Workplace: The Intersectional Experience, McKinsey, 2023

Full report pages: 18 pages

Download link: <https://www.mckinsey.com/bem/our-insights/race-in-the-uk-workplace-the-intersectional-experience>

Ethnic Diversity in Politics and Public Life, House of Commons, 2023

Full report pages: 42 pages

Download link: <https://commonslibrary.parliament.uk/research-briefings/sn01156/>

Ethnic Minority Businesses, An independent report by BVA BDRC, December 2023

Full report pages: 93 pages

Download link: <https://www.ukfinance.org.uk/system/files/2023-12/Ethnic%20Minority%20Businesses%20Report.pdf>

Race to Equality: UK Financial Services Report, Reboot, 2022

Full report pages: 28 pages

Download link: https://rebootequality.org/wp-content/uploads/2022/12/Reboot-UK-Financial-Services-Report-2022_v3.pdf

Race and ethnicity, The IFS Deaton review, 2022

Full report pages: 149 pages

Download link: <https://ifs.org.uk/sites/default/files/2022-11/Race-and-ethnicity-IFS-Deaton-Review-of-Inequalities.pdf>

Inclusion across financial services: Piloting a common approach to measurement, FSCB FSSC 2022

Full report pages: 57 pages

Download link: <https://financialservicescultureboard.org.uk/wp-content/uploads/2022/02/FSCB-FSSC-Inclusion-Report.pdf>

Relevant Data Summary

Improving the Ethnic Diversity of UK Business

David Tyler & The Parker Review Committee, 2023

- **FTSE 100 Target Achievement:** In 2022, 96 out of 100 companies (**96%**) in the FTSE 100 met the target of having at least one ethnic minority director, compared to 89 out of 100 companies (**89%**) in 2021
- **FTSE 100 Ethnic Minority Directors:** In the FTSE 100, ethnic minority directors held **190** positions, accounting for **18%** of all director positions. This was a **2%** increase from 2021
- **FTSE 100 Company Breakdown:** Among the 96 FTSE 100 companies meeting the target, 47 had one ethnic minority director (**47%**), 27 had two (**27%**), and 22 had more than two ethnic minority directors (**22%**)
- **FTSE 250 Ethnic Minority Directors:** In the FTSE 250, there were **178** ethnic minority directors holding **188** director positions in 2022, compared to **169** holding **178** positions in 2021. If excluding Investment Trusts, **68%** of FTSE 250 companies met the target
- **FTSE 250 Target Achievement:** In the FTSE 250, 149 out of 224 companies (**67%**) met the target in 2022, a **12%** increase from 2021. Overall, **60%** of FTSE 250 companies have met the target
- **FTSE 250 Director Breakdown:** In the FTSE 250, **60%** of companies had at least one ethnic minority director. Specifically, **48%** had one, **8%** had two, and **3%** had more than two ethnic minority directors
- **Overall FTSE 250 Representation:** Ethnic minority directors accounted for **11%** of all 1749 director positions in the FTSE 250 in 2022, a **1%** increase from 2021
- **UK Population Ethnic Diversity:** As of 2021, ethnic minorities comprised about **17%** of the UK population. London was the most ethnically diverse region, with **54%** identifying as white, compared to **77%** in the West Midlands and **93%** in the North-East

Relevant Data Summary

Race in the UK Workplace: The Intersectional Experience

McKinsey, 2023

Pay Disparities (2019 Data):

- Black, Bangladeshi, and Pakistani (BBP) individuals earned **15-16%** less than White British workers
- Indian and Chinese workers earned **16%** and **23%** more, respectively, than White British workers

Company Diversity Representation:

- **66%** of companies have high female representation
- **50%** of companies have high ethnic-minority representation
- **17%** of companies have both high female and ethnic-minority representation

BBP Women's Disadvantages:

- Closing the pay gap could increase the average BBP woman's annual salary by **30%**

Young BBP Women (Aged 16 to 25) Pay Gap:

- Bangladeshi and Pakistani women earn on par with White male workers
- Black women earn **11%** more than White male workers

BBP Women Aged 26 to 55 Pay Gap:

- Black women in this age group earn **36%** less per hour than White men
- Bangladeshi and Pakistani women in the **26-to-35** age range earn **27%** less per hour than White men

Job Search Challenges for BBP Women:

- **60%** of White candidates get hired after applying to ten jobs versus only **45%** of BBP female workers

Relevant Data Summary

Ethnic Diversity in Politics and Public Life

House of Commons, 2023

Ethnicity in the United Kingdom:

- In 2022/23, about 16% of the UK population was from a minority ethnic background.
- In 2021, this ranged from 3% in Northern Ireland to 18% in England.

