

Committee:	Administration and Regulation Committee		
Date of Meeting:	23 February 2021		
Subject:	Ethnicity Pay Gap Update		
Report Author:	Service Director, Customer and Organisation Development		
Contact Officer:	Kathy Williams/Anne Davies extension 8297/6330		
Implications:	Legal <input checked="" type="checkbox"/>	Community Safety <input type="checkbox"/>	
	Equalities <input checked="" type="checkbox"/>	Environment <input type="checkbox"/>	
	Financial <input checked="" type="checkbox"/>	Consultations <input type="checkbox"/>	
	Staffing <input checked="" type="checkbox"/>	Other <input type="checkbox"/>	
Wards Affected:	None		

Purpose

1. This report seeks to advise the Administration and Regulation Committee of the Council's 2020 Ethnicity Pay Gap (EPG) calculated in accordance with legislation introduced in April 2017 for measuring Gender Pay Gap and based on data captured on the snapshot date of 31 March 2020.
2. This report also sets out the activity underway to address this position.

Recommendations

3. **Administration and Regulation Committee is recommended:**
 - To note the analysis as set out below which suggests an EGP of between 7.4 and 7.6%. This is based on 80% of staff as 20% of employees have declined or omitted to reveal their ethnicity. This may have impacted on the results and we are now focussing on increasing our understanding of all members of our workforce. Members should note that this does not mean that white or Black, Asian or Minority Ethnic staff are paid differently for equivalent work, rather it reflects the proportional ethnicity split within different grades and roles in the Council.
 - To note the activity underway to address any pay gap and, more broadly, the measures we are taking to support the recruitment, retention and development of staff from a Black, Asian or Minority Ethnic background. This is built on our clear and unequivocal commitment to equality and fairness (as evidenced through our annual pay policy reviews, pay audits and job evaluations) and includes a specific commitment to increase the proportion of Black, Asian and Minority Ethnic staff and the development of a new People Plan which will have equality and diversity at its heart.

Background

4. At a previous meeting of the Administration and Regulation Committee a request was made that a report on the council's EPG be produced. In particular the Committee sought information on the EPG at senior management levels, specifically grades M5 and above.

5. The EPG has been calculated using the principles set out in the Gender Pay Gap (GPG) legislation for full-pay relevant employees at the 31 March 2020. As schools must report their GPG separately where they employ 250 or more, and there are no Luton schools within this criterion, the EPG data does not include schools based employees.
6. The EPG covers the difference in the average hourly earnings and annual bonus pay of all white and Black, Asian and Minority Ethnic employees, regardless of their role or seniority. The following EPG data has been calculated:
 - ethnicity pay gap (mean and median averages)
 - ethnicity bonus gap (mean and median averages)
 - proportion of white and Black, Asian and Minority Ethnic employees receiving bonuses and
 - proportion of white and Black, Asian and Minority Ethnic employees in each quartile of the organisation's pay bands

The EPG is expressed as a percentage in favour of white or Black, Asian and Minority Ethnic employees.

7. The report sets out the analysis we have undertaken and also the breadth of activity across the Council to address the EPG and our wider work on the development and retention of Black, Asian and Minority Ethnic colleagues.
8. The overall Ethnicity Pay Gap is defined in two ways, firstly as the difference between the mean (average) hourly pay of white and Black, Asian and Minority Ethnic employees expressed as a percentage of the mean hourly pay of white employees. Secondly, it is defined as the median (actual midpoint) hourly pay of white and Black, Asian and Minority Ethnic employees expressed as a percentage of the median hourly pay of white employees. Hourly pay at the Council has been calculated in accordance with the regulations relating to gender pay gap reporting and includes shift premiums and allowances, clothing and car allowances and those monthly market supplement payments paid in the relevant pay period (March 2020 pay). The calculations exclude overtime payments.
9. For the purposes of the ethnicity bonus calculations therefore both the long service award and market supplement payments, which are paid as recruitment or retention incentives, have been included in the bonus calculations.

Report

10. Analysis - the data currently shows that the workforce profile is 54% white, 25.9% Black, Asian and Minority Ethnic and that 20.1% of employees have either omitted or declined to declare their ethnicity. This compares to the estimated working age population of Luton which shows 48% white and 52% Black, Asian and Minority Ethnic /Mixed/Other. The 20% unknown within the Council's workforce will clearly have an impact on the analysis set out below and we are committed to reducing this figure.
11. In 2020 the mean (average) Ethnicity Pay Gap was 7.4% and the median (mid-point) Ethnicity Pay Gap was 7.6 % in favour of white employees in relation to all council staff. This means that across the Council in 2020 the average hourly rate for a white

employee was 7.4% greater than the average hourly rate of a Black, Asian and Minority Ethnic employee. Similarly the mid-point salary was 7.6% greater than the mid-point salary of a Black, Asian and Minority Ethnic employee. These are similar in magnitude to the gender pay gap when first reported in 2017.

