

**Gender and Ethnicity Pay Gaps**

**NON KEY DECISION**

<p><b>CABINET MEETING DATE 2019/20</b></p> <p><b>29 April 2019</b></p> <p><b>COUNCIL MEETING DATE 2019/20</b></p> <p><b>26 June 2019</b></p>	<p><b>CLASSIFICATION:</b></p> <p><b>Open</b></p>
<p><b>WARD(S) AFFECTED</b></p> <p><b>All Wards</b></p>	
<p><b>GROUP DIRECTOR</b></p> <p><b>Tim Shields, Chief Executive</b></p>	

## **1. CABINET MEMBER'S INTRODUCTION**

- 1.1 Hackney is proud to be an open, inclusive and diverse borough. We are a place that people are proud to call home. Everyone can feel they belong here regardless of social background, the young and old, those living with a disability, parents and carers, people with faith and those without faith, people from different ethnicities and nationalities, all genders, gender identities and sexualities. Our workplace must reflect these values.
- 1.2 We are committed to ensuring that as an employer and as workplace, all our policies and practices advance equality of outcome and promote demographic diversity.
- 1.3 To inform our priority areas for improvement, we want to continue to gather robust gender and equality profiles of our workforce to identify and address disparities in the diversity of our workplace and provide the evidence base to tackle any barriers to equality of opportunity.
- 1.4 The analysis on the gender pay gap shows that unlike many other parts of the labour market, the gender pay gap actually favours women in Hackney Council. We recognise the need to protect the current and relative gender equality that exists at senior levels of the organisation, especially given the structural inequalities which exist for women in the labour market more broadly.
- 1.5 It is important to note that the Government's gender pay gap reporting laws currently make no mention of transgender or non-binary employees – employers can only classify staff as 'male' or 'female'. It is therefore important that this legal requirement is conducted sensitively and as inclusively as possible. This report should therefore be taken in the context that as an employer we recognise that this binary distinction does not fully capture our workforce.
- 1.6 We have also taken the decision to undertake an ethnicity pay gap, despite the fact that this is not yet required by law, because of our commitment to fairness and to enhancing the diversity of our workforce.
- 1.7 We are keenly conscious that there remains under-representation of certain communities in our workforce and there is still under-representation of Black, Asian and Ethnic Minority staff at senior levels. We are committed to take practical action to address these disparities. We want to foster and promote an inclusive leadership culture, in which managers feel more confident in promoting equality and addressing workforce diversity.
- 1.8 Hackney, as a borough, has a reputation as a beacon of diversity where all of our communities are supported and celebrated. This report is part of our work to ensure that as a Council and as an employer we also embody these values.

## 2. **RECOMMENDATION(S)**

Council is asked to note the report.

## 3. **PAY GAP REPORTING**

- 3.1 The law requires that the Council calculate and report the gender pay gap annually. This was first done in March 2018, based on the data as at 31 March 2017. This report gives the statistics for the second gender pay gap report, with the data as at 31 March 2018. The required statistics have been uploaded to the Government Equalities website in compliance with the legislation.
- 3.2 The way the gender pay gap is to be calculated is set down in statute and is very specific. The Council must calculate the statistics for both ordinary pay and bonus pay. In our context, bonus pay applies only to the Fair Pay scheme operating in Housing.
- 3.3 The gender pay gap in favour of women employees has grown in the past 12 months, to 4.6% (2017 = 2.8%) as measured by the mean or 16.8% (2017 = 8%) as measured by the median. The measure more typically used is the median. The gap exists primarily for two reasons. Firstly, because more employees in the lower quartiles are men - typical job titles of those roles dominated by men in the lowest quartile include Operative - Cleaner, Environmental Operative and Grounds Maintenance employees. Secondly, because in the higher quartiles, more employees are women than men. The full data is shown at Appendix 1.
- 3.4 It should be noted that the pay gap does not indicate that women are paid more than men in any particular job. The Council operates a nationally recognised and equality proofed pay and grading scheme and is confident that for the same job, men and women are paid equally. The gap arises because, on average, women are in more highly paid jobs than men across the workforce.
- 3.5 It is worthy of particular note that in the highest quartile there are a higher proportion of women than men (56% vs 44%).
- 3.6 The gap in favour of men in terms of bonus pay remains. However it is not possible to draw conclusions from this because so few women receive a bonus.
- 3.7 Benchmarking data across London Boroughs for the gender pay gap 2018 reporting period will be collated by London Councils and is expected to be available in May/June 2019. There is no current benchmarking for the ethnicity pay gap although this may be available in future years if the Government introduces legislation to make this reporting mandatory.
- 3.8 At the time of the first gender pay gap report there was a commitment made by the Cabinet Member to produce an ethnicity pay gap on the

same basis as the gender pay gap in future years. This has been done and is shown at Appendix 2.

