

PSA TARGET 10 - MAXIMISING POTENTIAL IN THE WORKPLACE

By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.

Revised Technical Note (June 2006)

The original PSA 10 Technical Note (TN) published in July 2004 contained a number of provisional baselines and sub-targets which the Department highlighted would be updated when there was more complete and up-to-date data. This revised Technical Note now contains a number of these planned revisions.

Overall Success Criteria

The PSA 10 target will be judged to have been met in 2008 if three out of four of the sub-targets related to ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace (sub-targets a, b, d and e) are met, while at the same time meeting the flexible labour market target (sub-target c). The PSA 10 target will be judged to have been partly met if two out of four of the sub-targets related to ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace (sub-targets a, b, d and e) are met, while at the same time meeting the flexible labour market target (sub-target c). Outcomes other than these will be deemed a failure to meet the target.

... promote ethnic diversity

Rationale

Over the next ten years, ethnic minorities will account for more than half the growth in the working age population. If racial discrimination continues to inhibit the employment prospects of these groups, economic integration will be retarded and social cohesion further compromised.

There are benefits to society in promoting a more diverse workforce. These include greater fairness and social inclusion, and increased labour market participation. A more inclusive society ensures that more people are able to use their talents and fulfil their potential in work. It provides a stable environment in which businesses can prosper.

Sub-targets

a) Raising the self-employment rate of under-represented ethnic minorities, relative to that of other groups.

b) Reducing the incidence of racial discrimination at work reported by ethnic minority employees¹.

Data sources

a) The gap between the self employment rates of under-represented ethnic minorities and other groups of working age will be measured through a rolling 4-quarters average of Labour Force Survey data.

b) The reduction in the incidence of racial discrimination at work reported by ethnic minority employees will be measured by the DTI's Fair Treatment at Work Survey.

Definitions

Selfemployment: those people who, in their main job, work on their own account, whether or not they have their own employees.

Ethnic minorities: In line with the 2001 Census, the broad classification divides the population into five main ethnic groups - White, Mixed, Asian or Asian British, Black or Black British, Chinese and Other. For the purposes of monitoring the PSA target anyone who is not defined as White² will be considered to be an ethnic minority.

Under-represented ethnic minorities: Those ethnic minority groups which have the lowest self-employment rates (identified using the 2001 Census and Labour Force Survey data). These are Mixed White and Black Caribbean, Mixed White and Black African, Mixed White and Asian, Other Mixed; Bangladeshi, Other Asian, Black Caribbean, Black African, Black Other, and Other Ethnic Groups, based on the 2001 Census classification.

Working age: Men aged 16 to 64 and women aged 16 to 59.

Employees: Those who, in their main job, are in paid employment but who do not work on their own account, do not work unpaid for a family business and are not on a government-supported training scheme.

Racial discrimination: Discrimination (either direct or indirect), harassment or victimisation on the basis of a person's race or ethnic group, nationality or colour of skin.

Timing

¹ This also covers recruitment to the workplace.

² According to the 2001 Census, 92.1% of the UK population were classed as White.

a) Data on self-employment by ethnicity is available each quarter from Labour Force Survey microdata. It is available within three months of the end of the period in question.

b) The Fair Treatment at Work Survey 2005 provides the baseline for reported racial discrimination by ethnic minorities. The next survey is expected in 2008.

Territorial scope

a) Self-employment (Small Business Service) - England

b) Racial discrimination (DTI, Acas, Employment Tribunals Service) – Great Britain

Success criteria and Baselines

a) A statistically significant increase in the self-employment rate of under-represented ethnic minorities, taking account of the economic cycle, and a statistically significant reduction in the difference between their self-employment rate and the rate for other groups.

Baseline: The original Technical Note proposed that the baseline would be set from the Summer 2004 to Spring 2005 average. These figures have subsequently become available. This revised Technical Note sets the baseline position, which is that the self-employment rate for under-represented ethnic minorities is 5.6 per cent, compared with 9.6 per cent for other groups – a difference of 4 percentage points. The Labour Force Survey data on which this sub-target is measured is a National Statistic, and therefore subject to the quality assurance systems put in place by the Office for National Statistics.

The end-point comparator will be Labour Force Survey data for the period April 2007 to March 2008. This data should be available in late-2008, although a final assessment against this measure can only be made once the economic cycle has been taken into account. Assessments of the economic cycle are published by HM Treasury in Pre-Budget Reports and Financial Statement and Budget Reports. The final assessment will therefore use the assessment of the economic cycle in the 2008 Budget Report.³

b) A statistically significant reduction in the incidence of racial discrimination at work as reported by ethnic minority employees⁴.