Ethnic Diversity in Parliament:

- After the 2019 General Election, 66 Members of the House of Commons (10%) were from minority ethnic backgrounds.
- The first Cabinet of Prime Minister Rishi Sunak in October 2022 included five Ministers from minority ethnic backgrounds.

Other Elected Bodies in the UK:

- Scottish Parliament (as of September 2022): 6 members (4.5%) from minority ethnic backgrounds.
- Senedd Cymru/Welsh Parliament: 3 members (5%) from minority ethnic backgrounds.
- Northern Ireland Assembly: No members recorded from minority ethnic groups.
- London Assembly (September 2022): 8 members (32%) from minority ethnic backgrounds.

Public Sector Organizations:

- NHS England (2022): 26.2% of staff from minority ethnic backgrounds; 48% of doctors from minority ethnic backgrounds.
- Social workers in England (September 2022): 23.9% from minority ethnic backgrounds.
- UK Civil Service and UK Armed Forces: Ethnic profile similar to the wider economically active population.
- Fire and Rescue services: As low as 0.2% in Northern Ireland.

Relevant Data Summary

Ethnic Minority Businesses

An independent report by BVA BDRC, December 2023

- Overall SMEs (**Q1 2022-Q2 2023**): All SMEs are covered in the report, providing a comprehensive context for comparing EMBs
- EMB Representation: 977 EMBs were surveyed, with the following ethnic breakdown: Mixed (**182**), Asian (**559**), Black (**191**), Chinese (**45**)
- Financial Behavior (All SMEs vs. EMBs): **10%** of all SMEs had a borrowing event, compared to various percentages among different EMB groups
- Growth-Related Activities: **48%** of all SMEs engaged in any growth-related activity. EMBs participated in activities like staff expansion, carbon footprint reduction, and new product/service development
- Growth Plans: **43%** of all SMEs planned to grow, with 61% of EMBs having similar plans. Specific growth percentages vary among EMB groups
- Past and Future Growth: **44%** of all SMEs planning to grow had grown last year. This compares to **37%** among EMBs
- Obstacles to Business: Key obstacles include increased costs (**39%** for all SMEs, **43%** for EMBs) and the current economic climate (**31%** for all SMEs, **30%** for EMBs)
- Financial Plans: **6%** of all SMEs use finance and plan to apply, compared to **9%** of EMBs. The percentages for not using or planning to apply for finance are 61% for all SMEs and **56%** for EMBs

Relevant Data summary

Race to Equality: UK Financial Services Report 2022

Reboot, 2022

Organizational Revenue and DE&I Index: Organizations with over **USD \$10 million** in revenue scored **70** on the DE&I index, up from **67** last year

Ethnic Minority Transparency Support: **74%** of ethnic minority respondents support greater transparency in diversity data, compared to **47%** of their white counterparts

Career Progression: **44%** of ethnic minority employees feel their career progression is lower than their white peers

Discrimination in the Workplace: **68%** of ethnic minority employees face discrimination issues in the workplace

DE&I Index Improvement: The DE&I index score improved from **65 to 67 out of 100**, indicating progress but suggesting there's still a long way to go

Uncomfortable with Self-Identification: **17%** of employees feel uncomfortable self-identifying within their organization, with **45%** citing lack of clarity as the reason

DE&I Training Levels: 31% of employees received basic DE&I training, **44%** intermediate, and **26%** advanced concepts training

Ethnicity Pay Gap Reporting: Only **13 of the FTSE 100** companies report their ethnicity pay gap, with only three disclosures from financial services firms

Employee Views on DE&I Policies: **68%** of respondents across ethnicities feel their employers have DE&I policies, with **55%** of white senior leaders acknowledging a lack of diversity due to recruitment approaches

Racial Discrimination Complaints: **47%** of ethnic minority respondents raised issues with HR on racism and discrimination, with **49%** taking time off work due to discrimination

Relevant Data Summary

Race and ethnicity

The IFS Deaton review, 2022

Ethnic Diversity Growth (1991-2011):

- White population in England and Wales: Growth < **2%**
- All other ethnic groups combined: Growth **166%**
- Nearly **1/5th** of England and Wales population identified with a non-White British ethnic group in 2011

Educational Outcomes:

- Bangladeshi students: **9** percentage point attainment gap in 2004 to a **6** percentage point advantage in 2019 compared to White British students

Labour Market Outcomes:

- Pakistani men in the 1990s: Nearly **20** percentage points less likely to be employed than the White majority
- By 2019: This gap reduced to **2** percentage points

