Developing Black and Minority Talent – call for evidence

Submission to the McGregor-Smith review

Chartered Institute of Personnel and Development (CIPD)

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ACKNOWLEDGEMENTS

OUR RESPONSE

The case for change

What are the impacts of having an ethnically diverse workforce? Can you provide any evidence to suggest that ethnic diversity has changed outcomes for businesses?

Progressing diversity and inclusion is essential to all aspects of people management and the advancement of talent. Managing diversity and inclusion is a business imperative. Doing it successfully adds value to business performance as well as being morally valid.

Having an ethnically diverse workforce instils **diversity of thinking**, where the workforce has a broader perspective and is open to different opinions. It also creates **diversity of behaviour**, where employees with different personalities and cultural backgrounds have different ways of working. That can **improve decision-making.**

The most prevalent benefit of having this diversity of thinking and behaviour is that it provides organisations with **fresh insights and perspectives** to operational activities; product and service design, and can help them to improve their competitiveness and delivery to customers and clients.

In the private sector, it means that employees in organisations reflect their customers, spot new market opportunities, and develop goods and services that take into account the diverse needs of their customer base. In public sector organisations, having an ethnically diverse workforce ensures that new policies and programmes or reviews of existing ones undergo more intensive scrutiny/sense checking in terms of the impact they will have on different parts of the population.

A diverse team can boost productivity. EY have conducted internal research looking at 22,000 audit assignments globally and can show a **direct link between productivity and the diversity of a team**. The

research looked at gender diversity, because it would be difficult to do it based on ethnic diversity globally, but there is strong reason to believe that the outcome would be the same.

Interviewees identified a long list of other benefits:

- **Strengthening connection to the local community**
- **Enhancing innovation and R&D**
- **Improving marketing**

However, if diversity is not managed, the impact could be negative. To avoid that,

> **Box 1: Increasing sales and broadening the talent pool through better community relations**
> One of the largest garages of a global car-rental company was based opposite a mosque. Cars rented out for the weekend would be collected by customers on a Friday afternoon. That coincided with Friday prayers at the mosque, creating a huge amount of traffic in the local area.
>
> Employees at the garage suggested that customers collect cars on Thursday instead, at no extra cost. The company agreed. In addition, they opened up the empty car park to those attending the mosque.
>
> As a result, there was a significant increase in sales for the company among the local Muslim community, and it helped them hire from that group as well by improving the company's reputation.

organisations need to have in place robust leadership that can manage the transition from a homogenous to a heterogeneous workforce in a sensitive and controlled manner. That will ensure the organisation can reap the benefits of having an ethnically diverse workforce.

Number-based evidence of the impact of having an ethnically diverse workforce is hard to find. Part of the problem is that any changes in performance will depend on a number of factors, and cannot be easily attributed to a single variable. Anecdotal evidence to support the points above is much easier to come by (see box 1). Ultimately many of the interviewees agreed that building a diverse and inclusive workforce was the right thing to do, and felt no need to collect hard evidence to prove it.

Obstacles to BME progression

Evidence suggests that BME individuals have difficulty accessing jobs that match their skills and are not progressing as far as their white counterparts. What factors do you think might be causing this?

Discrimination and unconscious bias are key obstacles to BME individuals accessing jobs that match their skills and progressing as far and as quickly as their white counterparts. Even when an organisation understands the value of having a diverse workforce and has designed and implemented policies to drive out bias, the results do not necessarily reflect the efforts made. That would suggest that either discrimination or unconscious bias are influencing decisions.

In August 2015, the CIPD released a comprehensive piece of research[1] showing that recruitment processes are often heavily skewed by a number of unconscious biases on the part of those hiring. The report showed that employers' initial perceptions of whether a person will be a good fit can be determined by factors which have no real impact on performance, including visual, cultural, demographic and situational factors. For example, **evidence suggests that we hire Mini-Mes**—people like ourselves in terms of hobbies, experiences and how we dress and present ourselves at interview.

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[1] CIPD (2015) *A head for hiring: the behavioural science of recruitment and selection.* Available at: http://www.cipd.co.uk/binaries/a-head-for-hiring_2015-behavioural-science-of-recruitment-and-selection.pdf

In the report the CIPD made a number of recommendations to employers to ensure that employers have consistent and effective hiring practices and can make better hiring decisions. These include:
- Testing the wording of job adverts to see how it affects who applies
- Grouping and anonymising CVs when reviewing them
- Focusing interviews on collecting information, not on making decisions
- Including people in hiring decisions that have not been involved in assessing the candidates to make a more objective, considered final decision

Related to overt and covert bias, **organisational culture and values** also matter. In some organisations it is still difficult to have conversations about race diversity and so the culture persists. Often the problem is not a lack of good will or meritocratic processes, but it is the way in which values and norms are set up to picture a certain type of leader. This is reinforced by images of leaders in the media that perpetuate a certain, restricted set of characteristics that many cannot identify with. Furthermore, the rules and norms that dictate acceptable behaviour in an organisation tend to be written or set by the majority group. That adds another barrier, especially when it comes to tests of behaviour where BME talent has little experience of these rules and would naturally respond in a different way, drawing on their own background and experience.