³ The assessment will involve looking back to the same point in the previous cycle, as benchmarked in the 2008 Budget Report, and testing whether there has been a significant change in the measure of the self-employment rate gap between these points.

⁴ The 95% confidence interval implies that the incidence of racial discrimination at work would need to fall by 1.8 percentage points for a statistically significant reduction. At 10% the fall would need to be 1.5 percentage points.

Baseline: the Fair Treatment at Work Survey 2005⁵ found that 4.0% of non-white employees in Great Britain said they had experienced racial discrimination at work in the last two years.

The final assessment will be made using the next Fair Treatment at Work Survey, expected 2008.

Supporting information

DTI have agreed with the Department for Work and Pensions (DWP) that it will promote a diverse workforce and contribute to their ethnic minority employment rate target primarily through raising the self-employment rate of under-represented ethnic minorities relative to other groups, and tackling racial discrimination in the labour market more effectively.

Consultation with the Commission for Racial Equality has shown support for this approach.

DTI has completed research looking at different forms of discrimination in the workplace. These include the Fair Treatment at Work Survey and research into the experience of claimants in Race Relations Act cases at Employment Tribunals. A further study provided documentary analysis of 150 judgments in Employment Tribunal race cases, as well as the claim and response forms submitted by the parties.

This PSA forms part of the Government wide Community Cohesion and Race Equality strategy.

In addition to this PSA, SR2004 includes PSA targets for DWP to:

Over the three years to Spring 2008, and taking account of the economic cycle:

- demonstrate progress on increasing the employment rate;
- increase the employment rate of disadvantaged groups (lone parents, ethnic minorities, people aged 50 or over, those with the lowest qualifications and those living in the Local Authority wards with the poorest initial labour market position); and
- significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate (DWP PSA 2).

In addition to these three PSAs, there are six other PSAs where departments will monitor progress in tackling race inequalities. Details can be found in the Technical Note to the Home Office's PSA 7.

⁵ 'Fair Treatment at Work Survey 2005: executive summary'. Heidi Grainger and Grant Fitzner, DTI ERRS series No.63, June 2006.

... while maintaining a flexible labour market

Rationale

We favour laws and regulations in the workplace that provide decent minimum employment standards but are sensitive to business conditions – maintaining the labour market flexibility that business requires, and which many workers prefer.

An efficient and flexible labour market is one that creates jobs, increases competitiveness and raises productivity. New policies, programmes and regulations should meet the 12 key principles for intervention in the labour market that were announced in Budget 2003.

Sub-targets

c) Maintain and improve the overall level of UK labour market flexibility.

Data sources

c) The development of data sources to measure flexibility is ongoing. The department are commissioning research extending the UK and regional aggregate labour market flexibility indicators developed by Dr Vassilis Monastiriotis at Royal Holloway.⁶ Results will be available by Autumn 2006, providing an annual time series, which will assist in tracking progress. The aggregate index is composed of three elements: (1) production function flexibility, which includes labour-input flexibility and is proxied by indicators reflecting internal, external, numerical and functional flexibility; (2) labour cost flexibility which includes wage flexibility, unemployment flexibility, and union flexibility; and (3) supply-side flexibility which includes, for example, indicators of labour mobility. For a more detailed breakdown of indicators see paper detailed in footnote 7. The index will be subject to a range of external scrutiny: an external research paper will be published; a seminar will be presented; and the DTI's Advisory Forum of the Impact of Employment Policies (a body containing experts including labour market economists) will discuss the index and its development.

Definitions

Labour market flexibility: One that has the ability to adjust to changing economic conditions in a way that maintains high employment, low inflation and unemployment, and continued growth in real incomes.

⁶ See V. Monastiriotis, A panel of regional indicators of labour market flexibility: the UK, 1979-1998 (forthcoming in the DTI Economic Papers series). Available online at: <http://www.dti.gov.uk/er/emar/monastiriotis.pdf>

Timing

c) The precise end-date for assessing this target will be refined, by introducing a trajectory and medium-term target, once the updated and extended annual time series is available, and agreement has been reached with HM Treasury.

Territorial scope

c) Labour market flexibility indicator (DTI) – Great Britain.

Success criteria

c) Maintenance and improvement in the overall level of labour market flexibility. Further detail on how the target will be assessed using the basket of indicators identified as part of this research – including baselines and the level of improvement targeted – will be agreed with HM Treasury following completion of the project, following which this Technical Note will be updated.

...promote cooperative employment relations and greater choice and commitment in the workplace

Rationale

While the UK has some of the best leaders and managers in Europe, overall it suffers from the slow adoption of modern management techniques and ways of working that are tailored to organisational needs.

