

COMPANION NOTES 02

REPORTING AND RESPONDING TO ETHNIC PAY DISPARITIES

Home Truths 2 - Race Equity Series
For the anti-racist curious

ADVISORY NOTICE

Racism is complex. There is no simple fix. We recommend that these companion notes be read reflectively. And please aim high to help mainstream civil society play its part in building a life-affirming anti-racist future.

Key points

1

Ethnic pay gaps can help to show how Black and Minoritised Ethnic people are situated in work and in wider society. Data for civil society reveals a major ethnic pay gap of 22% – this can mean £25,000 a year for the average white worker and only £19,500 for the average Black or Minoritised Ethnic worker.

2

A number of civil society organisations are taking ethnic pay gaps seriously and changing how they bring in and grow people to end these gaps.

3

To date, civil society overall has been slow to step up and produce and publish annual data. That needs to change if civil society is to strengthen the position of workers and help to drive race equity and other forms of equity.

Introduction

The [ethnicity pay gap](#) is a measure of the difference in average (hourly) earnings of Black and Minoritised Ethnic people compared to white people in an organisation, industry or labour market.

Ethnic pay gap data helps to tell us how Black and Minoritised Ethnic people are situated in the workforce. They can be part of institutional and sector efforts for anti-racism and race equity.

Ethnic pay gaps – data and drivers

In the UK, [Office for National Statistics](#) (ONS) data across the economy from 2012 to 2022 shows that Asian workers earn less than equivalent white workers, while Black workers face an even bigger earning deficit.

In civil society, there are low levels of institutional ethnicity pay gap reporting. Only 11% (27 in total) of the top 250 charities by income reported for 2022. In aggregate, there was a [median ethnicity pay gap](#) of 22% in favour of white staff. This means that a median salary for white staff of £25,000 would equate to £19,500 for Black and Minoritised Ethnic staff.

This kind of gap, and even much smaller ones, can affect how Black and Minoritised Ethnic people lead their day-to-day lives. It can determine resilience in the face of setbacks, such as ill health or unemployment. Pay gaps impact the wealth and assets that Black and Minoritised Ethnic people can accumulate over time and pass along to future generations. Therefore, ethnic pay gaps can impact race inequity in multiple ways.

Behind the gaps

Ethnic pay gaps exist when Black and Minoritised Ethnic people are paid less for doing the same work as white counterparts (within-occupation pay gaps). In addition, they can be produced when Black and Minoritised Ethnic people enter less well-paid occupations (cross-occupational pay gaps).

These gaps can be produced when [racist and xenophobic](#) thinking and [stereotyping](#) has a hold in an institution. It can result in lower pay than white counterparts even for work of equal or equivalent value (even though this is [illegal](#)). Negative mindsets can also mean that Black and Minoritised Ethnic people are allocated work that does not make full use of or develop their skills, knowledge and experience.

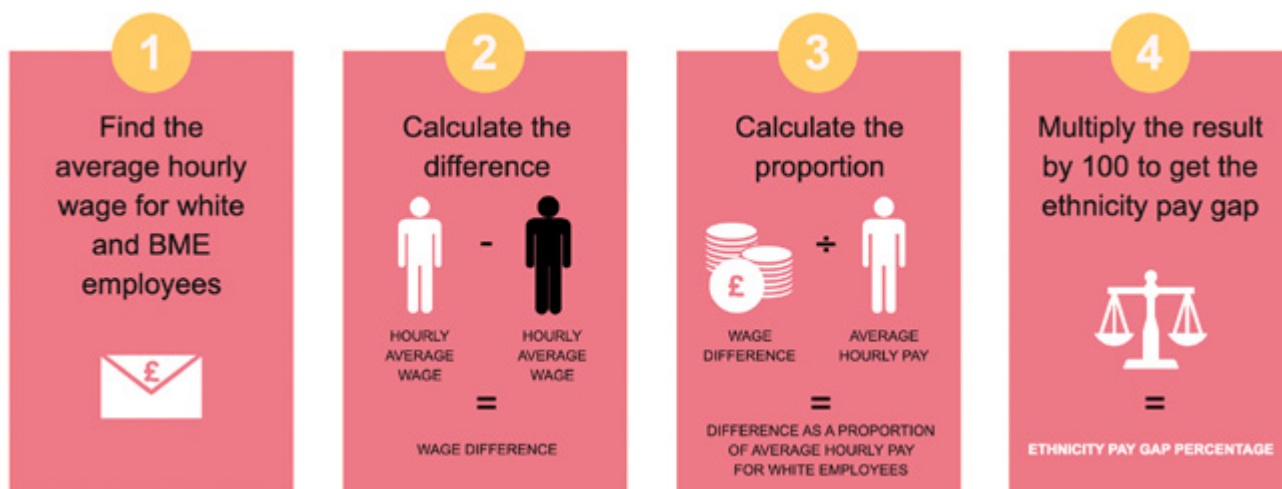
Black and Minoritised Ethnic people may also be structurally disadvantaged in the labour market. For instance, [family wealth and finances](#) and [educational attainment](#) can all be highly racialised, broadly advantaging white people's occupational choices.

