



# Ethnic Minorities and the Labour Market

## Final Report

March 2003



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## FOREWORD BY THE PRIME MINISTER

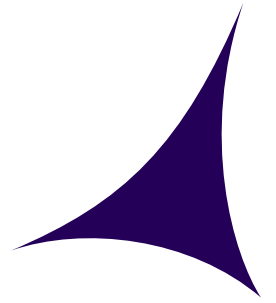


In recent decades Britain has become a much more ethnically-diverse country. Some ethnic minority groups have done increasingly well, not only in the education system but also in the labour market. These changes have brought widespread benefits to the nation's culture, economy and society.

Nevertheless, despite the marked progress made by some, too many members of ethnic minority communities are still being left behind. Even those individuals who achieve academic success do not necessarily reap the rewards in the workplace that their qualifications merit.

This is why I asked the Strategy Unit to look into the labour market achievements of ethnic minorities and to recommend action to tackle the barriers they face. Their report reaches some fundamentally different conclusions from previous work:

- though it is nearly 40 years since the first Race Relations Act, it is clear that racial discrimination in the labour market still persists. This problem needs to be tackled in much more sophisticated ways that address underlying causes and gain the support of a larger number of employers;
- whereas in previous decades the Government's approach emphasised the social and civic dimensions of integration, future policy needs to give as much emphasis to the economic aspects;
- the experiences of different ethnic minority groups now vary very widely. For some groups the most important barriers to achievement are poor schooling; for others the critical issues are lack of residential mobility or inadequate transport links; for others still, the challenge is to much more actively engage with institutions, like schools, which have most to offer in opening up opportunities;



- it follows that Government can no longer apply the same policies across the board. Instead we need a much more fine-grained approach with interventions tailored to meeting the different needs of particular groups.

Building on this fresh and innovative framework, the report sets out the goal that, in ten years' time, ethnic minority groups should no longer face disproportionate barriers to accessing and realising opportunities for achievement in the labour market. I believe that this is a demanding goal but an achievable and crucial one if we are to build a more inclusive country in which everyone can realise their full potential.

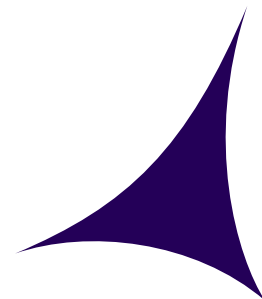
I strongly welcome this report and the Government has accepted all its conclusions. These will now be implemented as Government policy and will, in time, contribute not only to the cohesion of our society but also to the prosperity of our economy.

Tony Blair

## EXECUTIVE SUMMARY

### *Key points*

- Ethnic minorities currently make up 8 per cent of the UK population. Between 1999 and 2009, they will account for half the growth in the working-age population.
- Making the best use of their energy and talent will be a major challenge for Government and employers, as well as for ethnic minorities themselves.
- Currently, there are wide variations in the labour market achievements of different ethnic minority groups.
- Indians and Chinese are, on average, doing well and often out-performing Whites in schools and in the labour market. Their success shows that there are no insuperable barriers to successful economic and social integration.
- However, other groups are doing less well. Pakistanis, Bangladeshis and Black Caribbeans experience, on average, significantly higher unemployment and lower earnings than Whites. This brings not only economic costs but also potential threats to social cohesion. Improving performance in schools and in the labour market for these groups is a major priority for Government.
- Significantly, the evidence in this report shows that all ethnic minority groups – even those enjoying relative success, such as the Indians and Chinese – are not doing as well as they should be, given their education and other characteristics. Government needs to establish a new framework for action.
- This report sets out a fresh approach which goes beyond traditional anti-discrimination policies to address the many factors that can stand in the way of success in jobs and careers, including targeted action on schools, jobs, housing and discrimination. It shows that economic integration is a vital component of broader social and civic integration. Action to improve the achievement of ethnic minorities can offer a double dividend of higher economic growth and stronger social cohesion.
- The specific policy measures fall into four categories:
  - action to improve the employability of ethnic minorities by raising levels of educational attainment and skills;
  - action to connect ethnic minorities with work by reforming existing employment programmes, tackling specific barriers to work in deprived areas, like poor transport, and promoting self-employment;



- action to promote equal opportunities in the workplace through better advice and support to employers, and through more effective use of levers such as public procurement; and
  - action on delivery led by a Minister in charge of a cross-departmental Task Force comprising relevant Ministers, senior officials and key external stakeholders, reporting through the Secretary of State for Work and Pensions to the Cabinet Committee on Economic Affairs, Productivity and Competitiveness.
- The aim is to ensure that ethnic minorities do not face barriers to achievement. In ten years' time, ethnic minority groups living in Britain should no longer face disproportionate barriers to accessing and realising opportunities for achievement in the labour market.
  - Progress will be measured by: increased employment rates and earnings; improvements in the career profiles of ethnic minorities; improved national economic performance; and greater social cohesion.
  - This will depend on concrete progress in a range of tasks such as: raising the educational attainment rates of low attaining groups to the level of high attaining groups; more sustainable jobs for ethnic minority users of the Jobcentre Plus service; and enhanced awareness and take-up of equal opportunities strategies by employers.
  - Government and its agencies bear much of the responsibility for implementing this strategy. However, this report makes clear that responsibility also lies with ethnic minority communities themselves, as well as with private employers and public institutions.

***On average, ethnic minorities are disadvantaged in the labour market relative to their White counterparts***

Employment rates amongst almost all ethnic minority groups are lower than those of the White population.<sup>1</sup> With the important exception of Indians, earnings and progression in work are also persistently lower. Critically, these gaps are not closing.

***However, this hides enormous variations: the old picture of White success and ethnic minority underachievement is now out of date***

Over the last three decades, some ethnic minorities in the UK have done very well. On the measures of employment, earnings and progression within work, there is a clear

pattern of Indians on a par with, or out-performing, not just other ethnic minorities, but often Whites as well. This pattern is also reflected in educational achievement, strengthening chances of long-term labour market success.

***Nonetheless, all ethnic minorities, including these “successful” groups, are not doing as well as they could be***

There are important and worrying disparities in the labour market performance of ethnic minorities and Whites that are not attributable to different levels of education and skills. The persistence of workplace discrimination is an important reason for this. Limited access to job and social networks is also critical, and subtle in its impact.

<sup>1</sup> For a glossary of key terms, including 'ethnic minority' and 'White', see Annex 3.

### ***Failure to make the most of the potential of ethnic minorities has an impact on the UK's economic performance***

With ethnic minorities set to account for more than half of the growth of the working-age population over the next decade, failure to tackle the problems of labour market underachievement will have increasingly serious economic consequences.

Low employment rates for particular ethnic minority groups hold back economic growth, particularly in the context of full employment and skills shortages. For example, if the employment rates of Pakistanis matched those of their Indian counterparts, the proportion of male and female workers in this group would rise by 24 and 136 per cent respectively, an increase of some 96,000 people in work. Similarly, if the employment rates of the Black, Pakistani and Bangladeshi groups matched those of their Indian counterparts, the British workforce would grow by over 180,000 people.

Labour market disadvantage also has potential social costs. Lack of achievement in the labour market feeds social exclusion, damaging relations between ethnic groups in Britain and putting social cohesion at risk.

### ***However, the nature and extent of this disadvantage varies widely, between and within different ethnic minority groups***

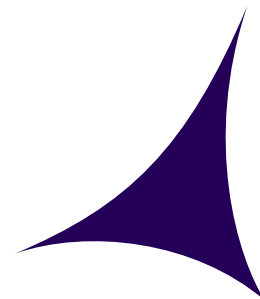
The position of ethnic minorities is now much more complex than in previous decades, going back to the 1960s. There are significant differences, for example, between the different Asian groups, with Indians having higher employment rates and

occupational achievement than Pakistanis and Bangladeshis, as well as much higher participation rates amongst women. The patterns of disadvantage amongst the Black population are different again. Whilst there are only small differences in average pay and occupational achievement between the Black African group and Whites, the Black Caribbean group is significantly disadvantaged in comparison.

Distinctions within ethnic minority groups also shape outcomes in the labour market. Gender, generation and geography play key roles. In the case of gender, many Asian groups are characterised by low participation rates among women, something that is reversed in the case of the Black Caribbean population. First-generation immigrants among ethnic minorities often do less well in the labour market than their children. Finally, settlement patterns that have taken some groups to certain parts of the country, for example, heavy Pakistani concentrations in the Midlands and the North, have also influenced employment outcomes.

### ***The reasons for labour market disadvantage are no less varied***

There is no single cause of this pattern of labour market disadvantage. The class backgrounds of different ethnic minorities, culture and family patterns all play a part. Educational underachievement is both a symptom of these factors and an important cause factor in its own right. The proportion of pupils who get five or more GCSE grades at A\*-C is much lower amongst Black, Pakistani and Bangladeshi pupils, especially boys, than amongst Whites – although Indian attainment at GCSE level is actually higher than the White population. However, even when differences in educational attainment are accounted for, ethnic minorities still



experience significant labour market disadvantages.

In general, ethnic minorities, including Indians, do not get the jobs that their qualification levels justify.

There are various reasons for this. In some cases, ethnic minority groups are concentrated in areas of deprivation. These areas contain barriers, such as poor public transport and isolation in areas with high proportions of workless households, that may disproportionately affect ethnic minorities.

However, there is also strong evidence that discrimination plays a significant role. Whilst equal opportunities legislation has had some success in combating overt discrimination and harassment, indirect discrimination<sup>2</sup>, where policies or practices have the inadvertent result of systematically disadvantaging ethnic minorities, remains a problem.

### ***This report sets out a strategy for raising the labour market achievements of ethnic minorities***

The objective of this strategy is that, in ten years' time, ethnic minority groups living in Britain should not face disproportionate barriers to accessing and realising opportunities for achievement in the labour market. To achieve this objective, the strategy:

- takes account of the wide variation in the extent, nature and causes of labour market disadvantage between and within different ethnic groups;
- ensures that progress is measured and monitored;

- builds on existing policies, often through modest but innovative changes, to ensure that ethnic minorities' labour market achievements are delivered by mainstream policies and programmes that are more responsive to their users' needs; and
- recognises that, outside Government, there are responsibilities for ethnic minority communities themselves, particularly in areas such as relationships between schools and communities.

### ***The strategy is designed to ensure more targeted responses to a complex reality***

The complexity and variability of the labour market position of different ethnic minorities means that generic solutions will often be inappropriate. Instead, this strategy has been designed to allow for much more targeted action to meet the different needs of different groups. In some cases, the priority may be to engage parents more in schools; in some, it may be access to more flexible employment programmes or business advice; in others, the priority may be to tackle limited awareness among particular employers.

### ***The strategy focuses on four key areas: education, employment, equal opportunities and delivery***

The strategy focuses on:

- improving the employability of ethnic minorities;
- improving the connection of ethnic minorities with work;
- promoting equal opportunities; and
- delivering change through reform of Government structures.

<sup>2</sup> See: Annex 3 for definitions.



### ***Practical measures are needed to raise the educational attainment of ethnic minority pupils...***

High achievement at school is critical to successful labour market performance. However, despite the very strong performance of some ethnic minority groups at school, others persistently fall behind. This report:

- proposes including ethnicity in current educational targets to prevent continued stagnation in GCSE attainment by under-attaining groups;
- recommends greater transparency in data on attainment between ethnic groups;
- puts forward measures for giving schools and teachers more information about better training on successfully teaching a diverse intake of pupils. These include ensuring that best practice is effectively promoted and used;
- sets out how funding and school inspection arrangements could be used to improve the educational attainment of ethnic minorities; and
- suggests ways to improve the understanding of ethnic minority attainment issues, through the collection and analysis of new data.

### ***... to connect people with work, particularly in deprived areas...***

Labour market programmes, particularly the New Deal, have been set up to connect people to the workplace by providing information, training and support through personal advisers. However, ethnic minorities are not fully benefiting from some of the New Deal schemes. This report contains practical measures to tackle this, including:

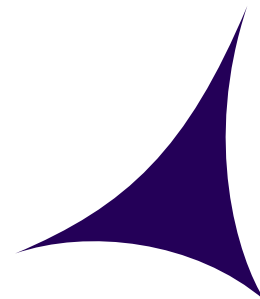
- measures to ensure that mainstream employment programmes “reach out” to ethnic minorities more effectively, for example by revising the Jobcentre Plus Action Plan; and
- proposals to increase the flexibility of New Deal programmes, building upon the successes of innovations such as “tailored pathways” and Employment Zones, which make more explicit use of flexibility and discretion in addressing the needs of ethnic minorities.

Ethnic minorities are disproportionately concentrated in areas of deprivation, which are often characterised by factors that correlate with worklessness – poor education levels, large concentrations of social housing and businesses which struggle to grow. The Neighbourhood Renewal Strategy is already tackling many of these problems. However, this could be built upon by:

- putting in place stronger links between housing, training and employment initiatives. Jobcentre Plus offices, for instance, should be encouraged to work in partnership with social housing providers to promote training and employment opportunities; and
- rolling out the Housing and Employment Mobility Service (HEMS) to promote residential and labour market mobility.

Whilst levels of ethnic minority self-employment are high, ethnic minority businesses often remain small, and have relatively high failure rates. Part of the reason may be that existing business advice services are not reaching them. This report:

- calls for the Small Business Service and Business Link operators to gather more information about ethnic minority businesses, to develop more effective strategies for reaching ethnic minorities; and



- recommends that the Small Business Service increases levels of awareness of its services amongst ethnic minority entrepreneurs, for example by refining at national level the database of ethnic minority entrepreneurs and working in partnership with ethnic minority business associations.

### ***...and to promote equal opportunities within the workplace***

Despite undoubted improvements in race relations and equal opportunities in the workplace over the past three decades, racial discrimination and harassment still occur. Awareness of indirect discrimination is limited amongst some employers. This report:

- calls for an expansion in existing services supporting best practice in equal opportunities to ensure that more employers can deliver equal opportunities in the workplace;
- proposes that Government reviews the best means of tackling systemic workplace discrimination, initially by considering whether to allow Employment Tribunals to make wider recommendations on the causes of discrimination, which go beyond the problems experienced by individual complainants;
- recommends that Government develops guidance for public authorities about using public procurement as a lever to change the employment practices of contractors; and
- supports the need to develop campaigns to promote understanding of equal opportunities in society.

### ***Implementing this policy package will require important changes to Government structures and current ways of working***

To achieve the strategy in this report, Government needs to change the way it addresses ethnic minority needs. Some tasks need to be taken forward urgently by individual departments. Others require greater inter-departmental co-operation.

DWP and DTI already share a PSA target to reduce significantly the difference between ethnic minority employment rates and the overall rate. The priority now is for front-line departments responsible for economic policy in its widest sense - DfES, DTI and DWP – to focus strongly on ethnic minorities. To drive this forward:

- a Task Force, chaired by the Minister for Work, will be established, bringing together officials within Government and key external stakeholders - to help departments work in more co-ordinated ways to deliver improved labour market achievements for ethnic minorities;
- a Ministerial Champion in DWP will report to the Secretary of State for Work and Pensions, who will be accountable to the Cabinet Committee on Economic Affairs, Productivity and Competitiveness; and
- the Task Force will report on its progress annually, with a full review of its effectiveness in implementing the conclusions of this report after three years.

# 1. INTRODUCTION

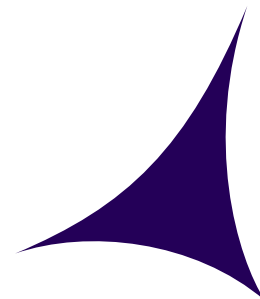
## Summary

- There are wide variations in the labour market achievements of different ethnic minority groups. Some are doing well and often out-performing Whites. Others are doing less well. None are doing as well as they should given their education and other characteristics.
- The aim of this report is:
  - to build a better and shared understanding of ethnic minorities' labour market achievements and their key determinants; and
  - to develop a new policy framework for tackling underachievement with clear and practical measures for improving and delivering improved outcomes in future.

## Origins and objectives of the project

The Prime Minister asked the Strategy Unit to undertake a project on "Improving the labour market achievements of ethnic minorities" in March 2001. A project team began work in September 2001. The team's objective was to develop a strategy, backed up by practical measures, for increasing the participation and achievements of ethnic minorities in the labour market by:

- building a better and shared understanding of current differences in achievements between and within ethnic groups and what causes these differences – drawing on a broad range of existing research;
- assessing the effectiveness of different approaches for increasing the achievements of ethnic groups – examining the impact of existing action by Government and the private and voluntary sectors;
- developing clear and practical measures, building on existing policies and programmes but also adopting new approaches, to address the causes of the differences in labour market achievements; and
- developing a fresh policy framework for tackling the issue of ethnic minority underachievement in the labour market which gives, for example, new emphasis to the importance of economic integration and reflects the different needs of different ethnic minority groups.



## Methods

The project team has addressed these objectives by:

- carrying out a thorough analysis of ethnic minority labour market disadvantage and its causes, covering the full range of demand and supply-side factors that determine labour market outcomes;
- examining what has worked well, what less well, and what gaps remain in provision of services;
- developing policy options in consultation with individuals, communities, employers, Government departments and other stakeholders; and
- developing a coherent strategy that draws together all the key initiatives and stakeholders involved in the labour market achievements of ethnic minorities.

## Evolution of the project

A Scoping Note<sup>3</sup>, prepared in Summer 2001, set a context for the project by emphasising the breadth of the factors impacting on the labour market achievements of ethnic minority groups.

An Interim Analytical Report<sup>4</sup>, published in February 2002, provided a comprehensive and rigorous synthesis of existing research evidence on:

- the comparative labour market achievements and outcomes of ethnic minorities, and how they vary between and within groups;
- how they are changing;

- the key drivers and determinants of those outcomes; and
- the broad implications for policy, including a review of the evidence of the effectiveness of different potential Government interventions.

A key finding was that the labour market experiences of different ethnic minority groups vary widely and that variation within groups was at least as important as variation between them.

## Structure of this report

This report draws together the findings of these earlier papers as well as new work to present a series of policy conclusions, underpinned by a detailed strategy, for improving the labour market achievements of the different ethnic minorities in Britain. Building on the analysis of the Interim Analytical Report, this report introduces policy conclusions in four principal areas:

- building employability – by improving education and skills;
- connecting people with work – by addressing the problems facing individuals in deprived areas;
- achieving equal opportunities in the workplace; and
- delivering change through new Government structures.

