

Equality (Race and Disability) Bill: mandatory ethnicity and disability pay gap reporting

Action for Race Equality consultation response

May 2025

1. About Action for Race Equality

[Action for Race Equality](#) (ARE)¹ was founded in 1991, and over the last 30+ years we have worked to champion fairness, challenge race inequality and pioneer innovative solutions to empower young people across education and employment. We seek to end disparities and racial discrimination experienced by Black, Asian, and Mixed Heritage people in education, employment, and the criminal justice system. For ARE, having a more equal society means young people will believe that their race, ethnicity or faith won't limit what they can achieve in life – and employment is central to this.

ARE welcomes the introduction of mandatory ethnicity and disability pay gap reporting and the accompanying consultation. Disparities in pay are widespread and require dedicated action to end. According to analysis from the Equality and Human Rights Commission (EHRC) of the Annual Population Survey, Bangladeshi and Pakistani workers in Great Britain consistently have the largest pay gap compared to White British workers – being paid 17.7% and 9.3% less respectively in 2021/2022. Pay gaps are also particularly high for Black people, who are paid on average 7.8% less than White British workers.

One of the key recommendations made in the McGregor-Smith review² is for organisations to publish their data, as well as their long-term, aspirational diversity targets and report against their progress annually. Making this information public will motivate organisations to tackle this issue with the determination and sense of urgency it deserves. Despite making this recommendation several years ago, few employers have committed to the necessary leadership to deliver on this recommendation. ARE hopes that by making pay gap reporting mandatory, employers in the public, private, and voluntary sectors will be encouraged to tackle pay disparities that are identified.

¹ [Action for Race Equality](#)

² [Race in the workplace: The McGregor-Smith Review](#)

ARE believes that the draft guidance on Ethnicity Pay Gap Reporting is a good starting point. We would particularly encourage mandating the publication of narratives and action plans alongside annual Ethnicity Pay Gap Reports, alongside bolstered enforcement measures. We also believe it will be beneficial for employers to include reporting on additional measures to those set out in Gender Pay Gap reporting – primarily, requiring employers to report on their ethnicity and disability breakdown, as well as the measure on the percentage of employees who did not disclose their personal data on their ethnicity and disability. ARE recognises that many Black, Asian, and Mixed Heritage people do not work for employers with staff forces of over 250 people, and so we would also welcome a clear timeline to decrease the employer threshold for reporting. This would also align with the first recommendation made in the McGregor-Smith review, which calls for all businesses and public bodies with more than 50 employees to publish five-year aspirational targets and report against these annually to increase diversity and inclusion throughout organisations.

Despite being a necessary step, we remain concerned that introducing mandatory pay gap reporting will only tackle a small area in which Black, Asian, and Mixed Heritage people experience discrimination and disparities in employment. A much broader action plan and commitment is required to establish equality in employment opportunities and outcomes. This is a concern well illustrated by the gender pay gap reporting, which has had minimal impact on closing the gap in pay disparities.

To inform our response to this consultation, ARE consulted with 12 representatives of ethnic minority staff networks for employers such as governmental departments, city councils, and universities. We also held a webinar with over 60 attendees from various sectors, particularly NHS bodies.

A consistent theme throughout our own extensive consultation was that while Ethnicity Pay Gap reporting is a necessary intervention, concern remains about continuing experiences of discrimination and disparities within the workplace outside of pay. Diverse ethnic representation at senior levels remains low, and stark disparities within appraisals and misconduct processes continue at high levels. Colleagues within the NHS and policing bodies³ report particularly concerning experiences with misconduct processes being used to ostracise⁴ racially minoritised staff. In order to effectively end pay disparities, ARE believes that a broader acknowledgement of the ongoing systemic racism and

³ [Shifting culture: The experiences of Black and racially minoritised officers of the Metropolitan Police misconduct process since the Baroness Casey Review | Criminal Justice Alliance and National Black Police Association](#)

⁴ [Baroness Casey Review | March 2023](#)

discrimination is required, and the mandating of narratives and action plans which explicitly consider discrimination outside of the remit of pay disparities would be beneficial in aiding this.

2. Extending mandatory pay gap reporting to ethnicity and disability

Question 1: Do you agree or disagree that large employers should have to report their ethnicity pay gaps? **Agree**

Introducing mandatory pay gap reporting will help to create transparency on pay disparities experienced by Black, Asian, and Mixed Heritage people. Greater transparency will allow for a clearer understanding of where these disparities are occurring, and with the introduction of action plans, allow for the dismantling of ethnicity pay gaps. ARE recognises that the introduction of mandatory pay gap reporting on only on large employers means that disparities experienced by many Black, Asian, and Mixed Heritage people will not be uncovered, as these groups are frequently more likely to work in small or medium sized businesses and organisations. While the administrative effort may be complex, we would welcome a timeline to introduce pay gap reporting for employers that do not reach the 250-employee threshold, signalling a strong commitment to end the ethnicity pay gap for all.