12. The mean (average) Ethnicity Bonus Gap in 2020 was 9.6% whilst the median (mid-point) Ethnicity Bonus Gap was 11.1% in both cases favouring Black, Asian and Minority Ethnic employees. This means that across the Council in the financial year 2019/20, the average bonus amount paid was 9.6% more to Black, Asian and Minority Ethnic employees than white employees, with the mid-point bonus payment being 11.1% more to Black, Asian and Minority Ethnic employees than to white employees.
13. It is important to note that any ethnicity pay gap does not stem from paying white and Black, Asian and Minority Ethnic employees differently for the same or equivalent work. Rather, the Ethnicity Pay Gap is the result of the disproportionate number of Black, Asian and Minority Ethnic employees occupying roles with lower salaries and allowances, compared to white employees occupying these roles. Conversely, the bonus pay gap is based on the relatively high proportion of Black, Asian and Minority Ethnic employees receiving market supplement payments and the long service award compared to white workers (44.1% white:35.4% Black, Asian and Minority Ethnic mainly in the social care field.)
14. Appendix 1, Section A sets out the ethnicity pay gap data both across the council as a whole and also for senior management with similar information relating to the ethnicity bonus gap set out in Section B. Section C sets out the proportions of employees by ethnicity and ethnicity pay gap in each pay quartile.
15. As statutory ethnicity pay gap reporting has not yet been introduced the Office for National Statistics (ONS) does not currently provide comparative information from other public/private/charitable organisation against which we are able to compare Luton's Ethnicity Pay Gap. Once reliable information from other sectors/councils becomes available the council will seek to compare its progress in reducing the ethnicity pay gap.
16. The table in section C (Appendix 1) depicts pay quartiles by ethnicity, showing the council's full pay workforce divided into four equal-sized groups based on hourly pay rates, with band A including the lowest-paid 25% of employees (the lowest quartile) and band D covering the highest-paid 25% (the upper quartile).
17. In order for there to be no ethnicity pay gap, there would need to be a ratio of white employees to Black, Asian and Minority Ethnic employees in each band reflecting exactly the Council's ethnicity make up (ie 54% white and 25.9% Black, Asian and Minority Ethnic).
18. Whilst the proportion of Black, Asian and Minority Ethnic employees in the upper quartile is only 2.5% below the level of Black, Asian and Minority Ethnic employees across the Council (25.9%), from the data relating to M5 and above employees it can

be seen that Black, Asian and Minority Ethnic employees are underrepresented at senior management levels as the level of representation of Black, Asian and Minority Ethnic employees drops to 17%.

19. With no ethnicity data for 20% of the workforce these calculations are incomplete and may not be representative of the overall picture and therefore to a greater or lesser degree may be unreliable as a measure of the true ethnicity pay gap. A campaign to encourage all employees to provide or update their personal sensitive data would provide a more accurate reflection of the council's ethnicity pay and bonus gaps.
20. Equality and Diversity in the Workforce – in line with its statutory responsibility set out in the Public Sector Equality Duty, the Council is absolutely committed to the principle of equal opportunities and equal treatment for all employees, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. The Council has a clear policy of paying employees equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above). As such, the council:
 - carries out pay and benefits audits at regular intervals,
 - evaluates job roles and pay grades as necessary to ensure a fair pay structure, and
 - publishes annually a Pay Policy which sets out clearly the Council's pay matters
21. The Council's pay approach supports the fair treatment and reward of all staff irrespective of ethnicity with pay systems and grades aligned to nationally negotiated pay spines. Employees are expected to move through the relevant pay range for their grade; the longer period of time in a grade the more they are expected to earn, irrespective of ethnicity.
22. Beyond this we are developing a programme of work to support the recruitment, retention and development of Black, Asian and Minority Ethnic staff. Much of this thinking is being led by our newly launched cross-Council Black, Asian and Minority Ethnic working group. The first step is to better understand our workforce.
23. We will be encouraging those 20% of staff whose ethnicity is unknown to share that information with us. This will allow us to undertake better analysis and develop better support. An exercise is planned from mid-February to 31st March for HR Services to contact all employees who have incomplete personal data files and encourage them to provide the missing information, including ethnicity, through the iTrent self-service platform. For those employees who do not have access to the iTrent database a confidential mail reply facility will be made available. Going forward each employee and their manager will be sent a summary of their missing sensitive personal data to encourage them to provide the missing data.

- 24.** The Council has also committed to increasing the proportion of Black, Asian and Minority Ethnic employees so that the Council workforce is more representative of the Town it serves.
- 25.** We are also developing a new, ambitious 'People Plan' which will set out our work to develop our workforce so that it is best placed to deliver our 2040 ambitions. Central to this will be our commitment towards equality and diversity. This committee will see sight of the new People Plan after it has been through Officer clearance in April. It will include a comprehensive series of actions (including but not limited to pay) to ensure equality and diversity in the Council workforce in line with the motion recently approved by Council. Much of this work will be driven by our Black, Asian and Minority Ethnic working group, drawn from across the Council.

Proposal/Options

- 26.** That the Administration Committee note the EPG calculations with the associated caveats.
- 27.** That the Committee note the ongoing activity to ensure that the Council workforce is representative of the Town it serves and, in particular, notes the upcoming People Plan which will bring together all Council wide equality and diversity action.

Appendix

Appendix 1 – Ethnicity Pay Gap 2020 data

List of Background Papers - Local Government Act 1972, Section 100D

None

Implications

Item	Details	Clearance Agreed By	Dated
Legal	Save as set out in the body of this report, there are no direct legal implications	Jasbir Josen Senior Solicitor Legal Services	5 th February 2021
Finance	There are no direct financial implications associated with this report.	Darren Lambert Finance Business Partner, Corporate Finance	5 th February 2021
Equalities	As the report signals, a Council equality and diversity action plan is currently being developed in line with the motion recently approved by Council. There are no additional implications arising from the report.	Marek Lubelski Social Justice Manager	8 th February 2021
Environment	None		

Item	Details	Clearance Agreed By	Dated
Community Safety	None		
Staffing	Save as set out in the body of this report, there are no direct staffing implications	Aidan Wilkie Service Director, Customer and Organisation Development	5 th February 2021
Consultations	There are no consultation implications within the report		
Other	None		