<sup>3</sup> The Scoping Note is available on the project web-site at [www.emlm.gov.uk](http://www.emlm.gov.uk)

<sup>4</sup> The Interim Analytical Report is also available at [www.emlm.gov.uk](http://www.emlm.gov.uk). In addition, the 'Ethnic Minorities and the Labour Market' web-site contains a number of working papers commissioned during the course of the project.



The report is structured as follows:

- Chapter 2 summarises the evidence of the trends in and drivers of ethnic minorities' labour market achievements;
- Chapter 3 sets out the future strategy and policy framework;
- Chapters 4-6 set out the practical measures needed to put Britain on the path to realising the strategy; and
- Chapter 7 sets out the action plan for delivering these measures.

## **Regulatory impact assessment**

The conclusions of this report will be taken forward by a number of Government departments. The Strategy Unit has undertaken initial Regulatory Impact Assessments (RIAs) on the conclusions. Each department involved will build on these RIAs.

## **Devolved administrations**

The report's conclusions apply only to UK Government responsibilities. The responsibilities of the devolved administrations are not within the scope of this report, although the devolved administrations have been consulted on the report's strategy.

## 2. PAST TRENDS AND FUTURE PROSPECTS

### *Summary*

- Ethnic minorities currently make up about 8 per cent of the population.<sup>5</sup> But they tend to be clustered in Britain's major cities and conurbations. Over 75 per cent of ethnic minorities live in Greater London, the West Midlands, Yorkshire and Humberside, and the North West and Merseyside.
- Ethnic minorities have a younger age profile than the population as a whole. Because of this, they are projected to account for over half the growth in Britain's working-age population over the next decade.
- Ethnic minorities are disadvantaged in the labour market on a broad range of measures of achievement: employment/unemployment rates; earnings levels; progression/occupational attainment in the workplace; and levels of self-employment. The extent of these disadvantages has fluctuated over time but has not been eliminated.
- The extent and nature of this disadvantage differs significantly by ethnic group. While ethnic minorities are disadvantaged on average, the labour market successes of the Indians and Chinese show that the old picture of White success and ethnic minority under-performance is now out of date.
- Within groups, relative labour market performance varies considerably according to factors such as gender, generation and geography.
- The labour market disadvantage experienced by ethnic minorities has multiple and complex causes. The most important factors are education and skills, the ability to access employment opportunities and discrimination in the workplace.

### ***A detailed analysis and understanding of ethnic minorities' labour market achievements is essential to the development of policy solutions***

The purpose of this chapter is to provide an overview of the current labour market position of ethnic minority groups in Britain. It summarises the research evidence

presented in the Interim Analytical Report and outlines the key causes of persisting labour market disadvantage.<sup>6</sup>

The demographic and economic data presented paint a complex picture of ethnic minority disadvantage and explain why a carefully-nuanced set of policy responses is required to meet the different problems and needs of different ethnic minority groups.

<sup>5</sup> 2001 Census. See: [www.ons.gov.uk/census2001](http://www.ons.gov.uk/census2001).

<sup>6</sup> Strategy Unit, 'Ethnic Minorities and the Labour Market' Interim Analytical Report, 2002, available at [www.emlm.gov.uk](http://www.emlm.gov.uk).

## Britain's ethnic minority population is increasingly important in the labour market

### *A rich history of inward migration*

Throughout its history, Britain's population has been augmented by successive inflows of migrants. Each inflow has made significant contributions to the UK's economic, social and cultural development.

The focus of this report is on Britain's Black and Asian communities. The groups making up this community figured prominently in immigration flows to Britain following the Second World War, but some groups within this ethnic minority population have experienced significant and persistent labour market disadvantage ever since.

Black and Asian immigrants began arriving in Britain from the early- to mid-1950s to take up employment in industries experiencing difficulties in recruiting sufficient labour from the existing population.<sup>7</sup> In 1945, Britain's non-White residents numbered in the low thousands. By 1970, they numbered approximately 1.4 million - a third of these being children born in Britain - and largely descended from the New Commonwealth countries of South Asia, the Caribbean and Africa. In addition, several national crises in East Africa resulted in further inflows of refugees, particularly between 1968 and 1976.

### *Ethnic minorities now make up about 8 per cent of the population*

In 2001, the national Census recorded the United Kingdom's non-White population at

4.6 million, or 7.9 per cent of the total population.<sup>8</sup> In 1991, the figure was 3.1 million, or 5.5 per cent of the total population. That is to say, in 1991, one person in every 18 identified themselves as belonging to an ethnic minority group; by 2001, the figure had increased to just over one in every 12. The majority of today's Black and Asian population are British-born and in some cases are two, or even three, generations removed from their countries of ancestral origin.

Of the 11 individual ethnic minority groups identified in the Labour Force Survey, the Indian population is the most numerous, followed by Black Caribbeans, Pakistanis, Black Africans and Bangladeshis (Figure 2.1). Together, individuals in these five groups comprise just over 70 per cent of the total ethnic minority population.

However, both the available statistics and the language used need to be treated with a degree of caution. For the purposes of determining the size of different ethnic minority groups in Britain, the national Census is by far the most reliable data set. A direct question about ethnic affiliation was asked for the first time in 1991, though the classifications used were not seen to be fully representative of either the complexity of the ethnic composition of Britain or of the changing character of this population. For this reason, establishing the precise size of different ethnic minority groups can be problematic.<sup>9</sup> The 2001 Census, where categories were designed to be more representative of changing ethnic identities in the UK, attempted to address some of these issues.

<sup>7</sup> T. Modood, R. Berthoud *et al.*, *Ethnic Minorities in Britain: Diversity and Disadvantage*, London: Policy Studies Institute, 1997, p.184.

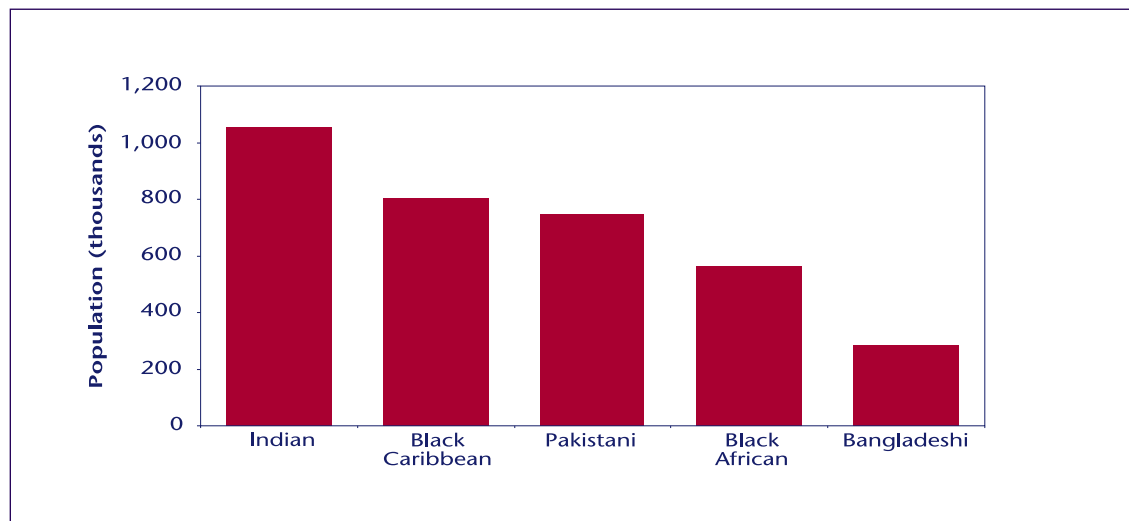
<sup>8</sup> This corresponds very closely with the findings of the 2001/2 Annual Local Area Labour Force Survey, which estimated the UK ethnic minority population to be 4.5 million, or 7.6 per cent of the total population.

<sup>9</sup> Another serious problem is non-completion of forms: in a number of London Boroughs, for example, over 10 per cent of the ethnic minority population represented people whose ethnic group had been imputed. Additionally, there is believed to be a substantial undercount of young Afro-Caribbean men. See D. Owen, *Towards 2001: Ethnic Minorities and the Census*, Centre for Research in Ethnic Relations, 1996; and R. Ballard and V. Kalra, *Ethnic Dimensions of the 1991 Census: a Preliminary Report*, Census Microdata Unit, University of Manchester, 1993.





**Figure 2.1: Population by Ethnic Group, United Kingdom, 2001**



Source: 2001 Census, ONS

The usefulness of the term “ethnic minority” is itself open to question, and often of limited help in summarising the variations that exist between different groups. As this report makes clear, some ethnic minorities face considerably greater labour market disadvantage than others. Others still are remarkable more for the range of inequality within the group than for the difference between their average and either Whites or other ethnic minorities.

By the same token, combining different ethnic minority groups on the basis of geography or skin colour is often equally unhelpful. It is now well established that the overall position of Indians is too far removed from that of Pakistanis and Bangladeshis to cover all three groups under the heading “South Asian”. Similarly, as new evidence about the African community emerges, it is becoming clear that they cannot be combined with Caribbeans under the heading “Black”. As far as possible, crucial distinctions of this sort are retained and the term “ethnic minority” used with these reservations throughout this report.

### *The age structure of the ethnic minority population is relatively young*

Because the immigration of ethnic minority groups is a relatively recent phenomenon, the age structure of these groups is significantly different from the population as a whole. The ethnic minority population is comparatively young: 38 per cent of Bangladeshis and 35 per cent of Pakistanis are under the age of 16, compared with 19 per cent of Whites.<sup>10</sup> In contrast, the White group had the highest proportion of people aged 65 and over at 16 per cent. Nine per cent of Black Caribbeans were aged 65 or over, reflecting the first large-scale migration to Britain back in the 1950s (Table 2.1).

A generally youthful age profile, combined with high birth rates, has resulted in a steadily growing ethnic minority population. By the end of this decade, the proportion of the British working-age population accounted for by ethnic groups is expected to rise from 6.7 per cent to 8 per cent. Strikingly, during the course of the decade, ethnic minorities,

<sup>10</sup> A. Scott, D. Pearce and N. Goldblatt, ‘The Sizes and Characteristics of the Minority Ethnic Populations of Great Britain – latest estimates’, *Population Trends* 105, London: ONS, Autumn 2001, p.11.

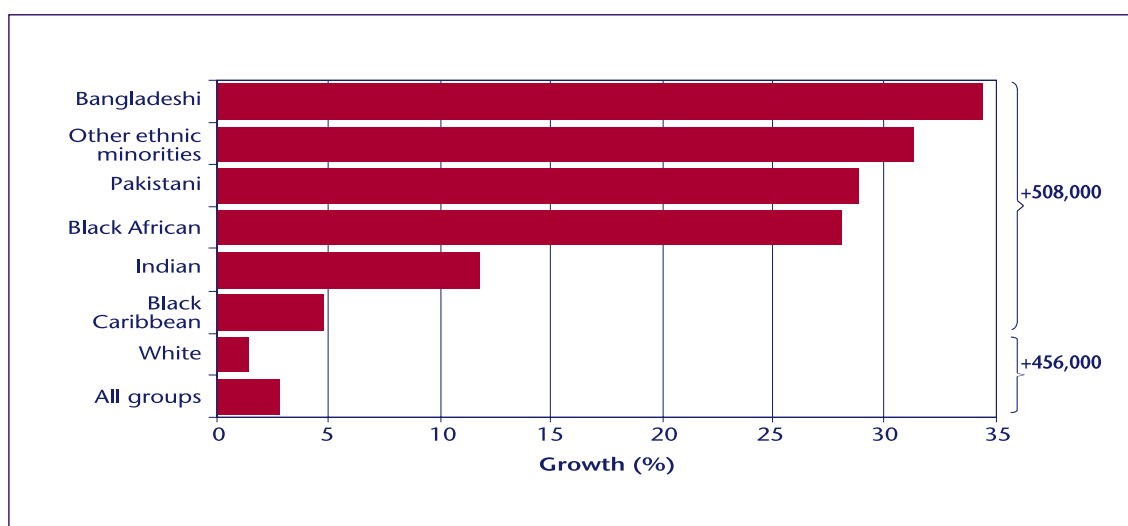


**Table 2.1: Distribution of Ethnic Minority Groups by Age, 2001-02**

	% Under 16	% 16-64	% 65 and over
White	19	65	16
Black Caribbean	25	67	9
Black African	33	66	2
Indian	22	71	6
Pakistani	35	61	4
Bangladeshi	38	58	3

Source: Annual Local Area Labour Force Survey, 2001/02, ONS

**Figure 2.2: Projected Growth in Working-age Population of Ethnic Groups, 1999-2009**



Source: LFS data, cited in D. Owen and A. Green, *Minority Ethnic Participation and Achievements in Education, Training and the Labour Market*, Centre for Research in Ethnic Relations and Institute for Employment Research, University of Warwick, 2000, pp.16-7.

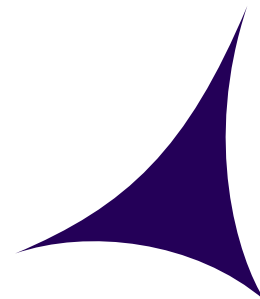
Note: The "Other ethnic minorities" category includes "Black Other", "Chinese" and "Other Asian".

not including new migrants, are projected to account for over half the growth in Britain's working-age population (Figure 2.2).

As the ethnic minority population expands, so the economic and social costs of relative underachievement by this section of society in the labour market will grow.

### ***Ethnic minority groups are unevenly distributed around the country***

Britain's ethnic minority population reflects a settlement pattern first established by large-scale migration in the 1950s and 1960s. These early immigrants tended to settle in Greater London, the Midlands and a number of northern industrial towns and cities:

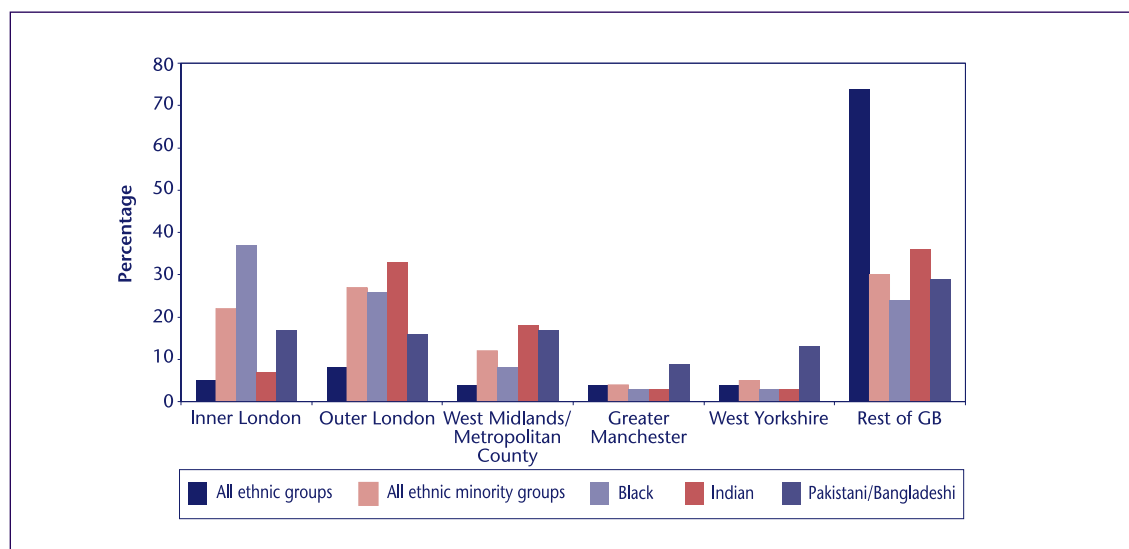


locations generally associated with significant low and semi-skilled opportunities in manufacturing industries, the public services, transportation and some limited self-employment.<sup>11</sup> In the intervening years, there has been a small amount of population drift from large cities to smaller towns and to rural and semi-rural areas. However, Black and Asian people continue to be clustered in Britain's major cities and conurbations.<sup>12</sup>

Just under a half (47.6 per cent) of all ethnic minorities live in Greater London. An eighth (13.6 per cent) live in the West Midlands, and smaller concentrations are found in Yorkshire and Humberside (7.6 per cent) and the North West and Merseyside (6.8 per cent).<sup>13</sup> In contrast, only a tenth of all White people live in Greater London, and

4 per cent in the West Midlands. There are significant differences in the settlement patterns of different minority groups, with the Black population being relatively concentrated in London, while the Pakistani and Bangladeshi groups are more widely dispersed (between them making up the largest ethnic minority community in Scotland, for example). For a more detailed exploration of this distinctive dispersal pattern, see the Interim Analytical Report.<sup>14</sup>

**Figure 2.3: Geographical Distribution of the Ethnic Minority Population by Region, 1999-2000**



Source: 1991 Census of Population; ONS 1991 mid-year population estimates; and LFS, Spring 1999 to Winter 1999-2000

<sup>11</sup> P. Rees and D. Phillips, 'Geographical Spread: the National Picture' in P. Ratcliffe (ed), *Ethnicity in the 1991 Census*, London: HMSO, 1996, pp.23-109. This picture is based on 1991 Census information.

<sup>12</sup> A. Power, *Barriers to Social Housing for Asians*, Report to Bradford City Council, Bradford, June 2001. See also D. Owen and P. Ratcliffe, 'Estimating local change in the population of minority ethnic groups, 1981-1991', Working Paper no. 1, Changing spatial location patterns of ethnic minorities in Great Britain, 1981-1991 project, Centre for Research in Ethnic Relations, Coventry: CRER, 1996.

<sup>13</sup> Ibid.

<sup>14</sup> Interim Analytical Report, Chapters 2 and 3. See: [www.emlm.gov.uk](http://www.emlm.gov.uk).