Of course, an individual employer can take into account [contextual factors](#). But if they are not vigilant and intentional about doing so, structural factors tend to help (some) white people and hinder (some) Black and Minoritised Ethnic people.

Only 11% [27 in total] of the top 250 charities by income reported for 2022.

Ethnicity pay calculations

The ethnic pay gap can be calculated through the following four steps:



- STEP 1** Calculate the average hourly pay for both white and Black and Minoritised Ethnic workers.
- STEP 2** Subtract the average hourly pay for Black and Minoritised Ethnic workers from the average hourly pay for white workers.
- STEP 3** Divide this pay difference by the average hourly pay for white workers.
- STEP 4** Multiply the result by 100 to get the ethnicity pay gap percentage.

A WORKED EXAMPLE

This example is an illustration of the [aggregate ethnic pay gap](#) from 27 of the top 250 charities by income who reported in 2022. The combined ethnicity pay gap was 22% in favour of white workers.

- STEP 1** **Find the hourly median pay**
White workers: £12.99 per hour (£25,000 a year if full time on 37 hours a week)
Black and Minoritised Ethnic workers: £10.14 per hour (£19,500 a year if full time on 37 hours a week)
- STEP 2** **Calculate the hourly pay difference**
 $£12.99 - £10.14 = £2.85$
- STEP 3** **Calculate the proportion of pay difference**
 $£2.85 \div £12.99 = 0.22$
- STEP 4** **Multiply the result by 100 to get the ethnicity pay gap percentage**
 $0.22 \times 100 = 22\%$

A positive percentage indicates that the median Black and Minoritised Ethnic workers is paid less than the corresponding white worker.

TYPES OF AVERAGE PAY GAP

When talking about the pay gaps, there is a tendency to focus on the median figure rather than the mean.

The median pay gap is calculated by finding the midpoint hourly pay of workers so that half of workers will be earning above this point and half will be earning below it.

The mean pay gap is calculated by finding the total hourly pay of workers and dividing by the total number of workers. Mean pay includes all of the lowest and highest rates of pay, and can be skewed by a small number of highly paid individuals.

Therefore, the median can be more helpful in understanding the 'typical' position of the Black or Minoritised Ethnic workers – and filter out possible distortions from a few high-flying Black or Minoritised Ethnic people.

Towards anti-racism and race equity

Measuring and reporting ethnicity pay gap data can make an important contribution to anti-racism by helping to identify and end racism by changing values, structures and behaviours. It can also support race equity – by helping to remove racial disparities and de-coupling life outcomes and 'race' or ethnicity.

These goals can be achieved in a number of ways, including the following.

FACING RACISM

The act of measuring and putting ethnic pay gap data into the public domain can be a way for an organisation to acknowledge that it may have a racism problem that manifests in the pay.

IMPETUS FOR ACTION

Ethnicity pay gap data can make an institution more transparent and create an impetus for action.