Question 2: Do you agree or disagree that large employers should have to report their disability pay gaps? **Agree**

3. Geographical scope

Question 3: Do you agree or disagree that ethnicity pay gap reporting should have the same geographical scope as gender pay gap reporting? **Agree**

Applying the same geographical scope is sensible and will provide a consistent understanding of pay disparities within employers already reporting on gender pay gaps.

Question 4: Do you agree or disagree that disability pay gap reporting should have the same geographical scope as gender pay gap reporting? **Agree**

4. Pay gap calculations

Question 5: Do you agree or disagree that employers should report the same 6 measures for ethnicity pay gap reporting as for gender pay gap reporting? **Partially Agree**

Using the same measures as those in gender pay gap reporting will allow for a smooth and coherent transition for employers as they begin to report on ethnicity pay gaps. Including the additional measures on the employer's ethnicity and disability breakdown, as well as the measure on the percentage of employees who did not disclose their personal data on

their ethnicity and disability, is welcomed. These measures align with recommendations made by The Chartered Institute of Personnel and Development⁵ and ShareAction⁶.

Question 6: Do you agree or disagree that employers should report the same 6 measures for disability pay gap reporting as for gender pay gap reporting? **Agree**

Question 7: Do you agree or disagree that large employers should have to report on the ethnic breakdown of their workforce? **Agree**

In reporting the ethnic breakdown of a workforce, employers, employees, and prospective employees will be able to assess performance on recruitment, retention, and promotion. This will enable employers to improve practices and allow employees to make an informed decision about roles which they may apply for.

Question 8: Do you agree or disagree that large employers should have to report on the breakdown of their workforce by disability status? **Agree**

Question 9: Do you agree or disagree that large employers should have to submit data on the percentage of employees who did not state their ethnicity? **Agree**

Requiring employers to reports on the percentage of employees who did not state their ethnicity will allow for a more insightful report on ethnicity pay gaps. Disclosure rates are also a helpful indicator for prospective employees about an employer and its engagement with DEI practices.

Question 10: Do you agree or disagree that large employers should have to submit data on the percentage of employees who did not state their disability status? **Agree**

5. Action Plans

Question 11: Do you agree or disagree that employers should have to produce an action plan about what they are doing to improve workplace equality for ethnic minority employees? **Agree**

Requiring employers to publish an action plan alongside reporting on the ethnicity pay gap is imperative to ending the gap. As with other areas of the introduction of mandatory ethnicity pay gap reporting, such as the geographical scope, it will be beneficial to align the requirements around action plans to the requirements set out for gender pay gap action plans

Question 12: Do you agree or disagree that employers should have to produce an action plan about what they are doing to improve workplace equality for disabled employees? **Agree**

⁵ [Ethnicity pay reporting: a guide for UK employers | CIPD](#)

⁶ [ShareAction | Ethnicity Pay Gap Reporting: An investor briefing and toolkit](#)

6. Additional reporting requirements for public bodies

Question 13: Do you agree or disagree that public bodies should also have to report on pay differences between ethnic groups by grade and/or salary bands? **Agree**

Requiring employers to report on pay disparities within salary bands will be integral to ending disparities. For employers, it will help to highlight where focus needs to be to improve promotion and pay progression for staff members as an urgent matter. It will also enable employees to advocate for pay reviews if gaps are identified. Salary band frameworks are pre-established within public bodies and so we do not anticipate this creating additional reporting burdens.

We think that this requirement should be extended to non-public body employers. If pre-existing salary band structures do not already exist, we hope that this mandate will encourage the establishment of these structures.

Question 14: Do you agree or disagree that public bodies should also have to report on recruitment, retention, and progression by ethnicity? **Agree**

Reporting on recruitment, retention and progression will increase transparency within public bodies by providing improved insight about the experiences of Black, Asian, and Mixed Heritage staff. It will also support staff to hold employers to account if issues are identified in this reporting, ensuring that barriers to equality in recruitment and progression are identified and tackled. We would welcome the inclusion of this reporting requirement for non-public bodies that meet the 'large employer' threshold.

Question 15: If public bodies should have to report on recruitment, retention, and progression by ethnicity, what data do you think they should have to report?

We think the following indicators on recruitment, retention, and progression should be reported on within the annual reporting period:

- Application and appointment rates by ethnicity.
- Retention rates and average length of service by ethnicity.
- Promotion and progression statistics by ethnicity. This should include time taken to progress between salary grades.
- Pay differences between ethnic groups by grade
- If possible, exit interview feedback or reasons for leaving by ethnicity to identify any recurring themes or systemic issues affecting specific groups.