## Ethnic minorities' labour market attainment is comparatively poor on all the main measures

Ethnic minorities' labour market achievements can be measured using four key indicators:

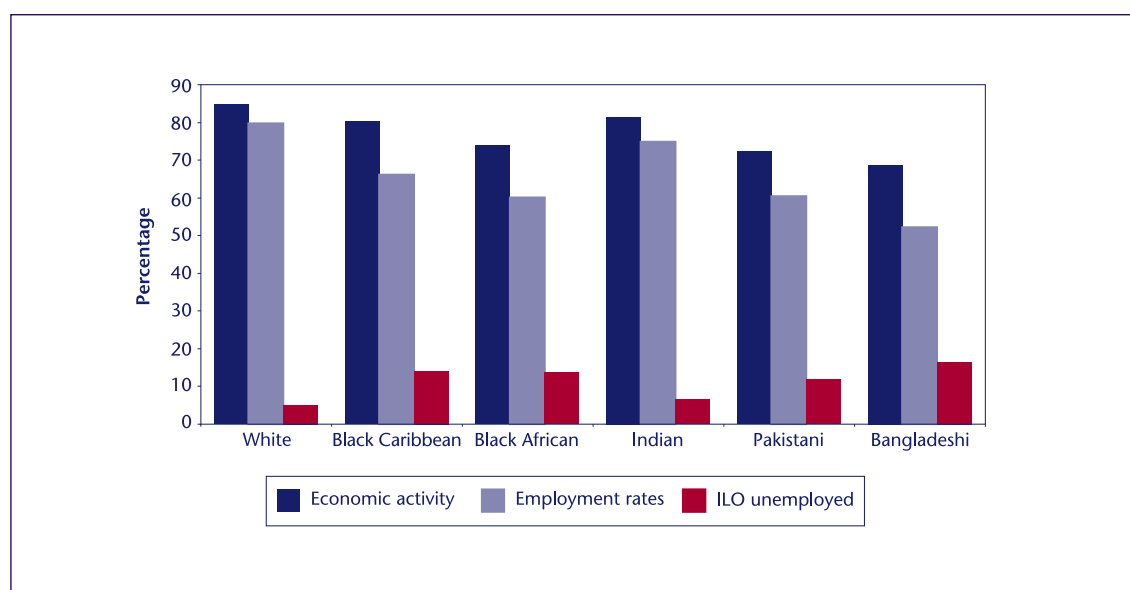
- employment/unemployment rates;
- earnings levels;
- occupational attainment/progression in the workplace; and
- levels of self-employment.

Ethnic minorities are generally disadvantaged on all four indicators, though there are significant differences between and within different ethnic groups.

## Employment rates across most ethnic minority groups are relatively low

Britain's ethnic minorities have consistently experienced unemployment rates twice those of Whites.<sup>15</sup> But within this overall picture, significant differences exist between ethnic minority groups. For instance, nationally there are low rates of economic activity and employment among Bangladeshis and Pakistanis, but high levels of economic activity and employment among Black Caribbeans.

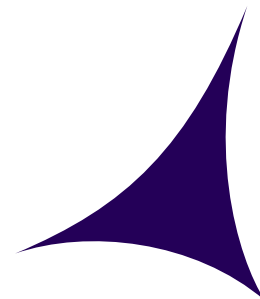
**Figure 2.4: Economic Activity, Employment Rates and ILO Unemployment Rates of Men in Britain, 2000<sup>16</sup>**



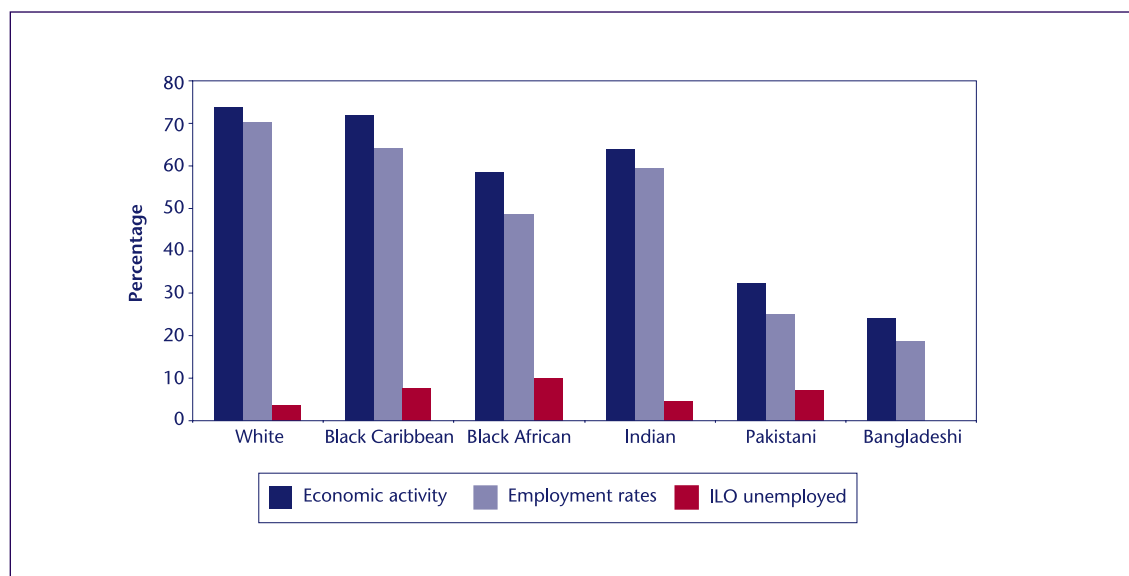
Source: LFS, Spring-Winter 2000

<sup>15</sup> D. Leslie *et al.* (eds), *An Investigation of Racial Discrimination*, Manchester: Manchester University Press, 1998, pp.80-107.

<sup>16</sup> The economically active are defined as the active population who are either in employment or ILO unemployed. The economically inactive are defined as people who are out of work, but do not satisfy all the criteria for ILO unemployment, such as those in retirement and those who are not actively seeking work.



**Figure 2.5: Economic Activity, Employment and ILO Unemployment Rates of Women in Britain, 2000**



Source: LFS, Spring-Winter 2000

Note: Sample sizes for Bangladeshi unemployment are too small to be included.

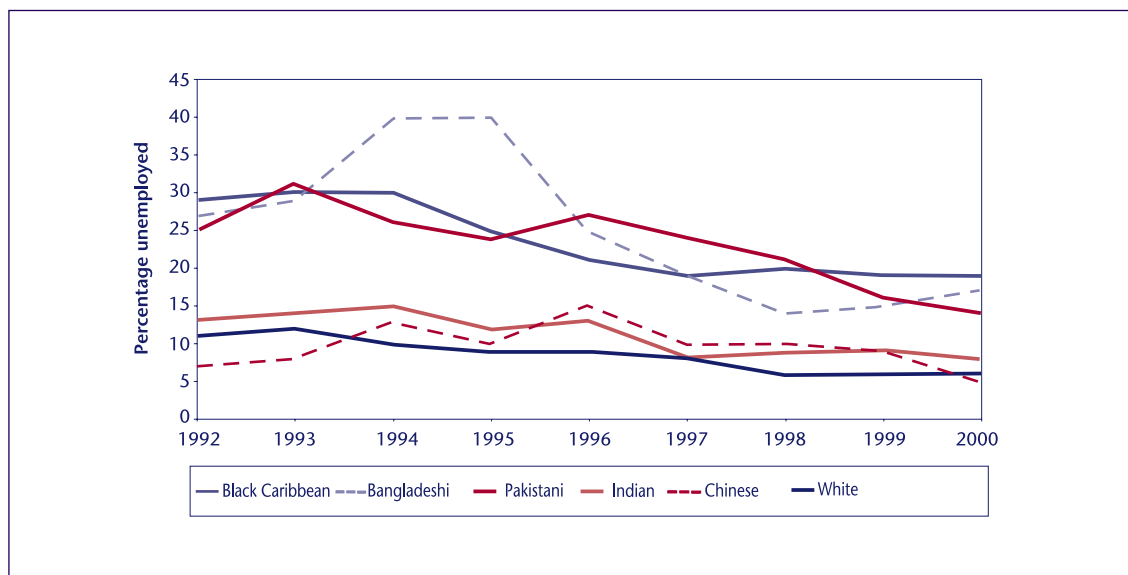
***Differences in unemployment rates have fluctuated over time, but have not been eliminated***

Figure 2.6 shows that, with the exception of Indian and Chinese adult men, very high rates of unemployment have persisted for ethnic minority groups over a long time:

- In 1992, the unemployment rate of Bangladeshi, Pakistani and Black Caribbean men was 15-20 percentage points higher than that of their White counterparts.

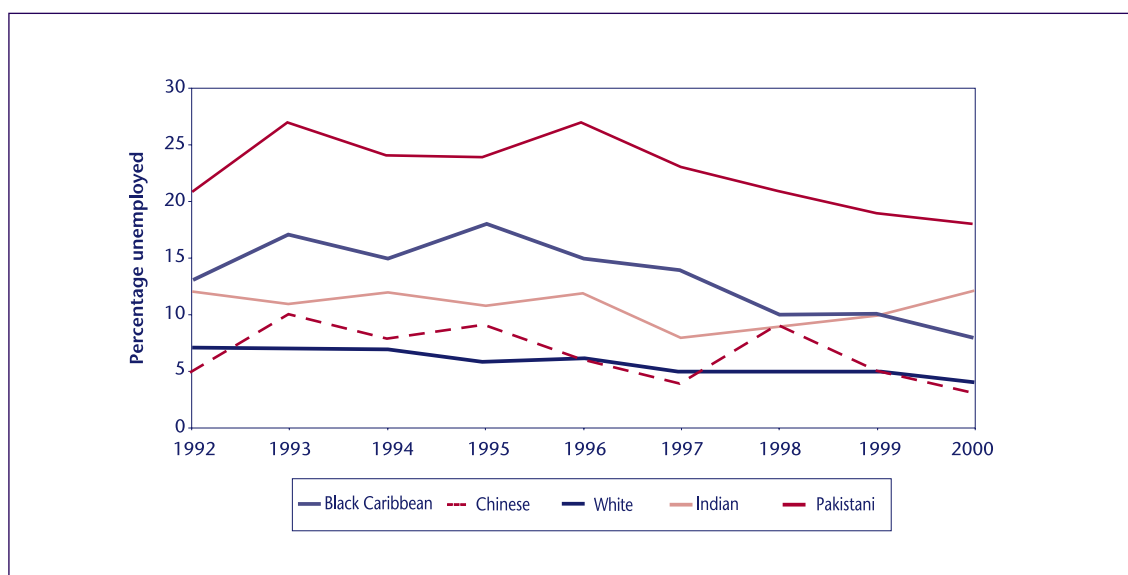
- By 2000, though the scale of this disparity had decreased, a difference of approximately 10-15 percentage points remained.

Unemployment levels fell sharply for all groups during the 1990s. Despite this, the overall employment position of ethnic minorities at the end of the decade generally remained considerably worse than that of the White population. Figure 2.7 shows that similar differentials exist for ethnic minority women.

**Figure 2.6: Unemployment Rate of Men in Britain, 1992-2000**

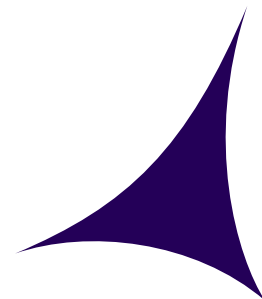
Source: LFS, 1992-2000

Notes: (i) Sample is of economically active respondents; (ii) ILO definition of unemployment.

**Figure 2.7: Unemployment Rate of Women in Britain, 1992-2000**

Source: LFS, 1992-2000

Notes: (i) Sample is of economically active respondents; (ii) ILO definition of unemployment.



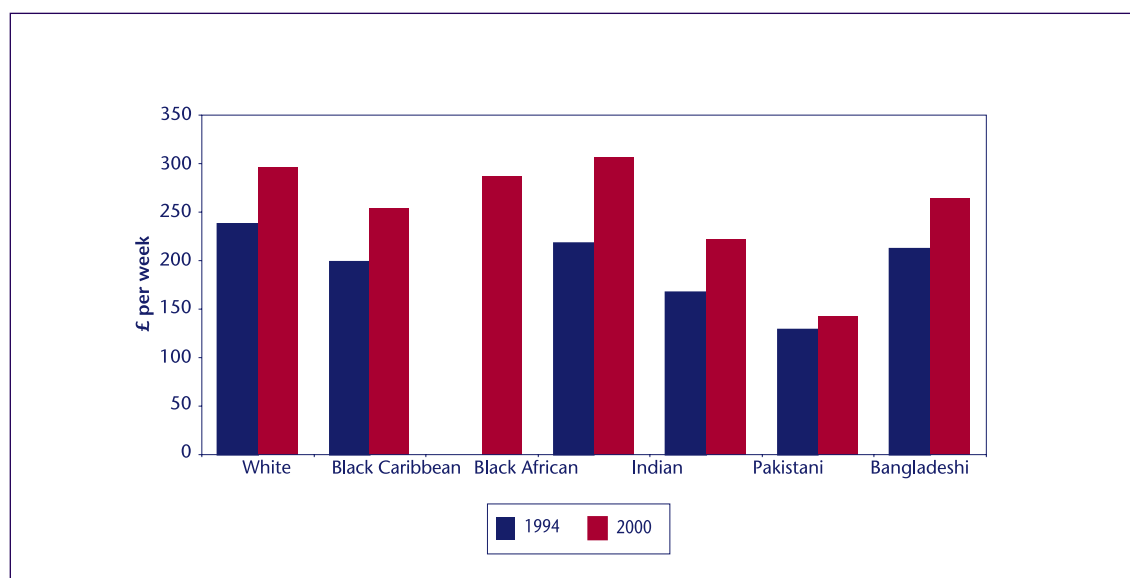
### ***There are also clear differences in wage levels between ethnic minorities and their White counterparts***

Figure 2.8 shows that, in gross terms, there are significant differences in average weekly earnings levels between some ethnic minority groups and their White counterparts. In 1994, average earnings for men in all ethnic minority groups were lower than for their White counterparts. With the exception of Indian men, this was true for 2000 as well. There are also significant differences between ethnic groups:

- In 1994 and 2000, Bangladeshi men were the most disadvantaged group, their average weekly net earnings being between 45 and 52 per cent below those of their White counterparts (£109 less in 1994 and £155 less in 2000).
- Over this period, Indian men were least disadvantaged, earning 8 per cent less than Whites in 1994, but 3 per cent more by 2000 (£20 less in 1994 and £10 more in 2000).

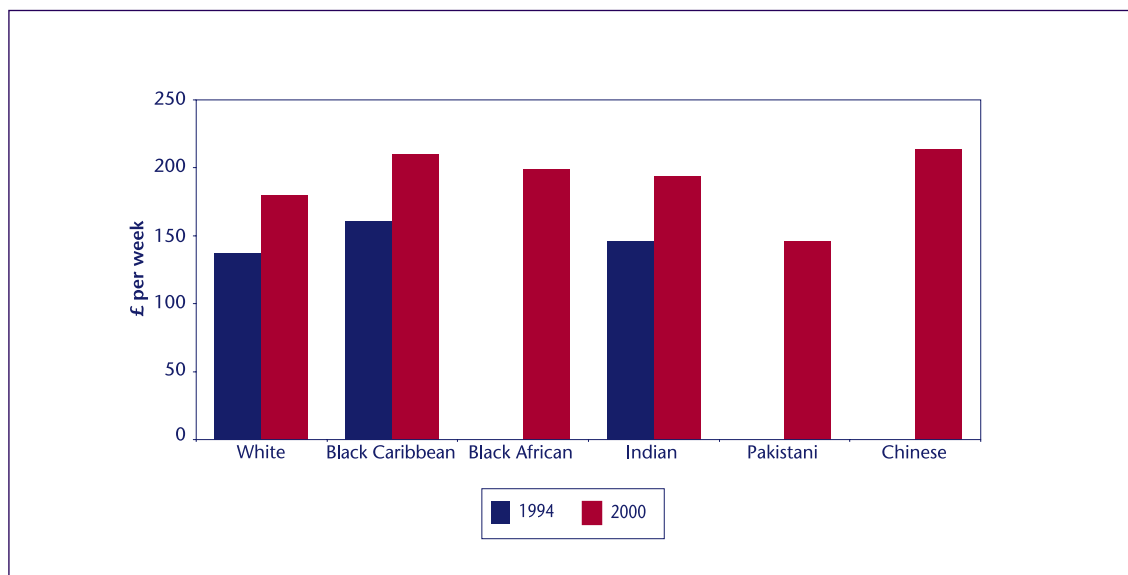
Whilst a quarter of White households have incomes at or below the national average, four-fifths of Pakistani and Bangladeshi households and approximately two-fifths of other ethnic minority households are at this level.

**Figure 2.8: Average Net Weekly Pay of men in Main Job, in Britain, 1994-2000**



Source: LFS, 1994-2000, weighted data

Notes: (i) Respondents aged 64 or younger; (ii) Question asked of employees only; (iii) Sample sizes for Black African (1994) net weekly pay are too small to be accurate and are excluded.

**Figure 2.9: Average Net Weekly Pay of women in Main Job, in Britain, 1994-2000**

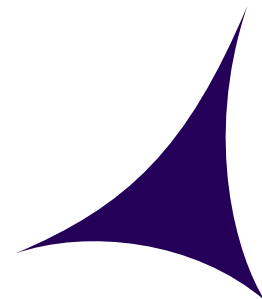
Source: LFS, 1994-2000, weighted data

Notes: (i) Respondents aged 64 or younger; (ii) Question asked of employees only; (iii) Sample sizes for Black African (1994), Pakistani (1994) and Chinese (1994) net weekly pay are too small to be accurate and are excluded.

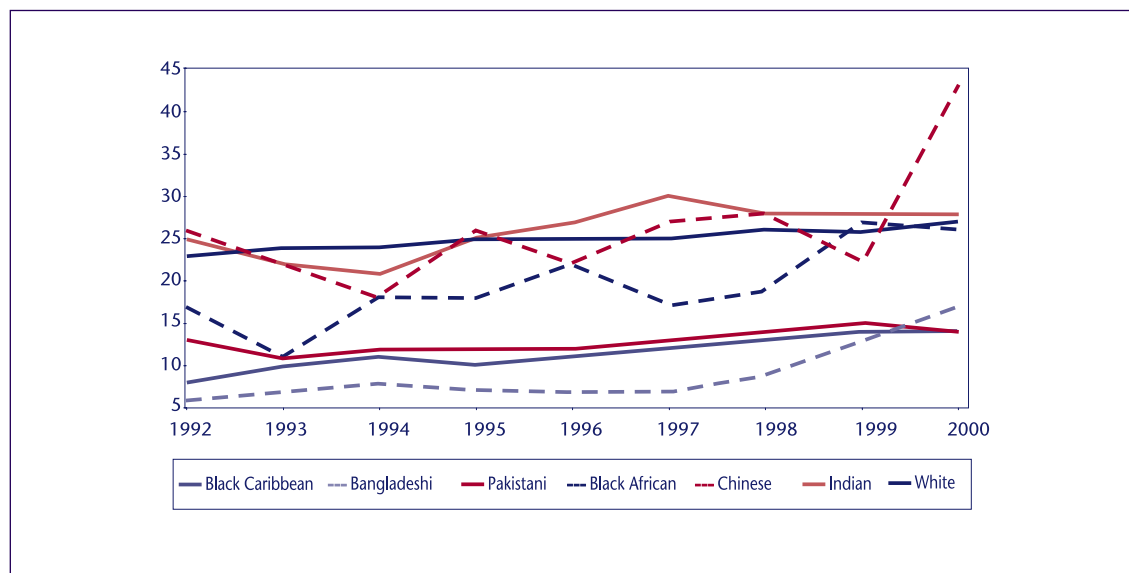
***Occupational attainment, or progression in the workplace, is another key measure of labour market achievement***

Figure 2.10 shows that there has been a slight rise in the proportion of all ethnic groups holding professional or managerial jobs. White and Indian men have tended to maintain broadly similar rates of higher occupational attainment across this period. With the exception of the Chinese, the remaining ethnic minority groups have lower proportions of professional/managerial employment than their White and Indian peers.