Lack of social or professional networks can reduce the number of opportunities for employment and progression for BME talent. If you are an ethnic minority, your network is by definition smaller and more limited. It might also mean that BME talent are not aware of opportunities with employers that are not visible on the high street.

Similarly, **a lack of role models** can inhibit the professional development of BME talent. Unless a group of people get to see people like them at the top of organisations, there is less belief among that group that it is achievable. This is known as stereotype threat—reminding an individual that they are a member of a group that tends to perform less well at something can impair their performance in that task or vice versa; for example, asking candidates to complete an ethnic monitoring questionnaire just before a test or assessment centre exercise. Lack of confidence and self-assurance can be a significant barrier to BME talent putting themselves forward for progression opportunities—a mix of role models and mentoring can address that.

The way in which recruitment is conducted can restrict the **accessibility of jobs**. For example, PwC have widened access to minority groups in a number of ways, including taking away the requirement of UCAS points with the view that performance at school is not a good predictor of performance in a professional setting. The requirements in job descriptions are sometimes written using qualities that are generally associated with a particular segment of the population, and which BME talent may find difficult to identify with.

Finally, in organisations where the majority of the leaders are white, there can **hesitance to tackle performance issues** early on and end up being left until it is too late.

Data

Do organisations currently collect data on ethnicity? What data do they collect? And, are you aware of any barriers to collecting further data by ethnicity?

Most of the organisations the CIPD interviewed collect data by ethnicity. The **breadth of data collected does vary** as do the methods used to collect them. Generally speaking, employees are asked to identify their ethnic group during recruitment and often also once they have joined the organisation. That helps build

a picture of the organisation in terms of BME representation across different grades of seniority. Some **organisations will analyse a number of outcomes by race**, including performance review scores, promotions, attrition, underperformance and engagement.

In some cases data is held anonymously, in others the data is held confidentially. Holding the data as part of a personnel file allows an organisation to closely track the progress of individuals and be more targeted in their interventions. However, if anonymity is not guaranteed, some employees may feel anxious about sharing data on ethnicity or other aspects of their life.

A couple of interesting examples emerged when investigating how the data is used. In one case, analysis of performance review scores is used to understand whether BME employees are being given the same opportunities for stretching and challenging work over the course of the year. Policies are in place to ensure that bias does not influence the outcome of the review, so if the data do find a low proportion of BME talent scoring highly, the most likely reason is inequity in the way the manager allocates work. In another example, a train operator company had discovered dissatisfaction among their disabled employees in their anonymous engagement survey. Working with a consultant they got in touch with that cohort and asked them to give further information using an independent email address. Disabled employees did come forward, and the organisation was able to resolve some of the specific issues that were reported.

There are **a number of barriers** organisations face in collecting data by ethnicity. Firstly, if the employer is not clear about why they need to collect the data and fail to guarantee that the data will be handled sensitively and transparently, then employees will be either reluctant or nervous about sharing the data. Working closely with unions or employee networks can help alleviate some of these fears. Secondly, if the organisation has poor industrial relations or has poor employee engagement, then again employees will be unlikely to share data. Thirdly, some organisations lack the sophisticated systems required to store and analyse data on this scale.

A final consideration is that organisations tend to have a good understanding of the make-up of their workforce, but the quality of the data available on the population generally has been affected by budget cuts, which makes it harder for organisations to measure themselves against the characteristics of the population they serve and hire from.

Employer practices and policies

Which policies or practices that support BME progression are you aware of? From your experience, which policies or practices do you judge to have worked best in improving progression of BME employees? From your experiences, which policies or practices do you judge to have been less effective in improving the progression of BME employees?

Out of the options provided in the consultation document, the organisations interviewed offer a great majority of them. Below we focus on discussing the merits and shortcomings of a few.

Reverse mentoring can be a good development opportunity for senior staff to better understand the impact the organisation has on different parts of the population and that more work is needed on the diversity agenda. However, some question whether it is as valuable to junior BME staff.

Name-blind recruitment can be useful for organisations struggling to get people through to shortlisting from application. Research shows that candidates with traditionally white names receive more call-backs than candidates with non-white names, even on occasions where their CV is identical, and 'name-blind' applications have been shown to help combat that bias. But it is important that the other stages of recruitment also minimise bias in decision-making.