Poverty Rates:

- Bangladeshis pre-pandemic: Over **52%** in poverty, including over **67%** of Bangladeshi children

COVID-19 Impact on Mortality Rates (as of end of 2021):

- Bangladeshi men: Mortality rates **3.6** times higher than White British men
- Black men: Mortality rates twice as high as White British men

Ethnic Groups in England and Wales (2011 Census):

- White British: **80.5%**
- Other White: **4.4%**
- Indian: **2.5%**
- Pakistani: **2.0%**
- Black African: **1.8%**
- Other significant groups include White Irish, Black Caribbean, and Chinese

Unemployment and University Entry Rates (2017-2019):

- Unemployment and wage data for England and Wales for adults aged **16-64** not in full-time education
- Median household wealth data for UK households (2016-2018), ethnicity measured by the household head
- University entry rate for state school pupils in England (2018-2019 academic year)

Relevant Data Summary

Inclusion across financial services: Piloting a common approach to measurement

Financial Services Culture Board, Financial Services Skills Commission 2022

Line Management Responsibilities: 72% of respondents have line management responsibilities, while 28% do not.

Leadership Team Membership: 15% of respondents are members of their organization's leadership team.

Employment Status: 88% of respondents are permanent full-time employees.

Schooling Background: 58% attended a state-run or state-funded non-selective school, and 22% attended a state-run or state-funded selective school.

Socio-economic Backgrounds of Main Household Earner: 45% from professional backgrounds, 13% from intermediate backgrounds, 29% from lower socio-economic backgrounds, and 14% from other categories.

Disability and Stereotyping: 36% of disabled employees were concerned about being stereotyped at work, compared to 16% of non-disabled employees.

Working Arrangements: 40% of respondents primarily work from a location other than home, while 37% work primarily from home.

Inclusion Metrics at Board Level: Around one-third of firms do not discuss inclusion metrics at the board level.

Diversity in Responses by Ethnicity and Disability: There were significant variations in responses based on ethnicity and disability, with White staff generally responding most positively.

Response Rate to the Survey: The survey had a response rate of 26.6%, with a total of 3,016 responses from 11,347 employees.

Concerns about Stereotyping Based on Working Arrangements: 20% of women working from home were concerned about being stereotyped, compared to 11% of men.

Tenure and Perception of Inclusion: New joiners at a firm responded more positively than those with longer tenure, with only 4% of new hires believing they did not have fair access to progression opportunities.

Perceptions of Inclusion by Line Managers: Line managers were generally more positive than those without line management responsibilities, particularly regarding access to progression opportunities.

LEGAL DISCLAIMER

The following disclaimer governs your use of the Diversity Economics Institute website, products, services, and any information or data provided by Diversity Economics Institute. By accessing or using any of the aforementioned resources, you acknowledge and agree to the terms of this disclaimer. If you do not agree with these terms, please refrain from using our services and/or information.

No Legal or Professional Advice

The information and insights provided by Diversity Economics Institute are for general informational purposes only and should not be construed as legal, financial, or professional advice. We are not responsible for any decisions or actions taken based on the information provided.

Accuracy and Completeness

While we strive to provide accurate and up-to-date information, we make no representations or warranties of any kind, express or implied, about the accuracy, reliability, suitability, or completeness of the information provided. Any reliance you place on such information is strictly at your own risk.

Limitation of Liability

In no event shall Diversity Economics Institute or its affiliates be liable for any direct, indirect, incidental, consequential, special, or exemplary damages arising out of or in connection with the use or inability to use our services, even if we have been advised of the possibility of such damages.

Intellectual Property

All intellectual property rights, including copyrights, trademarks, and patents, associated with the content, products, and services provided by Diversity Economics Institute, are the property of Diversity Economics Institute or its respective owners. Unauthorised use, reproduction, or distribution of any intellectual property is strictly prohibited.

Third-Party Links and Content

Our website or services may contain links to third-party websites or content that are not owned or controlled by Diversity Economics Institute. We do not endorse or assume any responsibility for the content, privacy policies, or practices of any third-party websites. Accessing or using third-party resources is done at your own risk.

Indemnification

You agree to indemnify and hold Diversity Economics Institute and its affiliates harmless from any claims, demands, damages, liabilities, and expenses (including legal fees) arising out of or in connection with your use of our services, violation of any laws, or breach of this disclaimer.

Governing Law

This disclaimer shall be governed by and construed in accordance with the laws of the United Kingdom. Any disputes arising from this disclaimer or your use of our services shall be subject to the exclusive jurisdiction of the courts in the United Kingdom.



diversityeconomics.org