Similar patterns are found in respect to women. However, certain groups of women have experienced more rapid progress than others: in 2000, 16 per cent of working Indian women were in professional or managerial jobs, slightly higher than White women, for whom it was 15 per cent; while 13 per cent of working Black Caribbean women fell into this category.



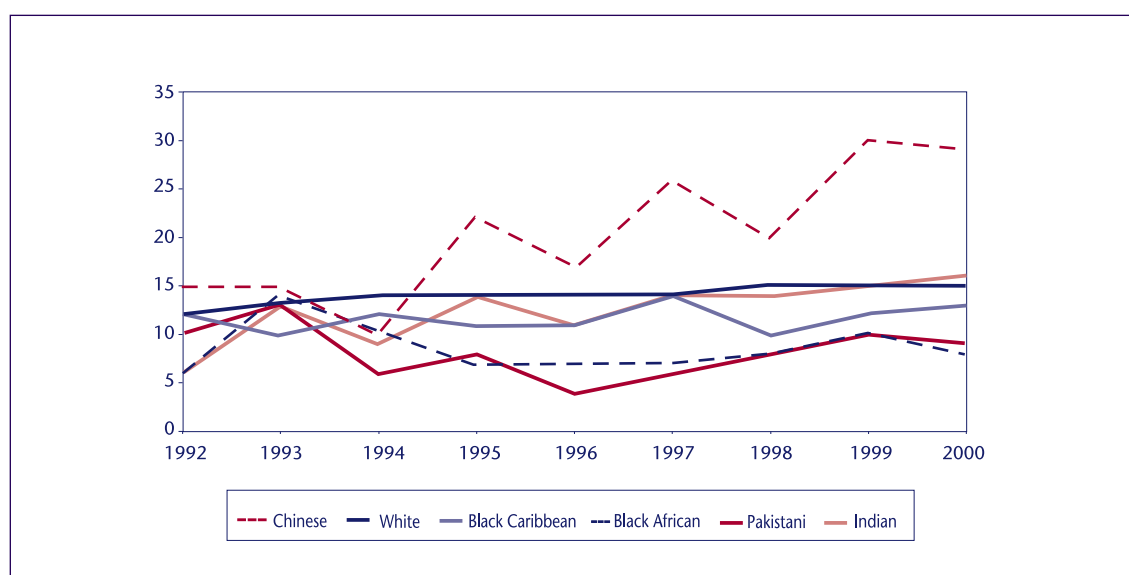
**Figure 2.10: Proportion of Men in Professional/Managerial Posts, Britain, 1992-2000**



Source: LFS, 1992-2000

Notes: (i) Sample: respondents in employment; (ii) Figures for Black Africans, Bangladeshis, and Chinese are based on small numbers of respondents; (iii) Year-to-year variations may be explained by sampling error.

**Figure 2.11: Proportion of Women in Professional/Managerial Posts, Britain, 1992-2000**



Source: LFS, 1992-2000

Notes: (i) Bangladeshi figures, where base N is less than 50, are excluded; (ii) Sample: respondents in employment.



Patterns of workplace progression reflect in part the nature of the industries in which certain ethnic minority groups are typically found. For example, 52 per cent of male Bangladeshi workers in Britain are in the restaurant industry (compared with only 1 per cent of White males), while one in eight male Pakistani workers is a taxi driver or chauffeur (compared with a national average of one in 100). By contrast, approximately one in 20 working Indian men is a medical practitioner – almost ten times the national average. While the first two occupations offer little or no opportunities for progression, quite the reverse is true for the medical profession. This fact will influence, in very different ways, the career trajectories of Bangladeshi and Pakistani men on the one hand, and Indians on the other.

### ***The rate of self-employment amongst ethnic minorities tends to be high***

A large body of evidence points to high levels of self-employment among many ethnic minority groups.<sup>17</sup> A tendency towards entrepreneurialism within these groups may have a number of causes, from “pull” factors such as cultural predisposition, to “push” factors such as the anticipation and possible experience of discrimination in the paid employment sector. For this reason, self-

employment is in many ways a less reliable indicator of labour market success than employment levels, earnings and occupational attainment.

There are particularly high rates of self-employment amongst Asians. The evidence from LFS data on self-employment shown in Figure 2.12 suggests that, in all years, Pakistani and Indian men have higher rates of self-employment than their White counterparts. Black self-employment rates, by contrast, have been consistently lower than all other ethnic minority groups.

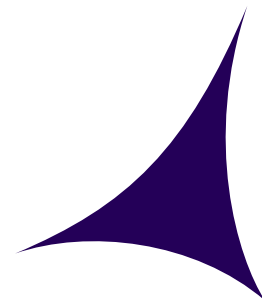
Despite high levels of self-employment in some ethnic minority groups, self-employment results in only around 7 per cent of all small businesses being in ethnic minority hands – in line with their representation in the population as a whole.<sup>18</sup> Estimates from a 1999 Bank of England review indicate that London was the home of some 15,000 ethnic minority businesses with an employment base in excess of 200,000 workers.<sup>19</sup>

In general, ethnic minority women have much lower levels of self-employment than their male counterparts. However, LFS data reports such small numbers of self-employed women that it is difficult to draw firm conclusions from this source.

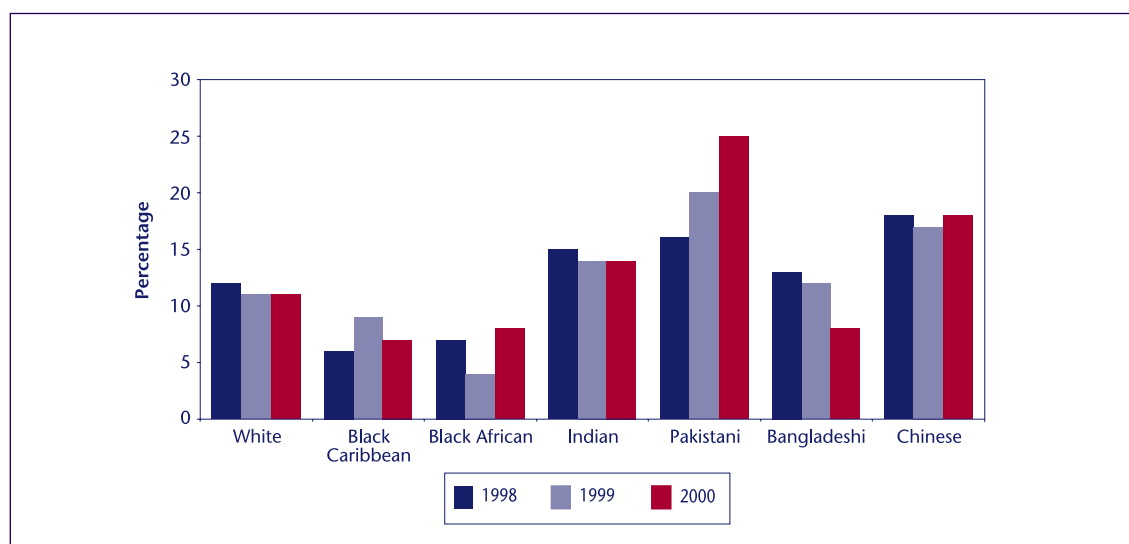
<sup>17</sup> See, for example, British Bankers' Association, *Ethnic Minority Business in the UK: Access to Finance and Business*, September 2002.

<sup>18</sup> Estimate provided in: *Minority Ethnic Issues in Social Exclusion and Neighbourhood Renewal*, Social Exclusion Unit, 2000, p.29.

<sup>19</sup> Bank of England, *The Financing of Ethnic Minority Firms in the United Kingdom*, London, 1999, p.11.



**Figure 2.12: Proportion of Men Self-employed, in Britain, 1998-2000**



Source: LFS, 1998-2000

Notes: (i) Self-employed covers employers and own account workers, excluding professionals; (ii) Sample: respondents in employment.

## Breaking down labour market data further highlights the differing achievements of Britain's ethnic minorities

The figures in the first half of this chapter illustrate the relative labour market positions of different ethnic groups. Crucially, however, they give no indication of the kind of factors that may influence these positions. The remainder of this chapter therefore focuses on the variables that help to condition and explain the differing levels of achievement between and within Britain's ethnic minority groups. It shows that generation, gender and geography are key.

### *The labour market achievements of Britain's ethnic minorities vary between the first- and second-generation*

The educational and linguistic advantages of second-generation ethnic minority groups clearly distinguish their labour market experience from that of first-generation migrants. Evidence suggests that the second-generation are faring somewhat better than

the first-generation, both in terms of access to professional and managerial jobs and in terms of earnings.

However, the gap between ethnic minorities and Whites appears not to have closed with respect to employment levels, suggesting that native birth brings occupational improvement but does little to mitigate unemployment. As Table 2.2 shows:

- In the 1970s, all first-generation ethnic minorities suffered higher rates of unemployment than British-born Whites of the same age. While Indians came close to the British-born White figures, the most disadvantaged group in the first-generation were Black Caribbeans, with an unemployment rate around twice that of Whites.
- In the second-generation in the 1990s, there is no sign that matters had improved. Indeed, White British/ethnic minority differentials have increased in all three cases. Unemployment rates of second-generation Black Caribbean and Pakistani men were over twice those of White British men of the same age.

**Table 2.2: Proportion of Economically Active Ethnic Minority Groups Unemployed at the Time of the Survey in Britain (%)**

	First-generation, born 1940-59, surveyed 1970s		First-generation, born 1940-59, surveyed 1990s		Second-generation, born 1960-79, surveyed 1990s	
	Men	Women	Men	Women	Men	Women
White British-born	4.3	4.4	7.5	4.9	12.2	8.3
Black Caribbean	8.3	9.4	19.0	11.0	29.6	21.2
Indian	4.7	4.5	9.6	8.6	16.1	12.3
Pakistani	5.4	-	20.7	19.9	30.7	21.9

Sources: Column 1 - cumulated General Household Surveys 1973-79; columns 2 and 3 - cumulated LFS 1991-97

Note: In the GHS data, ethnic origin has been identified on the basis of country of birth and colour.

Table 2.2 also clearly shows the effect of the changes in overall economic circumstances between the 1970s and 1990s sampling periods.<sup>20</sup>

### ***Labour market achievements also vary by gender***

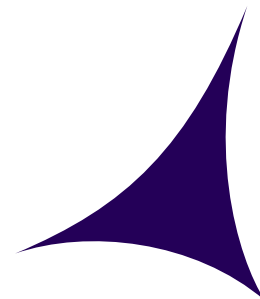
There is a greater difference in employment across ethnic groups for women than for men. Bangladeshi women, for example, are approximately three times less likely to be economically active than their Black Caribbean counterparts. Intra-group variances in economic activity rates by gender are again particularly marked in the case of Bangladeshis, with the economic activity rates of men from this group over 40 percentage points higher than that of women.

Trends in occupational attainment and income for women are similar to those for men, though smaller proportions of women from all groups hold professional or managerial positions. Similarly, though women's unemployment rates generally tend to be slightly lower than those of men, the same basic pattern holds, with Black Caribbean, Pakistani and Bangladeshi joblessness significantly higher than that of Whites.

### ***Geography is a key determinant of ethnic minority employment rates***

Analysis suggests that the employment rates of ethnic minorities, as a group, vary by region. As Figure 2.13 illustrates, ethnic minority employment rates are highest in Outer London and lowest in West Yorkshire and Greater Manchester.

<sup>20</sup> A. Heath, 'Explaining Ethnic Minority Disadvantage', unpublished paper commissioned by the Strategy Unit, October 2001. This, and a range of additional commissioned research papers, can be found on the project web-site: [www.emlm.gov.uk](http://www.emlm.gov.uk).



**Figure 2.13: Ethnic Minority Employment Rates by Region in Britain, 2000**



Source: LFS, Autumn 2000

Note: Data is excluded where sample sizes are too small to be accurate. For the same reason, it is not possible to present specific disaggregated figures for Scotland and Wales.

## The causes of labour market underachievement of ethnic minorities are many and varied

The causes of differential labour market performance range from supply-side determinants such as skills and education, geographical mobility and housing tenure to demand-side factors such as industrial restructuring, geographical deprivation and poor levels of public infrastructure.

### Human capital levels are a key determinant of labour market success

Human capital - defined as the sum of skills, knowledge, experience and educational qualifications a person possesses – is one of the most important supply-side determinants

of labour market outcomes. Significantly, these levels vary considerably across ethnic groups in Britain:<sup>21</sup>

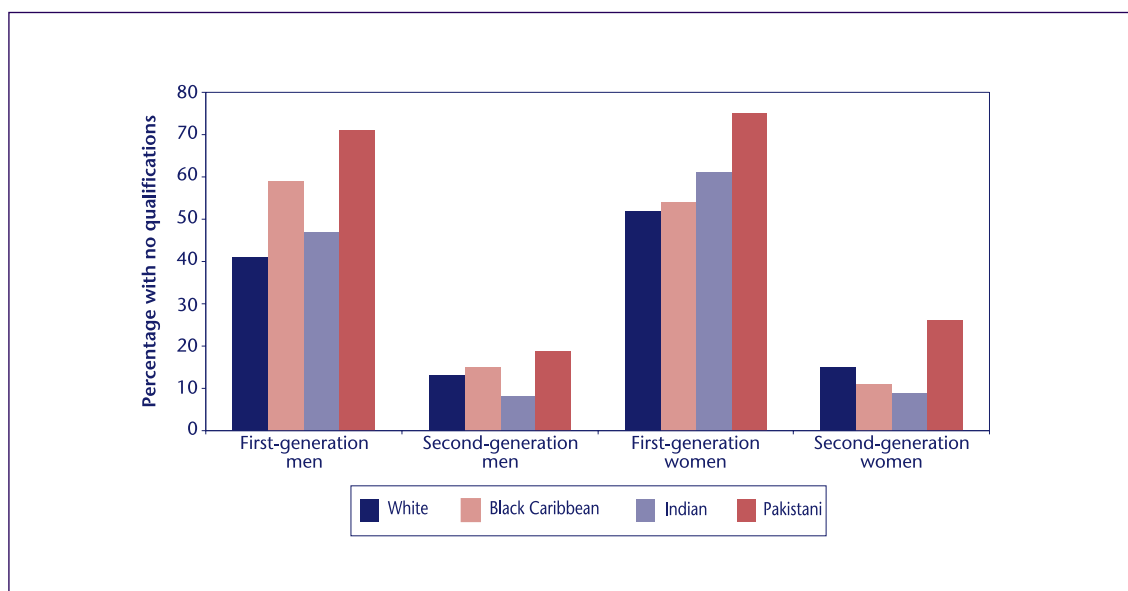
- Some groups, such as the Indian working-age population, show high levels of literacy, education and skills, on average exceeding those of the White population. Indeed, average achievement against adult national learning targets for ethnic minorities actually exceeds achievements amongst Whites.<sup>22</sup> However, this masks significant divergence between different ethnic groups.
- In broad terms, Pakistani and Bangladeshi groups have very low levels of qualifications: 37 per cent at Level 3 in the national qualification framework (the equivalent of two or more A-levels), compared with 46 per cent for the White group.<sup>23</sup>

<sup>21</sup> These are fully discussed in the Interim Analytical Report, pp.71-8.

<sup>22</sup> *In Demand: Adult Skills in the 21st Century*, Performance and Innovation Unit report, 2001, p.22. See: [www.strategy.gov.uk/2001/workforce/report/index.html](http://www.strategy.gov.uk/2001/workforce/report/index.html).

<sup>23</sup> The second report of the National Skills Taskforce estimates that between 65 per cent and 70 per cent of employment opportunities will require level 3 qualifications by 2010. The national framework provides a means of comparing a number of different qualifications between level 1 (less than five GCSEs; GNVQ) and level 5 (Higher Degree). See: *Delivering Skills for All*, Second Report of the National Skills Task Force, DfEE, 1999.

**Figure 2.14: Percentage of People with no British Qualifications, by Ethnic Group, Gender and Generation**



Source: Panel One – Cumulated GHS 1973-1979; Panel Two – cumulated LFS 1991-1997 in Britain.

Note: First-generation refers to those born 1940-59 and surveyed in the 1970s; second-generation refers to those born 1960-79 and surveyed in the 1990s.

Variances in educational outcomes are most clearly evident in compulsory education:

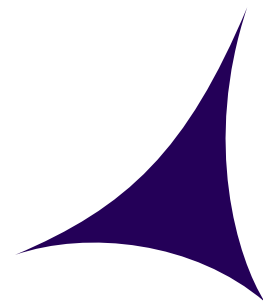
- Bangladeshi, Black and Pakistani pupils achieve less highly than other pupils at most key stages, particularly at GCSE level. Conversely, Chinese and Indian pupils outperform Whites at GCSE.
- Whilst performance levels differ, the general trend in the proportion of young people from all ethnic groups gaining five or more GCSEs (grade A\*-C) has been upwards.
- There are important gender differences in educational outcome. Black Caribbean girls achieve better GCSE results than their male counterparts. The apparent convergence between White and Black Caribbean GCSE results masks the fact that the gap for boys is not closing – a disturbing outcome which points away from convergence of

outcomes in the labour market. The implications of this are explored further in Chapter 4.