Box 2 – Inclusive leadership

In March 2016, the CIPD sponsored research (see footnote below) to explore organisations' understanding of inclusive leadership and the links between the perception of inclusive leadership and performance, productivity, satisfaction and well-being.

Inclusive leadership was defined as leaders who are aware of their own biases and preferences, actively seek out and consider different views to inform better decision making. These leaders see diverse talent as a source of competitive advantage and inspire diverse people to drive organisational and individual performance towards a shared vision.

Some of the key findings from the research are:
- Inclusive leaders have 15 core competencies, ranging from listening to empathy, and from inspirational motivation to unqualified acceptance. (For the full list, see the report).
- People working with Inclusive Leaders are more productive, satisfied and engaged than those working with non-inclusive leaders.
- People at all levels believe that inclusive leadership results in many positive outcomes for the organisation, including enhanced performance and productivity, higher retention and better services to clients, customers and service users.

Discrimination and unconscious bias training is widely offered, and many added **inclusive leadership training** to the list (see box 2[2]). Such training is important to make the majority group aware of the obstacles faced by minority groups in the workplace. Again the prevalent view was that working on their own is not enough to eliminate bias. The risk is that eventually people revert back to their default position, and some of those undertaking the training may feel that they have resolved the problem when in reality it takes consistent effort and awareness. To avoid that, training programmes should tackle the issue on a number of fronts and for an extended period of time, especially when trying to tackle unconscious bias. One interviewee added that individual action planning—following training—and personal accountability were key to achieving real and sustained change.

Talent or fast track programmes targeted at BME employees work because they put the discussion on the impact that race diversity has on career progression firmly on the table. BME leaders identified through these programmes are also likely to go back to the business and support more junior employees. Also when people are approached and identified as having potential, it boosts their confidence.

A number of other interventions were also identified. One of the interviewees proposed that **sponsorship** is a better alternative to mentoring as it places responsibility on the sponsor to take action to ensure that the mentee has access to opportunities and is exposed to different people in the organisation. Another added that organisations should set **key performance indicators** so that managers can be held accountable.

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[2] Bucks New University (2016) *Inclusive Leadership…driving performance through diversity.* Available at: https://www.cipd.co.uk/binaries/inclusive-leadership_2016-driving-performance-through-diversity.pdf

Setting targets can also help focus businesses and lead to action in a similar way to how they were used for increasing the proportion of women on boards.

Many also pointed to **organisational culture and leadership**. Open cultures are supported by appropriate policies and working practices, trust and leadership. Teaching a new behaviour that does not fit in with how the organisation is run and is not replicated by those in leadership positions means that significant and permanent change will be unlikely.

One interviewee observed that the real question is why despite having all these different types of policies, progress is slow. In their view, the issue is that many of the interventions focus on the supply side, with activities such as outreach programmes designed to encourage more people to apply. But not enough is being done on the demand side—changing the behaviours and challenging bias. It is about working with predominantly white leaders so they understand why hiring and progressing people with different backgrounds is good for them. It is about "cracking the myth of the other".

In short, there are no quick solutions to help deliver success in progressing diversity and inclusion. It is a complex process dependent on systemic change and the removal of barriers related to the way organisations do things, as well as personal behaviours, motivations, aspirations, expectations, abilities and experiences, and potential both and inside and outside the workplace.

The role for Government and businesses

What is the role of business in supporting the progression of BME employees in work? What is the role of government in supporting the progression of BME employees in work?

That business has a significant role to play in supporting the progression of BME employees in work is without question. Organisations should be **meritocratic**, **fair** and **representative** of the communities they serve. Employers need to work hard to **understand the business case** properly, lead on the agenda, and then deliver, measure progress and become an example of best practice to others. They need to revisit their values, purpose and culture to ensure they are inclusive.

It will inevitably be easier for larger organisations to support BME progression by investing resources in the types of policies and practices mentioned above. For the many smaller organisations in the UK, support on how to build a more ethnically diverse workforce will be important. To some extent that could be provided by government in the way of guidance and advice, but prime organisations can also use their **supply chain links** to spread best practice as can industry bodies.

A number of interviewees suggested that government could play a similar role to what is has done on gender diversity. One suggested that in fact **racial diversity should be on the same footing as gender diversity**, and any action on the latter should be mirrored.

The Davies review was mentioned more than once as a successful model for engaging business and making significant progress through the use of targets. One interviewee did caution, however, that if a voluntary target is set, it should reflect the size of the BME talent pool in the UK. Another interviewee felt that government could go one step further and consider quotas.

One other specific action for government is to revisit the tie-break clause in the Equality Act as some felt it is not being used effectively by employers out of concerns of breaking the law.

Finally, **government can lead by example** in the way it recruits and progresses BME talent within the Civil Service, **and through procurement and contract management**. It can also **highlight best practice**.

ABOUT THE CIPD

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.