

The feasibility of constructing a race equality index

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Background

There is an accumulation of evidence that ethnic minorities experience substantial disadvantage in the labour market, some of which is due to racial discrimination by employers. Following the National Employment Panel's (NEP's) recommendations, in its report on race equality in the workplace, the Department for Work and Pensions commissioned research in order to test for the presence of racial discrimination by employers when recruiting staff. This research involved 'correspondence testing' in which matched applications were sent to employers for actual job vacancies. The study showed significant levels of net discrimination against ethnic minorities, and showed that discrimination affected all the main ethnic groups alike. The study also showed significantly higher levels of discrimination in the private sector than in the public sector.

The NEP recommended that the government should gather and publish baseline information on discrimination and race equality in the labour market and should monitor progress by employers against the baseline. As part of this they suggested that government should develop a Race Equality Index in order to understand in detail how discrimination is happening, how pro-active businesses are to promoting race equality in recruitment, retention and promotion, and to monitor trends over time. This would help to inform government as to whether new measures to promote race equality were required. The present report investigates the feasibility of constructing such an index.

In developing the index, we have focused on the experience of the main ethnic minorities in Britain today, that is the specific groups included in the broader Census categories of black or black British,

Asian or Asian British, Chinese, other and mixed. We have, for practical reasons of data availability, not attempted to disaggregate the different ethnic minorities.

Since the focus of the index is on private-sector business, we have taken into account the extent to which individuals from minority groups differ from the majority group in their job-relevant characteristics such as their educational qualifications. In other words, we focus on barriers to ethnic minority employment that employers might reasonably be expected to tackle as opposed to barriers that might be better tackled in the educational system or elsewhere.

What are the information needs of a race equality index?

After reviewing the legal framework and social scientific evidence we suggest that an index should ideally incorporate measures of direct discrimination, indirect discrimination, harassment and what has in the Northern Ireland context been termed the 'chill factor'. The index also needs to cover other employer-side barriers such as the use of informal word-of-mouth methods of recruitment that favour people known to existing employees, as well as the various lawful forms of positive action that might be undertaken by a pro-active employer in order to alleviate ethnic minority under-representation. The index should also include outcome measures of fair employment in the private sector. Possible outcome measures include ethnic minority under-representation in private sector firms, under-representation in managerial positions within firms, and ethnic differentials in pay.

It is not in fact possible to obtain general measures of indirect discrimination, since the presence of indirect discrimination can only be determined on a case by case basis. However, the Commission for Racial Equality's (CRE's) statutory code of practice (which remains in force) includes guidance on employers' responsibilities which is intended to give employment tribunals and courts clear guidelines on good equal opportunities practice in employment (CRE, 2003). The code in essence gives examples of what practices might be expected to minimize the risk of indirect discrimination and also covers other lawful practices that might be undertaken by a pro-active employer committed to promoting race equality. The statutory code, therefore, gives a sound legal basis for identifying possible components of an index measuring how pro-active employers are in eliminating ethnic minority under-representation in private-sector firms. The extent to which private-sector firms adhere to the statutory code is potentially, therefore, an important element of an index.

What tools can be employed?

We reviewed alternative trusted data sources for measuring direct discrimination, adherence to the different components of the statutory code, harassment, and outcomes. The most appropriate available source for tapping direct discrimination proved to be the Department for Communities and Local Government's Citizenship Survey (CS), which contains questions that enable one to measure inequalities in job refusals and unfair treatment in promotion.

For adherence to the statutory code of practice, the Department for Business, Innovation and Skills' Workplace Employment Relations Survey (WERS) contains several appropriate questions, while its Fair Treatment at Work Survey provides good evidence on the experience of racial harassment at work. An alternative is the National Centre for Social Research's British Social Attitudes (BSA) survey, which contains a regular question on self-reported prejudice.

For outcome measures of ethnic minority under-representation in private sector firms, under-representation in managerial positions within firms, and differentials in pay, the most appropriate source is the large-scale and trusted Labour Force Survey (LFS).