Figure 2.14 illustrates the human capital disparities between groups of different ethnicity, age and gender, as measured by the proportion with no qualifications.<sup>24</sup>

Generation is perhaps the single most important determinant of educational outcomes: the number of people in the second-generation with no qualifications is at least half that in the first, for all groups and both sexes. Nevertheless, there are significant points for concern. For example, whilst the number of second-generation Black Caribbean men and women getting degrees has increased greatly when compared with their parents, they have not significantly closed the gap on other groups. Furthermore, Pakistani second-generation

<sup>24</sup> Some of this difference is accounted for by the fact that first-generation immigrants may have foreign qualifications.



men and women, despite greater participation at degree level than their White counterparts, also lead the tables for those groups with no qualifications. As with other data in the report, this suggests a “forking” of educational experience, with disproportionate numbers experiencing both good and bad outcomes.

Additionally, a significant number of ethnic minority groups suffer from English language deficiencies, a fact that impacts considerably on the extent of their social and economic integration. Research into the labour market outcomes of first-generation ethnic minorities has found that immigrants who are fluent in English language have, on average, wages about 20 per cent higher than non-fluent individuals.<sup>25</sup> The implications of this fact for specific groups are explored further in Chapter 4.

### ***Ethnic minorities face difficulties in accessing employment opportunities because of where they live***

One particularly significant barrier to successful labour market participation can be living in a deprived area. The proportion of people in Britain living in unfit dwellings is higher for ethnic minority groups than for their White counterparts. Whilst the numbers are similar for Whites and Indians, over three times more people of Bangladeshi and Pakistani origin live in unfit housing.<sup>26</sup> This is consistent with findings of a Joseph Rowntree Foundation report, based on the Family Resources Survey, which showed that many Pakistani families own low-quality housing in inner city areas and lack the resources to improve or maintain them.<sup>27</sup>

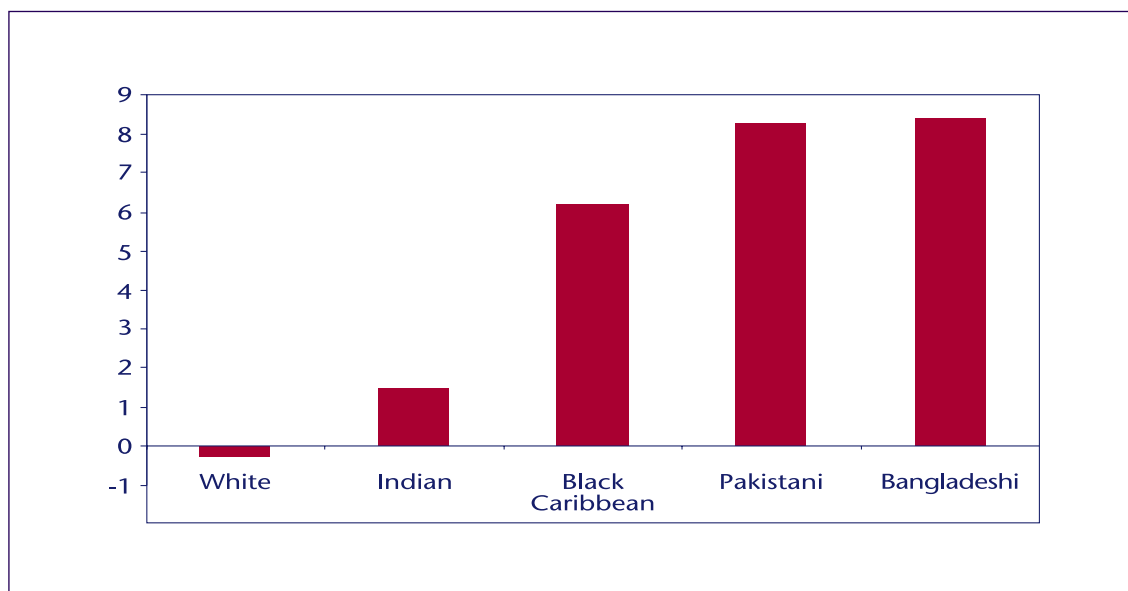
Among ethnic minority groups in the main conurbations, Pakistanis and Bangladeshis, followed by Black Caribbeans, are most likely to live in wards with the highest degree of relative deprivation. Indians have a lower level of relative deprivation, while Whites have the lowest level of all.<sup>28</sup> In four out of five local authorities where there are significant concentrations of ethnic minorities, there are levels of business activity lower than the national average. This may impact on employment rates, although areas with high rates of unemployment are often located near areas offering higher employment prospects. As the analysis in the Interim Analytical Report makes clear, these low levels of business activity are often directly linked to a broader process of industrial restructuring.

<sup>25</sup> M. Shields and S. Wheatley Price, ‘The English Language Fluency and Occupational Success of Ethnic Minority Immigrant Men living in English Metropolitan Areas’, *Journal of Population Economics* 15, 2002, pp.137-160.

<sup>26</sup> Office for National Statistics, *Social Trends* 30, London: ONS, 2000, p.169.

<sup>27</sup> K. Chahal, ‘Ethnic Diversity, Neighbourhoods and Housing’, Joseph Rowntree Foundation, February 2000.

<sup>28</sup> R. Dorsett, ‘Ethnic Minorities in the Inner City’, Policy Studies Institute, 1998, p.20.

**Figure 2.15: Relative Deprivation by Ethnic Group<sup>29</sup>**

Source: Fourth National Survey data, combined with Census data

***Both housing tenure patterns and the availability of public transport links impact on the geographical mobility and labour market achievements of ethnic minority groups***

Individuals with low labour market attainment tend to be concentrated in certain kinds of housing, particularly social housing. This is particularly true of Bangladeshi and Black Caribbean groups and is especially significant given the generally lower employment prospects faced by those in this tenure. Although this concentration is partly explained by socio-economic class, evidence suggests that there are significant ethnic differences in housing tenure patterns beyond those that can be explained in terms of class alone (see Chapter 5).<sup>30</sup>

Data on housing tenures, housing patterns and transport trends suggests that there are, on average, more barriers to physical mobility for members of ethnic minority groups than for Whites. This matches evidence indicating that ethnic minorities are more geographically restricted in their job-seeking activities.<sup>31</sup> After modelling individual variations in maximum preferred commuting distances and unemployment spells, the data suggests that ethnic minorities are more reluctant to commute over long distances. One analysis claims that this may account for as much as 20 per cent of the difference between the average unemployment spells of ethnic minorities and those of Whites.<sup>32</sup>

Research further suggests that there are significant differences between the modes of transport used by ethnic minorities and those of the population as a whole.<sup>33</sup> Ethnic

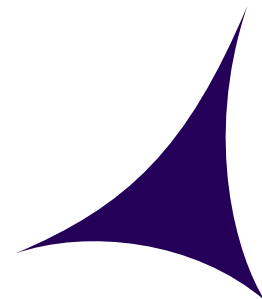
<sup>29</sup> Deprivation Index combines several indicators: total unemployment rate, lacking a car, children in low-income households, lacking amenities (bath/shower/toilet), children in unsuitable accommodation, and educational participation.

<sup>30</sup> Black Caribbeans and Bangladeshis have considerably lower levels of owner occupation than their class profile would suggest that we should expect them to (source: General Household Survey 1998).

<sup>31</sup> J. Thomas, 'Ethnic Variation in Commuting Propensity and Unemployment Spells: some UK Evidence', *Journal of Urban Economics*, 43, 385-400, 1998, p.385.

<sup>32</sup> Ibid., p.398.

<sup>33</sup> D. Owen and A. Green, 'Estimating Commuting Patterns for Minority Ethnic Groups in England and Wales', *Journal of Ethnic and Migration Studies*, Vol. 26, No. 4: 581-608, October 2000.



minority groups, for instance, are on average more than twice as likely as Whites to depend on public transport for commuting journeys, albeit with intra-group variations. This partly reflects the fact that most ethnic minority people live in large urban areas. Additionally, some ethnic minority groups - especially those for whom English is not a first language - face particular difficulties in using public transport.<sup>34</sup>

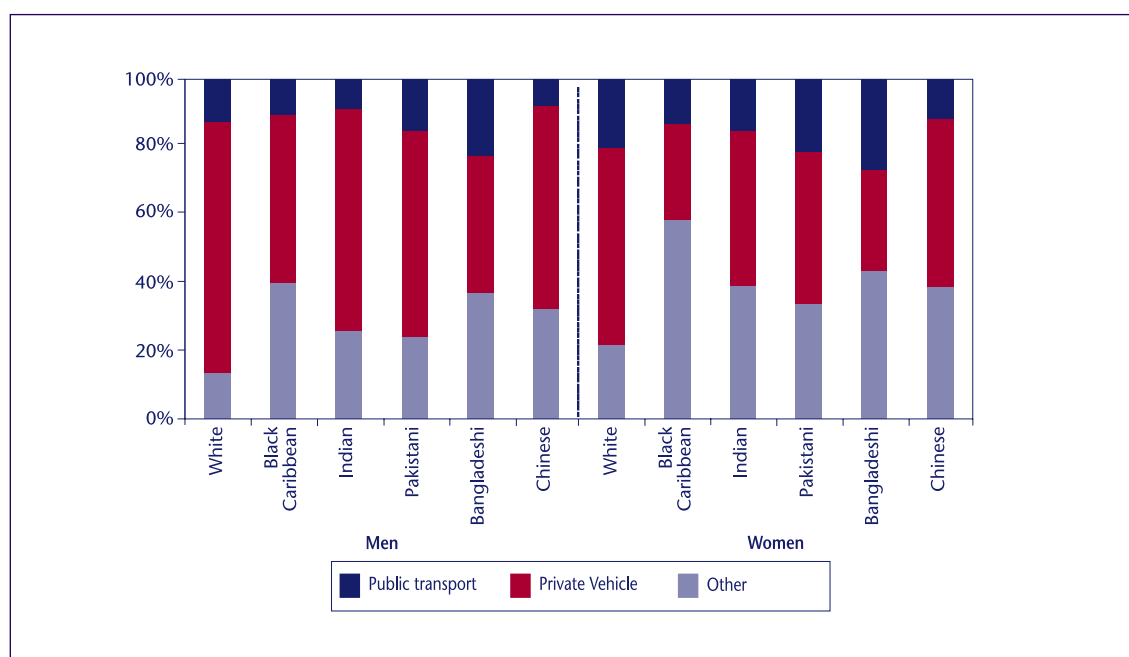
### ***Geographical clustering and a lack of business support may affect ethnic minority self-employment rates***

In 2001, a study by the Department of the Environment, Transport and the Regions showed that deprived, inner city areas are often not attractive to new businesses, which

are increasingly likely to set up out of town and in peripheral areas with easy access to major roads. Given that most ethnic minority groups live in highly urbanised areas, this economic shift has acted disproportionately against them.<sup>35</sup>

A lack of information and support may also prevent ethnic minority individuals from taking up self-employment. For instance, research has shown that spontaneous awareness of Business Link operators (the Government's main business support agencies) is as low as 1.5 per cent amongst ethnic minority entrepreneurs.<sup>36</sup> This may hinder efforts to expand and grow ethnic minority businesses. So they remain small and are therefore unable to recruit large numbers of new staff.<sup>37</sup>

**Figure 2.16: Means of Travel to Work in Britain, 1991**



Source: D. Owen and A. E. Green, 'Estimating Commuting Patterns for Minority Ethnic Groups in England and Wales', Journal of Ethnic and Migration Studies, Vol. 26, No. 4: 581-608, October 2000

<sup>34</sup> See also 'Making the Connections: Transport and Social Exclusion', Interim findings from Social Exclusion Unit, 2002.

<sup>35</sup> G. Dabinett *et al.*, *A Review of the Evidence Base for Regeneration Policy and Practice*, DETR, 2001, p.32.

<sup>36</sup> MORI survey for Small Business Service, 2000.

<sup>37</sup> Interim Analytical Report, p.66.



### ***Poor health and a lack of suitable childcare can also be barriers to ethnic minority participation in the labour market***

Poor health is a significant barrier to work for certain groups. Whilst Indian and Chinese people have similar levels of self-reported health to White people, before accounting for the effects of social class, people from Pakistani and Bangladeshi communities are one and a half times more likely to suffer ill-health, and Caribbean people a third more likely.<sup>38</sup>

A lack of childcare provision can also prevent individuals, particularly women, from working. Black parents are more likely to have used childcare in the last year (76 per cent)

than Asians (56 per cent) who, as a group, tend to have larger families. This is reflected in the fact that the levels of Black Caribbean female employment are much higher than those of Asian women. The concentration of ethnic minority groups in areas of disadvantage compounds the problems of those who need childcare: one study showed that nationally, there were 12-14 places per 100 children, compared with only 6-8 places in disadvantaged wards.<sup>39</sup>

The barriers to employment addressed above are treated in detail in the Interim Analytical Report. This report also addresses the relationship between religion and employment patterns, an overview of which is provided in Box 2.1 below.

### ***Box 2.1: Religion and employment***

Cultural or religious attributes may also influence the labour market position of ethnic minorities, although quantitative data in this field is limited. The relationship between religious groups and employment outcomes is not simple and it should not be assumed that a “religious effect” necessarily exists. Religion may simply be a proxy for other factors determining employment, such as education and fluency in English. However, it has been found that unemployment risk does vary significantly by religion.<sup>40</sup> Even after controlling for a range of factors, Sikhs and Indian Muslims remain almost twice as likely to be unemployed as Hindus. Pakistani Muslims are more than three times as likely as Hindus to be unemployed.

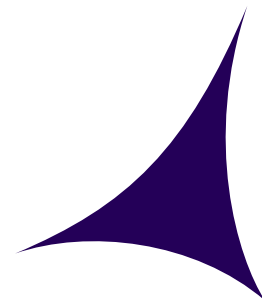
There is also evidence of divergent experiences between religious groups in terms of employment profiles and income differentials. Sikhs, Pakistani and Bangladeshi Muslims experience particular under-representation in professional employment, with this area showing higher concentrations of Hindus and Indian Muslims. In terms of earnings, Muslim men and women are over-represented in the lowest income band. Almost a quarter earned less than £115 per week, compared to around one in ten Sikhs and Hindus. Yet despite over-representation among low earners, Indian Muslims actually record the highest share within the highest income band.

Judging whether religion is a factor that affects the employment chances of a given individual is complex. It is clear that Indian Muslims are strikingly different from Pakistani and Bangladeshi Muslims in their labour market achievements, suggesting that far more is at play than just religious effects: problems might well be linked rather more to specific group circumstances, for which religion is a proxy, than to religion itself.

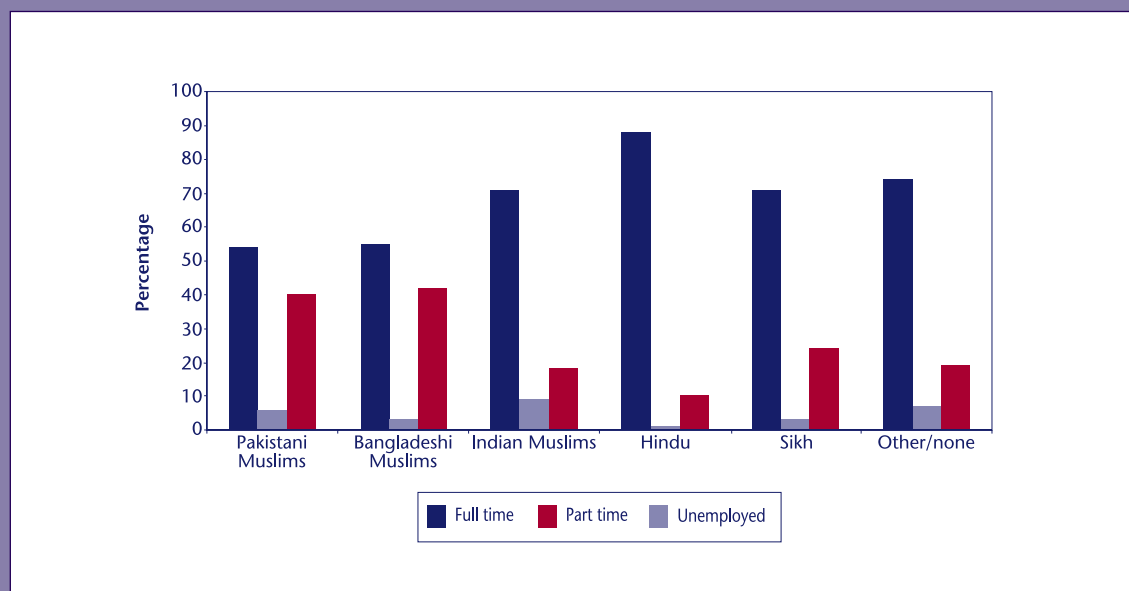
<sup>38</sup> Social Exclusion Unit, *Minority Ethnic Issues in Social Exclusion and Neighbourhood Renewal*, June 2000. See: [www.socialexclusionunit.gov.uk/publications/reports/html/bmezp/index.htm](http://www.socialexclusionunit.gov.uk/publications/reports/html/bmezp/index.htm)

<sup>39</sup> DfES, *Setting a Target to Close the Childcare Gap between Disadvantaged Areas and Others*, London: HMSO, 2001.

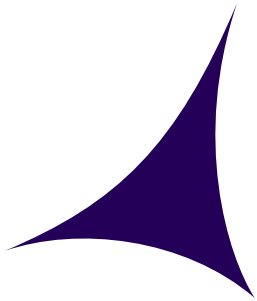
<sup>40</sup> M. Brown, ‘Religion and Economic Activity in the South Asian Population’, *Ethnic and Racial Studies*, Vol. 23, No. 6, 2000, p. 1045.



**Figure 2.17: Economically Active Male Population by Religion, UK, 1994**



Source: M. Brown, 'Religion and Economic Activity in the South Asian Population', *Ethnic and Racial Studies*, Vol. 23, No. 6, 2000, p.1045



### **Box 2.2: “Gross” and “net” differences**

Two approaches to measuring labour achievement are used in this chapter: gross and net. Both are necessary to gain a clear picture of the position of ethnic minorities. Gross differences are those evident before the effects of factors such as differences in education, social class, generation and gender are taken into account.

Multivariate regression analysis can be used to estimate what proportion of these gross differences can be explained by such factors. What cannot be accounted for in this way is referred to as the “net” difference in labour market achievements between groups. Net differences in achievement are often referred to as “ethnic penalties” and have been described as “all the sources of disadvantage that might lead an ethnic group to fare less well in the labour market than do similarly qualified Whites.”<sup>41</sup> Typically, these are sources of disadvantage that cannot easily be quantified or for which there is no data, and therefore cannot be included in a regression or other analysis.