Organisations such as the Nursing and Midwifery Council (NMC) and the Prince's Trust have ethnic pay gaps because Black and Minoritised Ethnic staff are relatively overrepresented in lower paid roles.

Both organisations have stated that they will

work on solutions. NMC plans to strengthen internal recruitment and promotion processes and take positive action in leadership programmes.

EQUAL PAY CULTURE

Furthermore, it may be that ethnic pay gap reporting feeds into a larger equal pay agenda, centred around pay openness and trades union organising and collective pay bargaining.

And the focus on pay gaps can also stimulate a conversation on more wholesale institutional transformations. These include flatter, less hierarchical organisations which deliver more equitable pay frameworks by design.

Improving impact of ethnic pay gap data

While ethnicity pay gap data can help in the pursuit of greater race equity, there are ways in which it is implemented that can enhance its impact.

READ WITH CARE: ADJUSTED PAY GAPS

In some instances, the (median) ethnicity pay gap can favour Black and Minoritised Ethnic workers. This is the case in Barnardo's where Black and Minoritised Ethnic workers earn around 10% more than white colleagues. But such findings need to be interpreted with care.

Most reported ethnic pay gaps in institutions are raw measures, comparing observed earnings of Black and Minoritised Ethnic people to that of white counterparts. However, adjusted pay gap data suggests that higher raw earnings for Black and Minoritised Ethnic workers can be driven by pay-determining characteristics, such as occupation and higher qualifications. And, that when white workers and Black and Minoritised Ethnic workers have like-for-like pay-related characteristics, white workers tend to get paid more.

Therefore, 'positive' raw ethnic pay gaps can underlying race inequities.

ADDING SPECIFICITY

Pay gap measures can be usefully made more specific. The category of Black and Minoritised Ethnic can miss out particular differences in experiences, e.g., between Black and south Asian people. UNICEF UK has introduced

intersectional texture to its data. This allows comparisons between Black women and white women and south Asian men and white men.

It may also be helpful to distinguish between white people and white UK-born people – as migration can effect pay levels.

While more disaggregated detail is desirable, it may only be viable in larger organisations, where there are sufficient workers from different sub-populations such that results might reflect patterns rather than chance occurrences.

WHOSE PAY COUNTS

In [higher education](#) efforts at equity, diversity and inclusion have sometimes promoted the interests of some white, middle-class women over Black and Minoritised Ethnic people. Similarly, ethnic pay gap reporting may end up bolstering the pay of middle and managerial class Black and Minoritised Ethnic workers, rather than supporting those at the bottom end of the pay scale.

To counteract this kind of 'capture' requires a determined effort to focus on more marginalised Black and Minoritised Ethnic workers.

Conclusions

As in the original Home Truths report we recommended that organisations annually [publish their ethnicity pay gap data](#) – particularly those with [50 or more workers](#).

The Labour government elected in July 2024 may make ethnic pay gap reporting a statutory requirement as part of a wider [race equality act](#). However, it should not take statute to drive this change for civil society organisations who say they are committed to anti-racism and race equity.

And, where institutions are found to fall short, there must be meaningful responses to ending gaps. This is part of the foundational work of building a sector centred on anti-racist futures and equity culture. [We are here to support these efforts.](#)

Please send your ideas, trials and triumphs to:
[**hometruthstwo@acevo.org.uk**](mailto:hometruthstwo@acevo.org.uk)

We are interested in feedback on these Companion Notes and how we can make future editions as helpful as possible.

Useful resources

As well as the links in the text you may find the following resources helpful:

[Home Truths 2 \(HT2\) video catchup of session on **Reporting and Responding to Ethnic Pay Disparities.**](#)

[HT2 blog on **the challenges of doing anti-racist work inside civil society organisations.**](#)

[Ethnic pay gap reports, from **Barnardo's, the British Heart Foundation, NCVO, the Nursing and Midwifery Council, UNICEF UK and Water Aid.**](#)

[Equal Pay Alliance Pay Gaps **Manifesto.**](#)

[Office for National Statistics overview data on **ethnicity pay gaps, UK: 2012 to 2022.**](#)