Question 16: Do you agree or disagree that public bodies should have to report on pay differences between disabled and non-disabled employees, by grade and/or salary bands? **Agree**

Question 17: Do you agree or disagree that public bodies should have to report on recruitment, retention, and progression by disability? **Agree**

Question 18: If public bodies have to report on recruitment, retention and progression by disability, what data do you think they should have to report? **Agree**

7. Dates and deadlines

Question 19: Do you agree or disagree that ethnicity pay gap reporting should have the same reporting dates as gender pay gap reporting? **Agree**

Using the same reporting periods as with Gender Pay Gap Reporting will support employers to take a consistent approach to reporting and allow for comparisons between data sets once reported.

Question 20: Do you agree or disagree that disability pay gap reporting should have the same reporting dates as gender pay gap reporting? **Agree**

Question 21: Do you agree or disagree that ethnicity pay gap data should be reported online in a similar way to the gender pay gap service? **Agree**

Using the same reporting mechanism as with Gender Pay Gap Reporting will support employers to take a consistent approach to reporting and allow for comparisons between data sets once reported.

Question 22: Do you agree or disagree that disability pay gap data should be reported online in a similar way to the gender pay gap service? **Agree**

8. Enforcement

Question 23: Do you agree or disagree that ethnicity pay gap reporting should have the same enforcement policy as gender pay gap reporting? **Disagree**

While aligning enforcement policy for ethnicity pay gap reporting to the enforcement policy for gender pay gap reporting is a good idea due to the consistency it will create, ARE believes that the enforcement policy could be further improved.

ARE [remains concerned](#) that the Equality and Human Rights Commission, the body responsible for providing enforcement on equality pay gaps, has been systematically weakened in recent years due to political interference and consistent cuts in funding. We would welcome ring-fenced funding for the EHRC in order to provide effective monitoring and enforcement of reporting against Ethnicity, Disability, and Gender pay gaps.

Additional aid could be part funded through the introduction of a financial penalty for organisations who fail to report. Currently, there is still a proportion of employers who do not meet the requirement to report on the Gender Pay Gap. This places additional administrative burden on the EHRC, as they have to pursue those who fail to report. The introduction of a financial penalty for non-reporting, which increases with each month the

report is delayed by, would help to ease some of the existing burden on the EHRC and provide additional funding for good effective enforcement.

Enforcement could be made more effective by extending the EHRC's power on action plans under Section 22 to the action plans published by employers as part of ethnicity pay gap reporting.

Action for Race Equality would also welcome the inclusion of an annual report on ethnicity and disability pay gaps to be published and considered annually in parliament. This will help to ensure that closing the pay gap remains a priority.

Question 24: Do you agree or disagree that disability pay gap reporting should have the same enforcement policy as gender pay gap reporting? **Agree**

9. Data collection and calculations (ethnicity)

Question 25: Do you agree or disagree that large employers should collect ethnicity data using the GSS harmonised standards for ethnicity? **Agree**

We agree that large employers should collect ethnicity data using the GSS harmonised standards for ethnicity. We believe that when reporting the ethnicity pay gap, employers must use the disaggregated groups as much as possible and not aggregate all data into the categories of White, Mixed, Asian, Black, and Other. This ensures that detailed experiences of specific ethnic groups are not lost.

Question 26: Do you agree or disagree that all large employers should report ethnicity pay gap measures using one of the binary classifications as a minimum? **Agree**

Binary classifications should only be used in the instance of protection individual's information. This should not be seen as an easier alternative for reporting purposes, and data should be aggregated as much as possible while protecting staff information.

Question 27: Do you agree or disagree that there should be at least 10 employees in each ethnic group being reported on? This would avoid disclosing information about individual employees. **Agree**

Having 10 employees as the threshold feels like a sensible level of protection for individual employees' information. If employers do not meet the threshold, this data should still be collected and used internally to understand disparities.

Question 28: Do you agree or disagree that employers should use the ONS guidance on ethnicity data to aggregate ethnic groups? This would help protect their employees' confidentiality. **Agree**

Aggregation should be treated as an option only to protect the detailed information of individual staff members. If aggregation must occur in order to protect staff, then the ONS guidance is sensible and provides a blanket understanding for all employers who will be

reporting on the ethnicity pay gap.

Question 29: Is there anything else you want to tell us about ethnicity pay gap reporting?

No

This evidence submission was authored by Action for Race Equality's Head of Policy, Meka Beresford. For any assistance requiring this consultation response please contact meke@actionforraceequality.org.uk