The size of net differences varies across ethnic groups because the explanatory power of key variables differs across ethnic groups. For example, differences in educational achievement seem to explain some of the disproportionately high unemployment rates of Black Caribbean men more so than those of Pakistani men. Moreover, because analyses are often based on different data sets and employ different regression forms, estimates of net differences will vary across studies too.

### **Ethnic minorities are disadvantaged in the labour market, in ways and to degrees that go beyond the experiences of Whites**

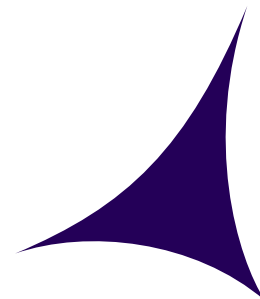
Crucially, the differences between and within ethnic minority groups set out above are all expressed in “gross” terms, taking no account of the impact of factors - such as social class differences - which may explain a large part of the observed differences in performance (see Box 2.2).

### ***Even when key explanatory variables have been accounted for, significant differences in the labour market achievements of ethnic minorities and Whites remain***

As Box 2.2 explains, statistical analysis can be used to estimate what proportion of the “gross” differences in labour market achievement between ethnic minorities and their White counterparts is determined by variables such as education, economic environment, age and fluency in the English language.<sup>42</sup> Regression studies of this sort suggest that:

<sup>41</sup> A. Heath and D. McMahon, ‘Education and Occupational Attainments: the Impact of Ethnic Origins’, in V. Karn (ed), *Ethnicity in the 1991 Census, vol. 4: Education, Employment and Housing*, London: HMSO: 1997, p.91.

<sup>42</sup> This is explored in some depth in Chapter 4 of the Interim Analytical Report.

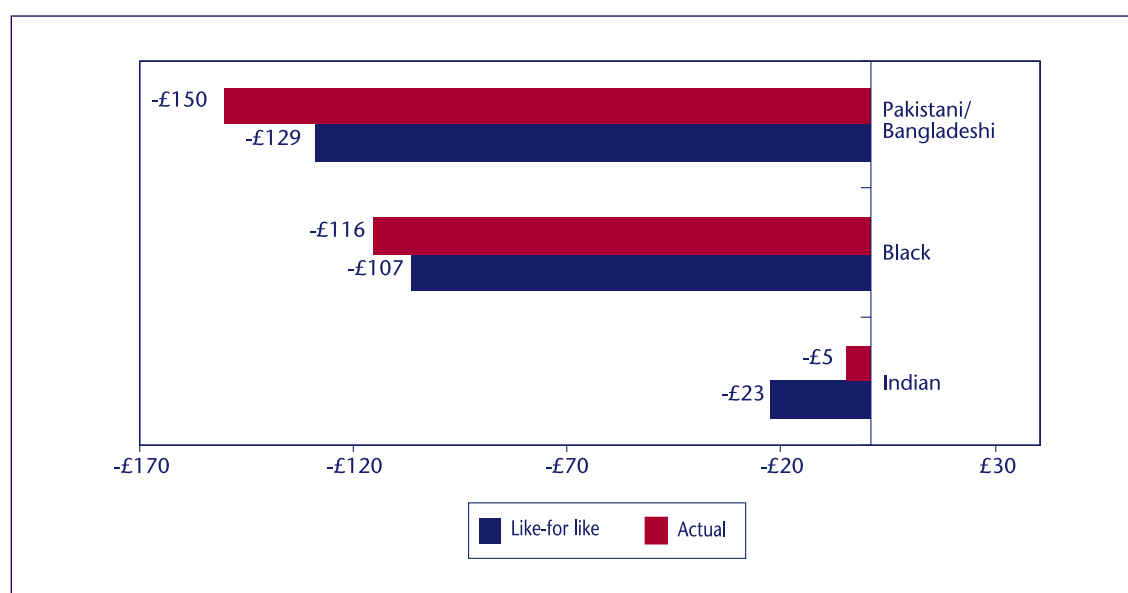


- ethnic minorities remain disadvantaged in terms of employment and occupational attainment even after such factors are taken into account. Some groups are clearly even more disadvantaged than the gross differences suggest, given their educational qualifications or other characteristics;
- ethnic minority men have been persistently disadvantaged in terms of earnings. British-born ethnic minority women appear to be no longer disadvantaged in terms of earnings, though their foreign-born peers continue to be disadvantaged;

- Indian men are consistently the least disadvantaged among ethnic minority groups; and
- Pakistani, Bangladeshi and Black men and women are consistently among the most disadvantaged.

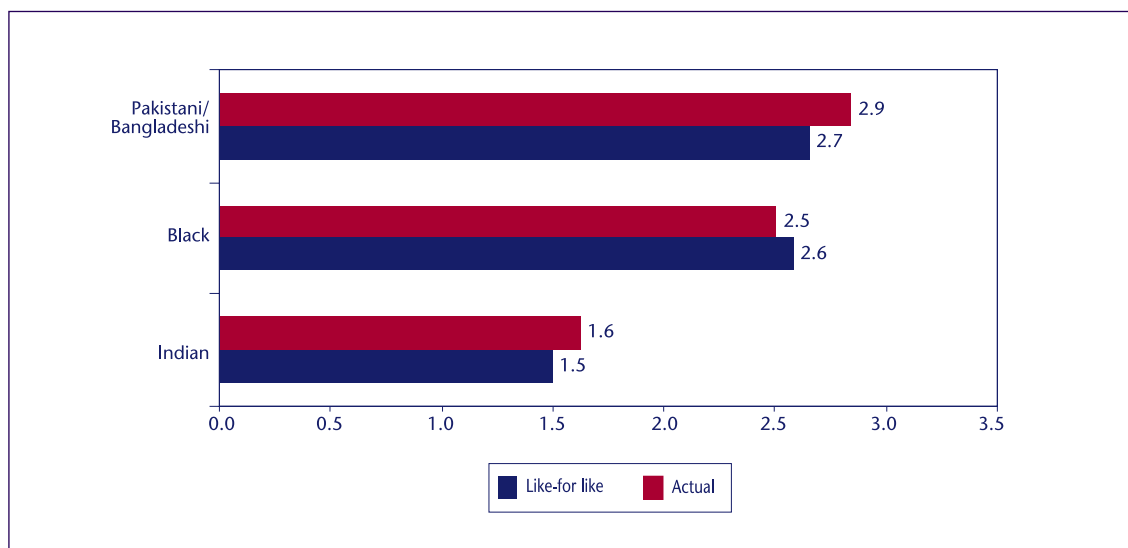
The most important conclusion that emerges from these studies is that, even after like-for-like analysis, all ethnic minority groups are disadvantaged relative to Whites in comparable circumstances. Figures 2.18 and 2.19 below illustrate this fact, showing, for example, that key factors such as age, education, recency of migration, economic environment and family structure can explain just £9 of the £116 wage gap between Blacks and Whites.

**Figure 2.18: Weekly Male Earnings Relative to White Counterpart**



Source: R. Berthoud 'Ethnic Employment Penalties in Britain', Journal of Ethnic and Migration Studies, 26:389-416, 2000.

Note: Figure combines the effects of unemployment and of pay.

**Figure 2.19: Male Unemployment Risk Relative to White Counterpart**

Source: F. Carmichael and R. Woods, 'Ethnic penalties in unemployment and occupational attainment: evidence for Britain', International Review of Applied Economics 14: 71-98, 2000

It follows from such analysis that a range of other explanatory factors must be at work. These may include: degree of assimilation; cultural/religious factors; business opportunities in the areas where ethnic minorities live; Government infrastructure in local regions; quality and location of housing;

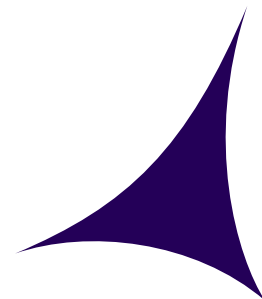
access to childcare; quality of, and willingness to use, transportation to access employment opportunities; and levels of, or access to, social capital (Box 2.3). However, in statistical terms, we are left with an incomplete picture of their relative weight.

### Box 2.3: Social capital

A recent way of thinking about the way that groups relate to wider communities has evolved from the branch of social sciences dedicated to examining social capital. Broadly speaking, social capital metrics attempt to measure how well connected individuals are to their communities, and to their society more broadly. Measures of social capital are divided into two types, "bridging" and "bonding". Bridging social capital consists of networks that link the members of a given social group with the wider society, whereas bonding social capital links members of the social group with each other.<sup>43</sup>

The distinction between bridging and bonding social capital may be important in understanding the labour market fortunes of ethnic minorities. Bridging social capital is likely to be of considerable importance in the process of job search, particularly for employment fields such as the media where recruitment is principally by word of mouth. An ethnic minority individual who is socially isolated will, almost by definition, lack this bridging social capital and therefore lack access to some employment opportunities. It is quite possible that a lack of these bridging social networks will limit the chances of obtaining work with White employers.

<sup>43</sup> R. Putnam, *Bowling Alone: The Collapse and Revival of American Community*, New York: Simon and Schuster, 2000. See also Strategy Unit, *Social Capital: A Discussion Paper*, 2002 (available at [www.strategy.gov.uk/2001/futures/attachments/socialcapital.pdf](http://www.strategy.gov.uk/2001/futures/attachments/socialcapital.pdf)).



On the other hand, geographically-concentrated ethnic minorities such as the Pakistanis and Bangladeshis may develop higher levels of bonding social capital. This may provide a basis for a successful local economy and may lead to group economic success via that route. The members of these minorities may thus gain opportunities with co-ethnic employers that they lack with White employers. Entrepreneurship is relatively high among Pakistanis and Bangladeshis. Bonding social capital may thus compensate, in part, for lack of bridging social capital.

However, the correlation between social isolation and geographical concentration on the one hand, and labour market performance on the other, is not always precise. Whilst lack of bridging social capital might perhaps help to explain the large disadvantages for Pakistanis and Bangladeshis, it is not clear how it can explain the fact that disadvantages are also quite large for Black Caribbeans, who are socially perhaps the most integrated of all the visible ethnic minorities (as indexed, for example, by their rates of inter-marriage with White people). Chinese relative economic success is also quite hard to explain by this kind of argument.

**Figure 2.20: Social and Geographical Isolation, in Britain**



Source: A. Heath, *Explaining Ethnic Minority Disadvantage*, 2001, p.34.

Notes: (i) The index of dissimilarity is that calculated at enumeration district level for Greater London;  
(ii) The percentages with White partners are of respondents aged 16-34.

Another, perhaps more promising, explanatory idea is the notion which economists have termed “human capital externalities”. In essence, this suggests that people are influenced not only by their own individual human capital, acquired through their own education and work experience, but also by that of their co-ethnic associates.<sup>44</sup> In short, the stock of human capital forms a collective resource for the ethnic community as a whole.

<sup>44</sup> G. Borjas, ‘Assimilation, changes in cohort quality, and the earnings of immigrants’, *Journal of Labour Economics* 3: 463-89, 1985 and G. Borjas, ‘Ethnic capital and intergenerational mobility’, *Quarterly Journal of Economics* 107: 123-50, 1992.

Processes of this sort have been well-established in the case of educational attainment. A number of studies have demonstrated that pupils' attainment depends not only on their own characteristics, but also on that of their peers.<sup>45</sup> It is possible that similar kinds of process might operate within the labour market, and in principle this could explain the pattern of ethnic minority disadvantage. Thus, the indices of disadvantage are smallest for Indian and Chinese individuals, who are from a community with a high collective stock of human capital. Metrics of disadvantage are often higher for Pakistanis and the Bangladeshis, individuals who are from communities with lower levels of human capital.

However, detailed evidence to support this hypothesis is not yet available and the argument rests on one crucial assumption - that ethnic minorities of the same group provide a major resource for each other. Evidence previously reviewed suggests that this may vary from one ethnic group to another. In the case of groups like the Pakistanis and Bangladeshis who have high levels of intra-group interaction, human capital levels within the group may be rather important. But in the case of groups like the Black Caribbeans, where there is more social interaction with the White population, it may be that levels of human capital within the group are less important than those of the largely White working-class communities in which they are embedded.

### ***Direct or indirect discrimination in the workplace may constitute one of these unquantifiable variables***

Several authors, in the USA literature, especially, have referred to residual "net" differences as "ethnic penalties" and have emphasised the importance of discrimination in explaining them. Indeed, despite significant improvements, there is evidence that within some workplaces, racial discrimination still exists. This evidence takes a number of forms, from discrimination tests and anecdotal accounts, to public surveys and the findings of Employment Tribunals. The relative value and respective merits of each is assessed in depth in the Interim Analytical Report.<sup>46</sup> In summary, the evidence suggests that:

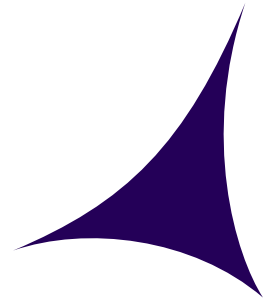
- racial discrimination and harassment persist today despite the enactment of anti-discrimination legislation and measures.

- persistent discrimination has served to block the opportunities of first- and second-generation ethnic minorities in the labour market. This has inhibited their economic integration into British society and has negatively affected other aspects of the wider integration process.
- a perception exists among some ethnic minorities that certain employers or industries are exclusively "White". Likewise, these employers and industries have come to view ethnic minorities as being outside their recruitment pool or as inappropriate candidates for promotion. These patterns have been reinforcing and cumulative and have led to concentrations of ethnic minorities in certain employment areas and an absence in others. Without appropriate policy responses, this pattern of *de facto* employment segregation may intensify.

Chapter 6 of this report builds upon the evidence base introduced in the Interim Analytical Report and addresses the issue of fostering equal opportunities in the workplace.

<sup>45</sup> A. Heath, *Explaining Ethnic Minority Disadvantage*, 2001, p.34. See: [www.emlm.gov.uk](http://www.emlm.gov.uk).

<sup>46</sup> Interim Analytical Report, pp.114-28.



### ***Ethnic minority under-attainment in the labour market warrants a fresh policy approach from Government***

As this chapter has made clear, ethnic minorities are, on average, disadvantaged in the labour market compared with other groups. This is the case whether achievements are measured in terms of employment/unemployment rates, earnings or progression in work. The differentials remain even after accounting for differences in factors such as social class and education.

This overall picture of labour market disadvantage, however, masks wide variations in achievement both between and within different ethnic groups and may also hide regional variations. There are significant differences, for example, between the different Asian groups, with Indians having higher employment rates and occupational achievement than Pakistanis and Bangladeshis, as well as much higher participation rates amongst women. The patterns of disadvantage amongst the Black population are different again. Whilst there are only small differences in average pay and occupational achievement between the Black African group and Whites, the Black Caribbean group is significantly disadvantaged in comparison.

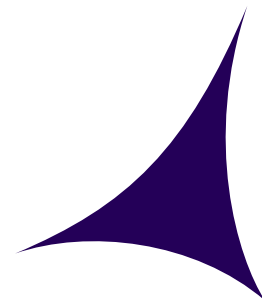
There is no one cause of this pattern of labour market disadvantage. There is a wide range of contributing factors, some of which are easier to identify and measure than others. For this reason, a carefully nuanced set of policy responses is required. The strategy for achieving this is outlined in Chapter 3.



### 3. THE FUTURE STRATEGY AND POLICY FRAMEWORK

#### *Summary*

- Ethnic minorities' relatively low attainment in the labour market has substantial costs. The economic costs hold back the employment, earnings and progression of ethnic minorities themselves, as well as undermining economic prosperity for all. Lack of achievement in the labour market also feeds social exclusion, potentially damaging relations between different ethnic groups in Britain and putting at risk goals of social cohesion.
- Future Government policy should be underpinned by a vision and strategy which ensures that, in ten years' time, ethnic minority groups living in Britain should no longer face disproportionate barriers to accessing and realising opportunities for achievement in the labour market.
- This requires a new intellectual and policy framework which:
  - recognises the diversity between and within different ethnic groups, their geographic spread and the multiplicity of causes of their labour market disadvantage;
  - puts economic integration at the heart of the strategy; and
  - consists of practical measures that address the various dimensions of the problem and tackle different needs within, as well as between, different groups.
- These practical measures include:
  - action to build the skills and capabilities of ethnic minorities;
  - action to better connect ethnic minorities with work;
  - action to promote equal opportunities in the workplace; and
  - action to ensure effective delivery.
- This report recognises that success also depends upon ethnic minority communities being fully engaged with schools, employers and neighbourhoods.



## A new strategy is needed

This chapter sets out why Government should address the problems identified in Chapter 2 and how this report's strategy differs from past approaches.

The chapter begins by outlining the social and economic costs of ethnic minority disadvantage in the labour market. The size and persistence of these costs provide a powerful rationale for Government intervention. A vision for future policy is then set out, together with a strategy for realising it. This highlights a new intellectual and policy framework for addressing ethnic minority labour market disadvantage that differs in nature and tone from earlier approaches. The practical measures that make up the strategy are set out in later chapters.

## The rationale for Government intervention

The differences in the labour market achievements of ethnic minority groups as compared with Whites matter, not only to individuals from these groups, but to the economy and society as a whole. Unless fresh action is taken, the labour market position of certain "at-risk" groups is likely to worsen, potentially reinforcing social and other divisions and alienating the most disadvantaged groups. The priority is to mitigate the disadvantages faced by some groups and to strengthen the advantages experienced by other groups.

There are important reasons why action to address the poor labour market achievement of ethnic minorities matters and requires a strategic response by Government. The strategy will deliver:

- improved labour market achievement for ethnic minorities that are being left behind;
- improved national economic performance; and
- improved social cohesion and inclusion.

### *Labour market disadvantage leads to a considerable waste of talent and ability*

For individual members of ethnic minority groups, underachievement relative to their potential can damage self-esteem, confidence and ambition. Individuals may be poorly rewarded in terms of the jobs they do, what they earn and how far they progress in work in relation to their qualifications and skills. At present, for example, Pakistani and Bangladeshi men earn on average £129 per week less than White men with similar qualifications and backgrounds.