- 3.9 The ethnicity pay gap shows that there is a pay gap in favour of white employees of 14.3% as measured by the mean, and 14.1% as measured by the median. This is because in the higher pay quantiles, there are increasing proportions of white employees as compared to BAME employees. The over representation of BAME employees in the bottom quartile (63.1% vs 36.9%) is particularly noteworthy.
- 3.10 The Council recognised this as an issue some time ago and has been working on delivering a corporate equalities action plan. This is summarised in section 4 of this report.
- 3.11 It should be noted that the next data for this indicator will be as at 31 March 2019, which has already passed. This report will be produced in the coming months. It is unlikely therefore that the action plan will have produced marked improvements to the data at this point.
- 3.12 The government has consulted on whether to make ethnicity pay gap reporting mandatory, in the same way as gender pay gap reporting is. The consultation closed on 11 January 2019 and Government is currently analysing the results.
- 3.13 The data within this report is for directly employed Council staff.

## **4. Corporate Equalities Action Plan Summary**

### **4.1 Introduction**

Promoting a diverse workforce has been an explicit Council priority since last year, and this is reflected in the Single Equality Scheme which was adopted last November.

An action plan has been developed to address the key equality issues identified at 4.2 which are based on taking a dual focus, promoting demographic diversity and also an inclusive leadership culture in order to promote “acquired diversity.”

The workstream comprises of five strands, outlined below in section 4.4, which collectively deliver this approach.

### **4.2 Key equality issues and indicators**

#### **4.2.1 The key equality issues that have been identified are:**

*Workforce diversity*

- The under-representation of BME and disabled staff at senior<sup>1</sup> levels
- The under-representation of disabled staff at all levels
- The under-representation of the Charedi community at all levels
- The variations in workforce diversity between different directorates
- The need to protect the current gender equality which exists at senior levels of the organisation, given the structural inequalities which exist for women in the labour market more broadly

#### *Staff satisfaction*

- Much lower rates of satisfaction amongst disabled staff and (to a lesser extent) for BME staff over the last three surveys
- BME Staff and disabled staff are much more likely to disagree that the Council is committed to equality and diversity in practice than white staff and non disabled staff

#### *Hidden inequalities*

- A characteristic that is difficult to measure is class and social background. Whilst it is difficult to quantify the inequalities, we should try to address this likely inequality by considering how we make the workforce more inclusive and support progression from lower grades.

#### 4.2.2 The **key indicators of success** for this workstream are:

- The gap is closed between the 82% (81% in 2016) of staff who feel Council is committed to Equality *in policy* and 69% (71% in 2016) who feel the Council is committed *in practice* (this went up from 61% to 70% in 2011 and peaked at 73% before falling to 71% in 2016 and now 69%)
- There are a higher proportion of disabled staff working at the Council
- Senior management is more reflective of Hackney's diversity (BME and disabled staff)
- Managers feel more confident and competent in promoting equality and addressing workforce diversity (need baseline)
- Disabled staff are more satisfied with the Council as an employer and higher proportion feel Council is committed to Equality in practice
- A narrowing of the ethnicity pay gap

### 4.3 Responding to these issues

#### *The case for diversity*

Research has shown that having a **demographically diverse workforce** can help businesses to be successful, drive innovation and

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<sup>1</sup> By Senior we mean officers who are service heads and above / by grade we mean PO10 and above. However, when we consider what actions we need to take, we need also to focus on PO5 upwards, so that we are developing a pool of potential managers who can progress into more senior roles.

capture new markets. In the public sector<sup>2</sup> having a diverse workforce is seen as a way of **bringing in a diversity of experiences and perspectives to better meet the needs of residents and improve service**. It is also seen as a way of tapping into and harnessing talent from across the whole community.