In order to help UK businesses move up the value chain and maximise the potential of their employees, we want to encourage a workplace culture that engages employee participation and commitment, encourages innovation, makes better use of the supply of skilled workers, and leads to improved productivity and performance. We also want to ensure that employees are well informed about their employment rights and entitlements.

Sub-targets

d) There is a statistically significant increase in the number of employees that have information and consultation procedures.

e) There is a statistically significant increase in the number of economically active people of working age who feel well or very well informed about their rights at work.

Data sources

d) The number of employees that have information and consultation procedures will be measured using the 'Workplace Employment Relations Survey' (WERS). The WERS survey is jointly sponsored by the Department of Trade and Industry, the Advisory Conciliation and Arbitration Service (Acas), the Economic and Social Research Council and the Policy Studies Institute. It is an internationally acclaimed survey, following earlier surveys conducted in 1980, 1984, 1990 and 1998. Comprehensive systems are in place to ensure the quality of the design and validation of the survey.

The original Technical Note set a provisional baseline using data from WERS 1998, but noted that this baseline figure would be updated when WERS 2004 data became available, as this data would better reflect the position at the outset of the PSA period, and would also enable the target to track the impact of several new policy developments over the Spending Review period. The WERS 2004 data are now available in this revised Technical Note.

e) The number of economically active people of working age who feel well or very well informed about their rights at work will be measured using the 'Awareness, Knowledge and Exercise of Individual Employment Rights' surveys. The original Technical Note had a provisional baseline from a survey conducted in 2000 of 1,000 individuals who are economically active. (See Meagre N., Tyers C., Perryman S., Rick J. and Willison R. (2002) Awareness, knowledge and exercise of individual employment rights Employment Relations Research Series No 15, Department of Trade and Industry.) It noted a repeat survey was being considered, and the baseline would be updated accordingly. This revised Technical Note updates the baseline using the 2005 follow-up survey⁷. The 2005 survey employed face-to-face interview techniques, resulting in a significantly higher response rate than in the previous survey, hence the results are not directly comparable with the 2000 survey.

Definitions

Information and consultation procedures: The existence of a committee of managers and employees primarily concerned with consultation rather than negotiation, that meets at least twice a year, as reported by employers⁸.

Economically active: Those who are either in employment or unemployed and looking for work.

Timing

7 'Employment Rights at Work: Survey of Employees 2005', Jo Casebourne, Jo Regan, Fiona Neathey and Siobhan Tuohy, DTI ERRS series No.51.

8 The legislation implementing the EC Directive on Informing and Consulting Employees does not spell out the method, subjects, timing or frequency of I&C arrangements. As such the measure of I&C chosen in PSA 10 is only one possible example of arrangements that might occur. The Department will monitor a broad range of I&C procedures to help evaluate how it is developing.

d) A final assessment will be made using data from the next WERS⁹, expected to be in 2010, but an interim assessment of progress will be made in 2007 using data from another survey, the next Work-Life Balance Survey (WLB3).

e) A final assessment will be made using data from the next Awareness survey, planned for 2008.

Territorial scope

Great Britain.

Success criteria

d). A statistically significant increase in the percentage of employees in workplaces with 25 or more employees who have a formal joint consultation committee that meets at least twice a year.

Baseline from WERS 2004: 43.0%

Target for a statistically significant increase: 48%¹⁰. Progress will be assessed using the next Work-Life Balance Employer Survey (due in 2007) and a final assessment will be made using WERS 2010.

e) Increase the number of economically active people who feel well or very well informed about their rights at work.

Baseline from 2005 Awareness survey: 65%

Target for a statistically significant increase: 69%¹¹. A final assessment will be made using the next Awareness survey, planned for 2008.

9 Large scale surveys such as WERS are resource intensive in preparation, consequently DTI judges that conducting a WERS at the end of PSA period in 2008 would divert resources away from the department's efforts in this area. However, the Work-Life Balance Survey and the subsequent WERS in 2010 should give a clear assessment of the target.

10 We assume that the estimate of the final sub-target will be drawn from a survey that offers the same degree of precision as for the baseline estimate, i.e. the same number of observations (1626) and the same design effect. The 5% confidence interval implies the final estimate will need to increase by 5 percentage points for the difference from the baseline to be significantly different from zero.

11 We assume the estimate of the final sub-target will be drawn from a similar size sample as in the original 2005 survey (around 1000 people). The 5% confidence interval implies the final estimate will need to increase by 3.5 percentage points for the difference to be significant (rounded to 4 percentage points).