### *Where the economic potential of ethnic minorities is not realised, national income and economic growth may be lower than would otherwise be the case*

With ethnic minorities set to account for more than half of the growth of the working-age population in the next decade, failure to tackle the problems of labour market underachievement will have increasingly serious economic consequences (Box 3.1). Government has already acknowledged this, not least in its recent report on Community Cohesion.<sup>47</sup>

<sup>47</sup> Home Office, *Building Cohesive Communities*, A Report of the Ministerial Group on Public Order and Community Cohesion, 2001

***Labour market achievement is intimately linked with the economic and social inclusion of ethnic minority groups***

If ethnic minorities are over-represented amongst the unemployed or economically inactive population, or are employed in jobs which are low-paid or have limited prospects for promotion or improvement, then, as a

group, they will tend to be marginalised. Such disengagement from mainstream society will result in limited participation in its public institutions, such as the police force, which may in turn exacerbate existing tensions. Economic integration may therefore serve not only to improve social cohesion, but also to meet other Government objectives, relating to the management of crime, drugs and the informal economy.

***Box 3.1: The economic and social costs of the labour market disadvantage experienced by ethnic minorities<sup>48</sup>***

**Labour market disadvantage manifests itself in a number of ways**

The ethnic minority population of working-age differs from the White population of working-age in two key respects:

- members of ethnic minority groups in any given age cohort are less likely than their White counterparts to be in employment; and
- in work, ethnic minority employees earn less than their White counterparts.

As a result, national output and income may both be lower than would otherwise be the case, as talent and ability are not being utilised to their full extent. This loss in national output and income is a measure of the economic costs of the labour market disadvantage experienced by ethnic minorities.

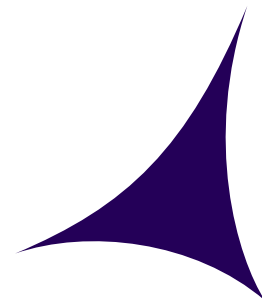
**Lower rates of employment**

In 2000, the employment rates of members of ethnic minority groups ranged from 19 per cent (for Bangladeshi women) to 75 per cent (for Indian men). For Whites, the employment rate was 80 per cent for men and 70 per cent for women. If ethnic minority employment rates were to match those of Whites, over 125,000 more ethnic minority men and nearly 200,000 more ethnic minority women would be in employment.

**Lower wage rates**

The Interim Analytical Report showed that, as a group, ethnic minorities earn less than their White counterparts even when differences in, for example, educational attainment are constant. There are, however, significant variations between different ethnic minority groups, and between men and women within particular ethnic minority groups. If the weekly earnings of Pakistani and Bangladeshi men were to match those of White men with

<sup>48</sup> While the UK literature on this subject is scant, a number of USA studies have actually attempted to quantify the economic loss resulting from differential employment characteristics by ethnic group. See, for example, A. Brimmer, 'The Economic Cost of Discrimination Against Black Americans' in M. Sims (ed.), *Economic Perspectives on Affirmative Action*, Washington, DC: University Press of America, 1995, pp.9-29.



similar qualifications and backgrounds, the former would earn £129 per week more than they do at present. Annualised, this represents a shortfall of nearly £7,000 in earnings per worker.

### **The benefits of tackling ethnic minority underachievement in the labour market**

Increased labour supply from the ethnic minority population of working-age could help the economy to grow more rapidly without raising inflationary pressures. It may also have a range of other beneficial effects. These include stimulating higher levels of capital investment alongside an increased labour supply, thus raising productivity and releasing pools of management and other talent that would greatly benefit the economy in the future. These wider, dynamic effects could be very important in the longer term, especially against the backdrop of an ageing population. The current age structure of some ethnic minority groups is much younger than the White population. This implies a more favourable worker to dependent ratio at a time when increased burdens are falling upon, and will continue to fall upon, an ageing labour force.

### *Box 3.2: The Government's vision*

In ten years' time, ethnic minority groups living in Britain should no longer face disproportionate barriers to accessing and realising opportunities for achievement in the labour market.

## **A clear vision for future policy is needed**

### ***Government policy should focus on the "disproportionate barriers" faced by ethnic minority groups***

The barriers to greater labour market achievement vary from group to group and there is compelling evidence to show that particular factors act as significant barriers to progress. For instance, the circumstances of Black Caribbean and Pakistani boys point to disproportionately greater chances of poor human capital based on low relative attainment in the compulsory schooling system.

It is important to recognise that policies to raise human capital will be integral to this strategy. For that reason, human capital, and other barriers that disproportionately affect particular groups, must be seen in dynamic terms. At a minimum, the new framework depends on a policy strategy that enables human capital-poor groups to become better qualified and equipped in human capital terms. In the longer run, success can be judged by employment, earnings and progression outcomes that are fully commensurate with both raised human capital and groups that are better connected to jobs.

### ***However, responsibility for bringing about change lies with a range of stakeholders, not just Government***

However compelling the rationale for Government action, it is clear that there are obligations on a range of stakeholders to tackle the issues addressed by this report. Several of these stakeholders have a role to play outside the direct control of Government.

Successful policies depend, firstly, on ethnic minority communities being more fully engaged with mainstream society and its institutions. As the Home Office's 2001 report, *Building Cohesive Communities*, observed, self-segregation and inward-looking communities can result in problems becoming increasingly serious and insoluble.<sup>49</sup> This creates challenges, not only for Government in the way it designs and implements policies, but also for communities themselves. The benefits of effective community engagement are especially notable in the context of schooling, a fact that is explored further in Chapter 4.<sup>50</sup>

Employers also have responsibilities, since they are often best-placed to address many of these issues at source. Trade unions, similarly, serve a crucial function in supporting equal opportunities in the workplace and, where appropriate, in bringing pressure to bear on employers. The ever-increasing role played by voluntary sector and community organisations, too, indicates the latent potential for new and exciting forms of partnership in this area.

### **A new intellectual and policy framework**

One of this project's four guiding objectives (see Chapter 1) is to develop "a fresh intellectual and policy framework for tackling the issue of ethnic minority underachievement in the labour market".

A clear understanding of the limitations of past approaches to minority groups in British society has been crucial to the formulation of this new framework. Typically, these approaches have:

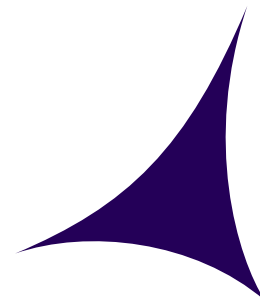
- assumed that "ethnic minorities" can be treated as a homogeneous group and responded to their needs too simplistically;
- addressed specific causes of underachievement in isolation – education or housing, for example – at the expense of an integrated approach; and
- been detached from the labour market, engaging with questions of social and civic integration without recognising the importance of economic integration.

Chapter 2 paints a complex picture of ethnic minority underachievement and it follows that Government's response must be balanced and integrated, and aimed at tackling the multiple causes of underachievement as well as its effects.

The strategy in this chapter is founded upon three key analytical findings, each of which modifies conventional wisdom and calls into question the old policy assumptions outlined above:

<sup>49</sup> Home Office, *Building Cohesive Communities*, A Report of the Ministerial Group on Public Order and Community Cohesion, 2001.

<sup>50</sup> See also: The Commission on the Future of Multi-Ethnic Britain, *The Future of Multi-Ethnic Britain*, London: Profile Books, 2000.



- The overall picture of relatively low attainment of ethnic minorities in the labour market masks a great diversity - not only between different ethnic minority groups, but also along lines of gender, generation and geographical settlement. The old picture of White success and ethnic minority under-performance is now out of date.
- The problems faced by different ethnic minority groups are as varied as the groups themselves. Since the causes of ethnic minority disadvantage are multiple, so must be the policy response.
- Economic integration is inextricably allied with social and civic integration. The dynamics of a group's labour market participation both condition, and are conditioned by, external factors.

On this basis, it is critical that policy fully reflects the picture revealed by the analysis. Consistent with this, the high-level themes in Chapter 2 form the backbone of this report's strategy and lead to specific policy objectives.

### ***The report also links to additional factors that promote community cohesion and prevent social exclusion***

The task of promoting the *economic integration* of ethnic minority groups through labour market inclusion is intimately linked with the long-term aim of promoting *social, cultural, civil and political integration*. Box 3.4 describes these different aspects of integration. The limited economic integration of some ethnic minority groups can be linked with, and lead to, greater signs of isolation and alienation from the norms of society as a whole. This lack of "bridging capital", between ethnic minority communities and Whites, has stimulated the creation of "bonding capital" amongst certain ethnic minority communities, who have then developed even stronger relationships between themselves, rather than with Whites (see Chapter 2, Box 2.3). The vast majority of employment opportunities in Britain are in the hands of White employers and in workplaces that are dominated by White employees.

Some of the feelings of alienation expressed by Blacks and Asians in disturbances are a mark of the difficulties of building social inclusion and community cohesion. These objectives are all the more difficult to achieve in the face of persistent economic marginalisation and labour market disadvantage.



### *Box 3.3: Aspects of community cohesion*

#### *Economic integration*

Economic integration refers mainly to the involvement of ethnic minority groups in the labour market. Policies to promote this type of integration are aimed at improving education and skills levels, building links between individuals and the workplace and tackling discrimination.

#### *Social and cultural integration*

Social and cultural integration refer to processes of cultural, behavioural and attitudinal change in people. For certain ethnic minority groups, learning English is typically seen as an important aspect of social integration. The workplace is often an important catalyst for promoting greater cross-cultural contact and understanding, whilst the “clustering” of ethnic minority groups or Whites in certain areas or industries may prove a barrier to social integration.

#### *Civil and political integration*

Civil and political integration refer to citizenship both as a formal status denoted by nationality laws, and as a process of inclusion in, and acceptance of, the key institutions of modern society such as the welfare state and the political system.

### ***There are important links with mainstream economic and employment policies***

Many of the labour market problems faced by ethnic minorities are also faced by other disadvantaged members of society.

Government needs to ensure that the policy conclusions in this report are fully integrated with its mainstream economic and employment policies.

The Government’s central economic objective is:

“To raise the economy’s sustainable rate of growth, and achieve rising prosperity, through creating economic and employment opportunities for all.”<sup>51</sup>

The strategy for “ensuring employment opportunities for all” comprises the following elements:

- helping people move from welfare to work, through policies such as the New Deal;
- making work pay, through reform of the tax and benefit system and the minimum wage; and
- easing the transition into work, by removing barriers to work and ensuring that people are financially secure when moving from welfare into work.

This report underpins these objectives by drawing conclusions that will make Government policies work more effectively for ethnic minorities.

There are a number of other broad policy objectives which Government has put forward and which are strong themes throughout this report:

- “Building a safe, just and tolerant society”<sup>52</sup> that promotes racial harmony and equal opportunities for all.

<sup>51</sup> HM Treasury Budget 2001, March 2001, p.1.

<sup>52</sup> [www.homeoffice.gov.uk/](http://www.homeoffice.gov.uk/)





- “Sustaining a higher proportion of people in work than ever before, while providing security for those who cannot work” by making work pay.<sup>53</sup>
- “Helping to build a competitive and inclusive society by creating opportunities for everyone to develop their learning, releasing potential in people to make the most of themselves and achieving excellence in standards of education and levels of skills.”<sup>54</sup>

Through its policy conclusions, this report will advance progress towards meeting all of these social and economic objectives.

### **The policy package in this report comprises practical measures to address the array of causes of labour market disadvantage**

The report contains a policy package that reflects the complexity described above and is directly informed by these analytical findings. It contains practical measures in four areas:

- *action to build the employability of ethnic minorities by raising levels of educational attainment and skills* - for example, by better dissemination of best practice in the teaching of ethnic minorities; extending the scope of floor targets; reform of the Ethnic Minority Achievement Grant so it is better targeted on under-attaining minority groups; better communication of choice and diversity options to ethnic minority parents; and increasing incentives for schools to tackle underachievement amongst ethnic minorities by selective publication of ethnically disaggregated attainment data;

- *action to better connect ethnic minorities with work* - for example, by making existing welfare to work provision more flexible to individual need; by building employer compacts to address problems encountered by ethnic minorities in recruitment and retention; and by tackling worklessness in deprived areas (for example by improving connections between social housing tenants and labour market programmes);
- *action to promote equal opportunity in the workplace* - for example, through better advice and support to employers; awareness campaigns; reviewing how best to tackle systemic discrimination in the workplace, potentially by extending the powers of Employment Tribunals to make wider recommendations; and using public procurement to promote equal opportunities; and
- *action to ensure effective delivery* - for example, by introducing new structures for working and accountability within Government; regular reporting on progress including a public annual report; and a review in three years to take stock on progress.

### **Measuring the success of this strategy**

The strategy and framework outlined in this chapter are designed to deliver better labour market achievements among ethnic minorities over the course of ten years. This goal necessitates identifying and addressing the disproportionate barriers faced by ethnic minorities, recognising that these vary considerably across and within different groups. This leads to impacts and benefits as measured by indicators of labour market achievement (employment levels, earnings and promotion at work) and in terms of wider social and community benefits (greater cohesion and inter-ethnic trust and collaboration).

<sup>53</sup> [www.dwp.gov.uk/](http://www.dwp.gov.uk/)

<sup>54</sup> [www.dfes.gov.uk/index.htm](http://www.dfes.gov.uk/index.htm)



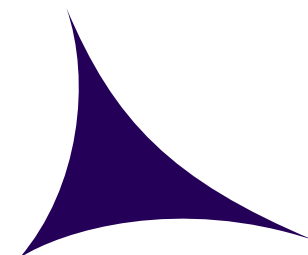
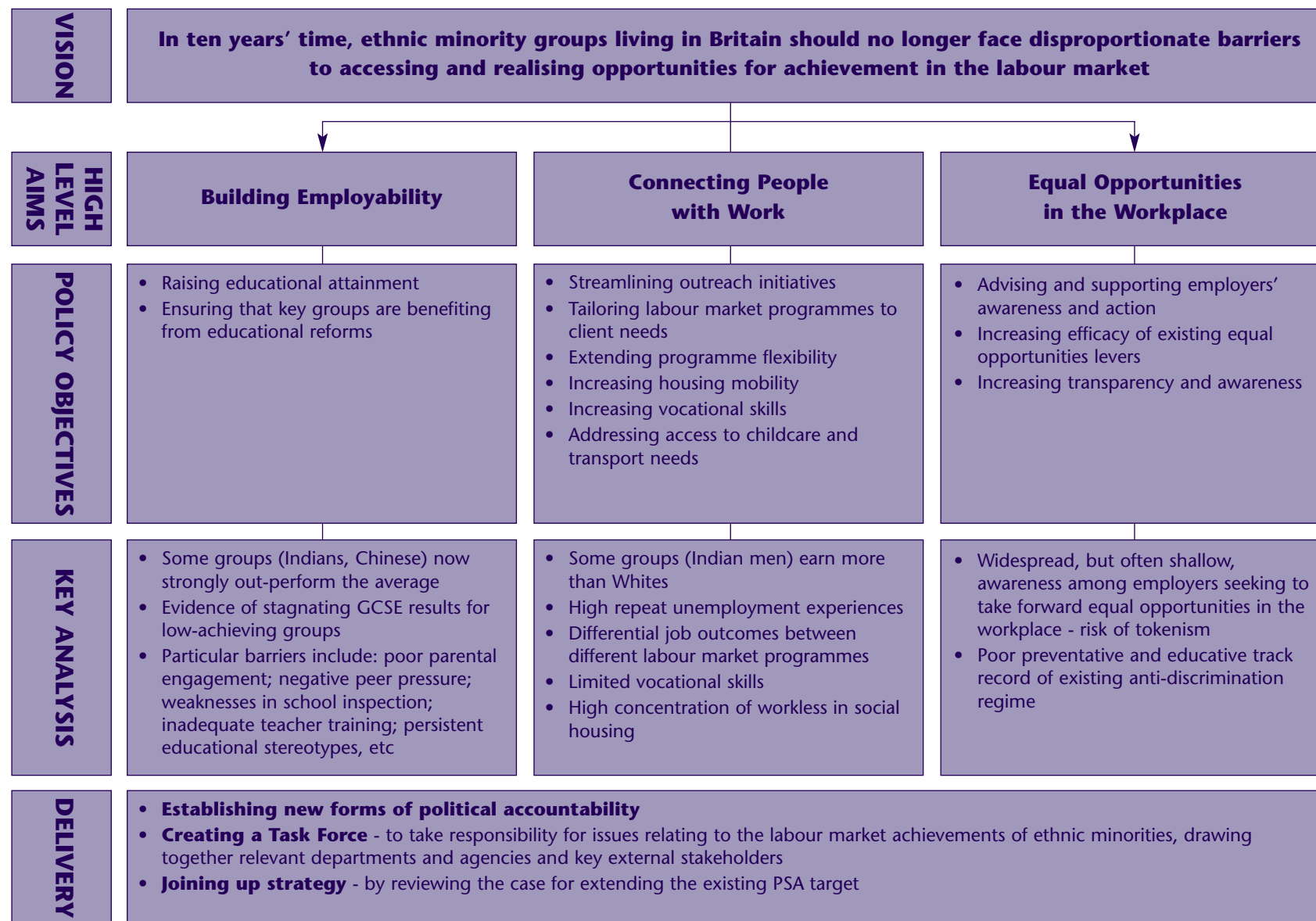
The report will have succeeded if it leads to:

- increased employment rates and earnings – for example, some 96,000 more Pakistani men and women could be expected to be in work if their employment rates rose to those of Indians;
- improvements in the career profiles of ethnic minorities who are in employment – for example, the rate of unemployment among Black African male graduates could be expected to decline sharply; currently, it is seven times that of White graduates;
- improved national economic performance – through non-inflationary expansion of the workforce and better use made of the qualifications, skills and experience of ethnic minority members of the labour force; and
- greater social cohesion across different ethnic groups – based on the removal of the economic sources of alienation among particular groups.

The starting points for each of these high level indicators of success will be concrete steps forward in tackling the multitude of barriers identified earlier. The following examples illustrate that success will depend on a wide range of changes and interventions:

- convergence in the educational attainment rates of low-attaining groups with those of high-attaining groups;
- more sustainable job outcomes for ethnic minority users of the Jobcentre Plus service; and
- enhanced awareness and responsiveness among employers in taking forward equal opportunities in the workplace.