Research reported in the Harvard Business Review also makes the case that a workforce which reflects a diversity of perspectives also **supports innovation**<sup>3</sup>. This research talks about **acquired diversity** versus demographic diversity and considers the benefits of promoting a culture which values and welcomes a diversity of perspectives. Through programmes that tackle key inequalities such as the Improving Outcomes for Young Black Men Programme, we have reached the conclusion that promoting a more inclusive leadership culture needs to be part of the way we **tackle underlying and systemic issues that might drive inequalities**. By questioning traditional behaviour patterns and decision making structures we will be better able to identify the institutional change which is needed to tackle key inequalities.

#### *Taking a dual approach*

Actions which promote a demographically diverse workforce and those which promote “acquired diversity” can also reinforce each other. By promoting a more inclusive leadership culture, the workforce may become more welcoming to people from different backgrounds as well as ensuring that, where a workforce is not demographically diverse, there is a culture which values and draws on a diversity of perspectives. By promoting a demographically diverse workforce, you are more likely to promote an inclusive leadership culture that draws on the perspectives of people from different backgrounds. In seeking to achieve a more demographically diverse workforce, we need to ensure we develop specific and tailored response to specific and complex inequalities, rather than bland, generic responses. Alongside this, more **practical action is needed to address poor levels of staff satisfaction among disabled staff** with regards to management and leadership. Failure to tackle this specific equality issue could undermine wider efforts to promote workforce diversity outlined above.

#### **4.4 Workstream Plan**

The workstream plan includes a number of “business as usual” and “stretch” strands of activity:

##### **Business as usual:**

##### **(1.) Organisation Development**

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<sup>2</sup> <https://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-workforce/equalities-and-inclusion> and [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658488/Strategy\\_v10\\_FINAL\\_WEB6\\_TEST\\_021117.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658488/Strategy_v10_FINAL_WEB6_TEST_021117.pdf)

<sup>3</sup> <https://hbr.org/2013/12/how-diversity-can-drive-innovation>

Key Outcome: Coherent well utilised organisational development programme promoting equality and diversity for staff and managers, utilising apprenticeship levy to upskill managers if appropriate.

## **(2.) Communication**

Key Outcome: All staff are aware of organisation commitment to equality and diversity and can recognise ways that the policies are put into practice

### **Stretch:**

## **(3.) Improving the employee journey for disabled staff from recruitment through to progression**

Key outcomes:

Barriers for disabled staff are removed across the employee journey from recruitment through to progression and promotion

Managers see the benefits of employing disabled staff and can do so competently and confidently.

Supported employment opportunities created within the Council

## **(4.) Promoting an inclusive leadership culture**

Key outcome: Senior managers understand, value and promote an inclusive leadership culture systematically as part of addressing workforce diversity

## **(5.) Tackling the lack of diversity at senior levels, with regards to BME and disabled staff**

Key outcomes:

We have a better understanding of the specific reasons for the lack of BME and disabled staff representation at senior levels.

We have identified positive actions needed to address issues and barriers.

We have identified opportunities to make processes more open and transparent.

## **5. OTHER CONSIDERATIONS**

### **5.1 Policy Context**

The gender pay gap reporting is an external requirement, supporting the Government's aim to enhance accountability, transparency and fairness in the setting of pay. This has been enhanced by the Council choosing to produce an ethnicity pay gap as part of our own commitment to fairness and equality.

### **5.2 Equality Impact Assessment**

An impact assessment is not required. The purpose of the reporting is to inform and advance equality in pay.

### **5.3 Sustainability**

Not applicable

#### 5.4 **Consultations**

No decision is being taken and therefore no consultation are necessary.

#### 5.5 **Risk Assessment**

No decision is being taken and therefore no risk assessment is necessary.

#### 5.6 **Alternative Options**

There is no alternative option but to produce and publish the gender any gap statistics. The council chose to produce an ethnicity pay gap - this is optional.

### 6. **COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

No decision is being taken by Cabinet and therefore this report has no financial implications.

### 7. **COMMENTS OF THE DIRECTOR, LEGAL AND GOVERNANCE**

The Council has complied with its duties to report a gender pay gap as outlined in the report.

#### **APPENDICES**

1. Gender pay gap data
2. Ethnicity pay gap data

#### **EXEMPT (or N/A)**

N/A

#### **BACKGROUND PAPERS**

None

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