Practical issues of measurement and recent trends

Using the CS it is possible to construct a regular, annual measure of the differential between the rates of job refusals/unfair treatment in promotion experienced by ethnic minorities compared with the rates for the labour force as a whole. In order to compare like with like, we adjust the rates so that the estimated 'net' differential takes account of differences between the education and other characteristics of ethnic minorities and those of the overall workforce. This is analogous to the way in which, in the correspondence tests of discrimination, applications were matched for education, skills and experience. We have been able to calculate trends covering the 2003-09 period showing, in the same way that the correspondence tests did, that ethnic minorities experience significantly higher rates of refusals when applying for jobs. Minorities also report significantly higher levels of unfair treatment with respect to promotion. There appears to have been little improvement in these respects since 2001.

Unfortunately the detailed wording of the questions means that we cannot be certain that the job refusals or unfair treatment were restricted to the private sector. This measure, although useful as an overall indicator of trends in discrimination, is not, therefore, a suitable component of a specifically private-sector index.

Using the WERS it is possible to construct a simple additive index, similar to that developed by the NEP, which measures the extent to which private-sector workplaces adhere to some important elements of the statutory code of practice. This index can only be constructed intermittently, as the survey is not an annual one, but it is nonetheless a valuable measure

of the extent to which the private sector is pro-active in reducing ethnic inequality. Analysis of the 1998 and 2004 surveys shows that there was some modest improvement over this period. However, the 2004 survey also showed very substantial differences in the extent to which the public and private sectors adhered to the statutory code: while rates of adherence were lowest in small and medium enterprises, large private-sector firms lagged a considerable way behind public-sector bodies in their use of ethnic monitoring, assessment of indirect discrimination, and the use of positive measures to encourage applications from ethnic minority applicants.

We do not feel that it is possible to construct an acceptable annual measure of harassment or the chill factor from existing sources, although the highly respected BSA survey shows a worrying increase in racial prejudice on the part of white private-sector employees in recent years.

Annual outcome measures of ethnic minority under-representation in private sector firms, under-representation in managerial positions within firms, and ethnic differentials in pay can be calculated using the LFS. These measures can be adjusted so that they take account of the extent to which ethnic minorities differ in their educational qualifications (and other socio-demographic characteristics) from the workforce as a whole. For the period 2001-09, we find that ethnic minorities have been significantly under-represented in private-sector employment, but that there has been some real improvement over time. Among those who are actually employed in the private sector, we find that ethnic minorities are significantly under-represented in managerial occupations, and there is no evidence of any improvement. We also find that ethnic minorities continue to have significantly lower hourly earnings than the overall average for the private sector, and as with access to management there has been no improvement over time.

Can the private sector's contribution to reducing the ethnic minority employment gap be measured?

It is not at present practicable to construct an annual measure that captures all the separate components of direct discrimination, indirect discrimination, harassment and other barriers that contribute to ethnic minority under-representation in private-sector firms. However, the 2011 WERS will be a valuable resource for looking at trends since 2004 in how pro-active the private sector is in tackling ethnic minority under-representation.

In contrast, an index based on the LFS and covering the three outcome measures of ethnic minority under-representation in the private sector, under-representation in managerial occupations, and pay disparities can be constructed. Our proposal assigns equal weight to these three components. Our proposed index involves adjusting for individual characteristics and geographical region, just as correspondence tests of discrimination involve the matching of ethnic minority and majority group applicants.

We have constructed an index on these lines for the 2001-09 period. This shows that there continues to be substantial ethnic inequality in the private sector with no evidence of an overall trend towards greater equality.

Conclusions

An outcome index of ethnic minority under-representation and disadvantage in the private sector can be constructed. Because it relies on sample surveys, the index has to be used with caution when measuring year-to-year variation but it does enable one to chart progress over the medium term. While the precise adjustment procedures that we have used are inevitably debateable, our checks have suggested that alternative procedures will not materially alter either the trends over time or the comparison of the private sector with the public

sector. It, therefore, appears to be suitably robust for the purposes for which it is intended. Furthermore, the proposed index does capture three outcomes that would widely be recognized as important and it fulfils the requirements of the NEP for monitoring progress over time in order to determine whether there is a need for additional measures, such as the strengthened use of public procurement to incentivise private sector firms to move more rapidly towards fair employment.

We, therefore, recommend that such an index should be constructed and, after consultation with stakeholders and further statistical refinement, should be published annually.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 844 7. Research Report 695. October 2010).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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