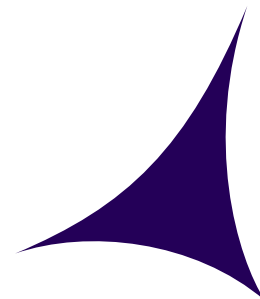
**Figure 3.1: A Strategy for Delivering Change**



## 4. BUILDING EMPLOYABILITY

### *Summary*

- Individuals from some ethnic minority groups, such as Pakistanis, Bangladeshis and Black Caribbeans, disproportionately lack the education, skills and qualifications that are essential for success in the labour market.
- Schools need both the encouragement and the capacity to deliver a high-quality education to pupils across all ethnic and socio-economic groups. Since the causes of some groups' under-performance are multiple, there is no single appropriate solution. A carefully focused package of measures is needed.
- Ethnicity should be factored into current educational targets if under-attaining groups consistently continue to achieve below the White level. In addition, greater transparency should be introduced in school attainment data where differential achievement between groups is of serious concern.
- Funding and school inspection arrangements should be used more effectively to improve the educational attainment of ethnic minority groups. In particular, the Ethnic Minority Achievement Grant should be reviewed to ensure that resources are targeted at those schools and pupils who need them most.
- Schools and teachers should be provided with more information and better training on how successfully to teach a diverse intake of pupils and how to make most effective use of best practice guidance.
- Schools and Local Education Authorities (LEAs) should be better informed about how to engage and motivate parents of low-attaining ethnic minority pupils. Parents should also be told about opportunities for greater choice in selecting schools for their children.
- Important data, research and evidence gaps should be filled to enable LEAs, schools and local Learning and Skills Councils (LSCs) to improve the skills levels of poorly-qualified ethnic minority communities.



## Education and skills are crucial

Individuals require skills and qualifications to succeed in the modern labour market.

Members of some ethnic minority groups, such as Pakistanis, Black Caribbeans and Bangladeshis, have disproportionately poor skills and few qualifications.

Moreover, there is overwhelming evidence that Black Caribbean and Pakistani groups are failing to close the gap between their educational attainment levels in schools and those of the White average. This fact is almost certain to lead to continuing labour market under-attainment for these groups unless something is done to break the cycle of low attainment. These disparities will continue to have negative impacts on productivity, social cohesion and the prosperity of ethnic minority communities.

This chapter sets out a policy framework, underpinned by practical measures to break this cycle and to help close the attainment gap in both schools and the labour market.

## Past policy has included important shifts in emphasis

Education, training and skills have been the focus of policy-makers' attention for a century or more, reflecting concerns about Britain's economic performance and the social consequences of a poorly-educated and less-trained workforce.

The history of educational responses to ethnic minority pupils can be characterised as a transition from viewing them as a "problem" to be dealt with to the contemporary multicultural view of diversity being an asset to the school environment.<sup>55</sup> In the early 1960s, the initial response of a number of Local Education Authorities (LEAs)

to Black Caribbean and South Asian immigration was to disperse immigrant pupils across schools to limit their concentration in any one area. The rationale for this was the belief that high concentrations of immigrant children in a school would undermine the educational process.

In this period, there were also targeted measures to address the particular difficulties that some ethnic minority children faced. By 1966, the Government had become aware that local authorities with significant inflows of New Commonwealth migrants were in need of additional funding to pay for extra staffing. This was supplied by the Home Office under Section 11 of the Local Government Act (1966), through a funding stream which was ultimately replaced by the Ethnic Minorities Achievement Grant (EMAG) in April 1999.

Evidence of a change in approach came in the early 1970s with the Department for Education and Science publication *The Education of Immigrants: Education Survey 13*. This said that schools needed to be aware of the needs of different ethnic minority groups and warned them about potential tensions between immigrant pupils and their White peers. However, the most significant change occurred in 1985. The Swann Report, *Education for All*, was commissioned explicitly to address equality and attainment issues regarding ethnic minority pupils.<sup>56</sup> It called for a change in the mindset of Government, from "coping" with ethnic minority children to developing an education system capable of teaching all children:

"The fundamental change that is necessary is the recognition that the problem facing the education system is not how to educate children of ethnic minorities, but how to educate all children."<sup>57</sup>

<sup>55</sup> See: E. Rose, *Colour and Citizenship: A Report on British Race Relations*, Oxford: OUP, 1969.

<sup>56</sup> Department of Education and Science, *Education for All: The Report of the Enquiry into the Education of Children from Ethnic Minority Groups*, London: HMSO, 1985 (The Swann Report).

<sup>57</sup> Ibid

The focus of educationalists in this field since the Swann Report has been on how to enact this change. Developments have included an increase in the quantity and quality of research on good practice, reform of the way schools are inspected for race equality and changes to teacher-training.

The current Government has implemented measures specifically aimed at increasing attainment among ethnic minority communities. At the national level, the Department for Education and Skills has consulted widely on all matters relating to ethnic minority education and employment. This has been through ministerial advisory groups and national conferences, as well as through formal written consultations on EMAG and ethnic background data collection. LEAs and schools have been asked to submit projections for ethnic minority attainment in the coming years. The Government has introduced a study for a citizenship programme in the National Curriculum and has encouraged Ofsted inspections to review the way schools take account of, and value, pupils' cultural diversity, and how they combat racism.

### High levels of human capital are strongly linked with job success

People with high levels of human capital may have university-level qualifications, vocational skills and real-world experience of work. People with low levels of human capital are, in general, likely to have few, if any, qualifications and fewer marketable skills.

An individual's amount and type of human capital is a key determinant of their labour market achievement. Numerous studies have established that there is a strong association

between levels of human capital and labour market success. Higher levels of educational attainment and qualifications are associated with higher wages, higher productivity and a lower incidence of unemployment.<sup>58</sup> There is also evidence that returns to education are growing, increasing the importance of possessing high levels of human capital.<sup>59</sup>

### *Different types of human capital have different effects on labour market achievement*

#### **Schooling**

The single most critical determinant of lifelong human capital levels is the quality of schooling a person receives. It is a hard task for post-compulsory education to compensate fully for poor attainment in school. There remain huge differences in attainment between schools dealing with similar intakes, meaning that there must be room for a wider dissemination of good practice. Schools are therefore the primary focus of this chapter.

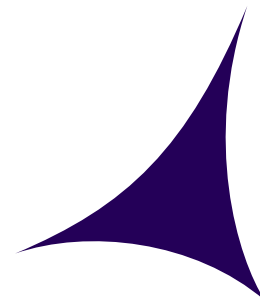
#### **Basic skills**

Basic skills can be defined as functional literacy and numeracy – the ability to use words and numbers to achieve tasks necessary in everyday life. Individuals with poor basic skills are up to five times more likely to be unemployed and far more likely to have low-paid, low-skilled jobs. They are more prone to ill-health and social exclusion, and are more likely to be deterred from pursuing a qualification by the cost involved.

Lack of fluency in English can be a particularly difficult barrier to overcome. The DfES report, *Breaking the Language Barriers*, concludes that lack of fluency in English is likely to affect not only an individual's ability to secure employment or advancement in

<sup>58</sup> The Institute for Fiscal Studies has produced several such studies. See, for example, [www.ifs.org.uk/education/returns1.shtml](http://www.ifs.org.uk/education/returns1.shtml)

<sup>59</sup> A. Barrett *et al.*, 'Earnings Inequality, Returns to Education and Immigration into Ireland', Centre for Economic Policy Research, July 2000. See: [www.qub.ac.uk/nierc/documents/Barrett.pdf](http://www.qub.ac.uk/nierc/documents/Barrett.pdf)



the workplace, but also their ability to benefit from further education, to access community and social services and to participate in community life more generally.<sup>60</sup> Recent research suggests that fluency in English is associated with a rise in employment probability of approximately 15 percentage points, and that literacy in addition to fluency is important in obtaining a job.<sup>61</sup>

### **Further education and “soft skills”**

Learning continues throughout life. As people move into further education and as they move through their career, “softer” skills such as personal confidence and job-seeking skills are developed. The development of such skills can be supported by schemes such as Connexions, which aims to provide integrated advice, guidance and personal development opportunities for all 13 to 19 year olds in England and to help them make a smooth transition from adolescence to working life.

Further employment and earnings benefits fall to those who enjoy the opportunities presented by participation in higher education. The Government has consequently set a target of at least 50 per cent of young people to participate in higher education by 2010.

### ***The performance of some ethnic groups in the education system lags behind the population average***

In the past, ethnic minority human capital levels were largely determined by the education that migrants had received in their home countries. This is no longer the case. According to the General Household Survey, 83 per cent of ethnic minorities below the age of 25 are British-born.<sup>62</sup> Ethnic minority human capital levels are therefore now largely determined by the British education system.

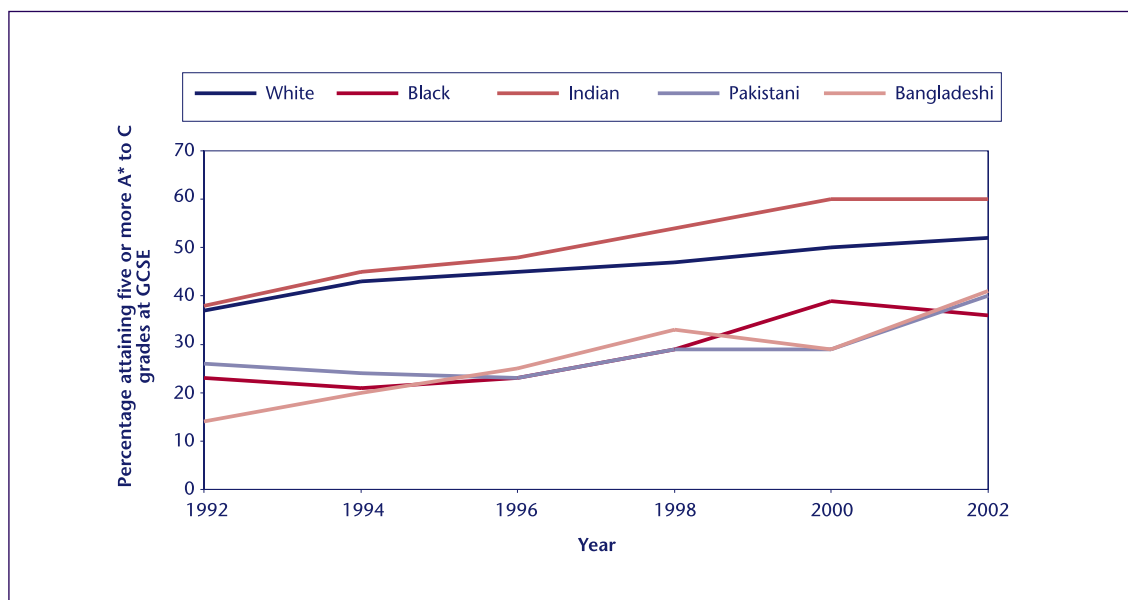
For some groups, this has been a success. Indian pupils out-perform White pupils at GCSE level. However, the achievements of some ethnic groups in the education system still lag significantly behind the White average.<sup>63</sup> As Figure 4.1 shows, in 2002, the proportion of White pupils receiving five or more A\*-C grade GCSEs outnumbered that of Blacks by 16 percentage points and that of Pakistanis and Bangladeshis by over 10 percentage points.

<sup>60</sup> Department for Education and Skills, *Breaking the Language Barriers*, The Report of the Working Group on English for Speakers of Other Languages, 2000. See: [www.lifelonglearning.co.uk/esol/front.htm](http://www.lifelonglearning.co.uk/esol/front.htm)

<sup>61</sup> C. Dustmann and A. van Soest, 'Language Fluency and Earnings: Estimation with Misclassified Language Indicators', *mimeo*, University College London, 1998.

<sup>62</sup> A. Bridgwood *et al.*, 'Living in Britain: Results from the 1998 General Household Survey', London: The Stationery Office, ONS Inter-departmental Survey, April 1998-March 1999, p.36.

<sup>63</sup> This fact is confirmed by recently released data from the new National Pupil Database. See: [www.dfes.gov.uk/consultations2/03/](http://www.dfes.gov.uk/consultations2/03/)

**Figure 4.1: Proportion of Pupils Receiving five or more A\*-C Grade GCSEs, by Ethnic Group**

Source: DfES, Youth Cohort Study, 2002

However, while the gap between Pakistani and Bangladeshi groups appears to be narrowing modestly over time, this is not the case for Black pupils. This is especially notable in the case of Black Caribbean boys, a fact often disguised where data is aggregated for both sexes. While the attainment gap between White and Black girls in 2002 was the same as that in 1992, the gap between White and Black boys increased by four percentage points over the same period. This under-attainment risks higher unemployment and lower earnings for these groups in the future.<sup>64</sup>

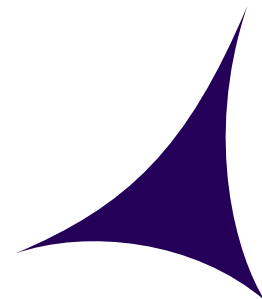
### ***Basic skills levels are also lower...***

As detailed in Chapter 2 of this report, Black Caribbeans, Pakistanis and Bangladeshis tend to have lower levels of basic skills than the White population. First-generation Pakistani men, for instance, are nearly twice as likely as similar White men to have no qualifications.

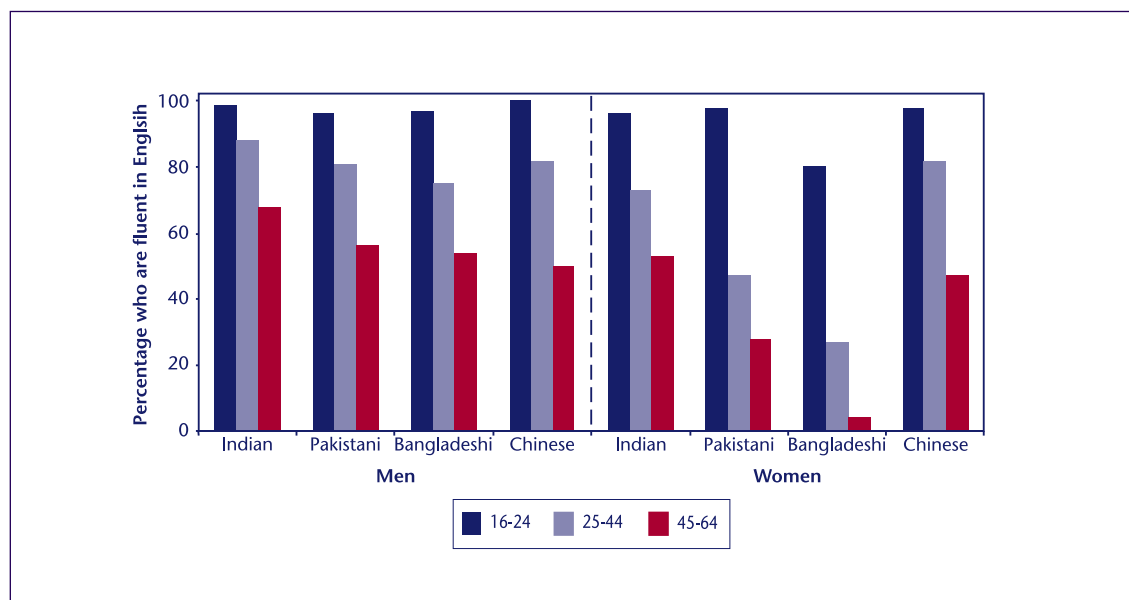
### ***...with fluency in English a particular problem for some groups***

Figure 4.2 shows that while most younger ethnic minority individuals are fluent in English, fluency is a common problem for certain Asian ethnic minorities in the older age groups, many of whom were born abroad.

<sup>64</sup> The connection between skills and earnings is spelled out in the Policy Action Team report on Skills, at [www.lifelonglearning.co.uk/pat/rep03.htm](http://www.lifelonglearning.co.uk/pat/rep03.htm)



**Figure 4.2: Fluency in English by Age and Sex in Britain**



Source: T. Modood, R. Berthoud et. al., *Ethnic Minorities in Britain: Diversity and Disadvantage*, 1997, Chapter 3, Table 3.2, p.61

Lack of fluency in English has a significant impact on the employability of first-generation Asian women in particular: over three-quarters of Bangladeshi women over the age of 25 do not speak fluent English. First-generation men also suffer, with non-English speakers comprising over 40 per cent of the Bangladeshi and Pakistani cohorts. The impact of these language problems appears to differ between the sexes. For men, it correlates with unemployment, whilst for women it relates more to economic inactivity rates.<sup>65</sup>

***Achievements in higher education are also a concern, although they are crucially dependent on achievement at school***

Data has been gathered which shows that ethnic minority students receive disproportionately fewer first class degrees,

and more lower class degrees and failures.<sup>66</sup> Data also shows that there are low levels of enrolment for some groups in certain fields of study, such as the tiny proportion of Black Caribbeans enrolled on scientific degree courses.<sup>67</sup> However, specific policies to rectify these differences are not set out in this report, since higher education outcomes are still largely determined by highly unequal school outcomes. Furthermore, the higher education system is in the process of making numerous changes resulting from the Race Relations (Amendment) Act 2000, and it would be premature to propose further action when these initiatives have not yet had time to take effect.

<sup>65</sup> D. Leslie and J. Lindley, 'The Impact of Language Ability on the Employment and Earnings of Britain's Ethnic Communities', *Economica*, November 2001, pp.587-606.

<sup>66</sup> D. Owen, A. Pritcher and A. Maguire, 'Ethnic Minority Participation and Achievements in Education, Training and the Labour Market', *Race Research for the Future*, DfEE and University of Warwick, No 225, 2000, p.67.

<sup>67</sup> For examples of issues in higher and further education sectors, see Interim Analytical Report, Chapter 4.



## There are a number of reasons – several related to social class – why some ethnic minorities under-attain at school

One of the Government's key aims is to give everyone the chance, through education, training and work, to realise their full potential and thus to build an inclusive and fair society and a competitive economy. Raising educational standards for all pupils is central to this strategy and a modernised education system should be able to deliver a high-quality service to a diverse range of people.

However, raising the educational attainment of some groups of ethnic minority pupils may

be particularly challenging, for two reasons. First, ethnic minority families tend to be concentrated in areas of deprivation and in lower social classes: Pakistanis, for example, are nearly twice as likely as Whites to fall under the socio-economic classification of semi-skilled or unskilled.<sup>68</sup> As children from lower classes tend to do less well at school (see Box 4.1), ethnic minorities will, on average, also tend to lag behind the population as a whole.

Secondly, there are a number of factors that are specific to certain minority groups which may hinder their educational achievement (Box 4.2).

### *Box 4.1: Social class factors affecting the educational attainment of certain ethnic minority groups*

#### **Social class factors**

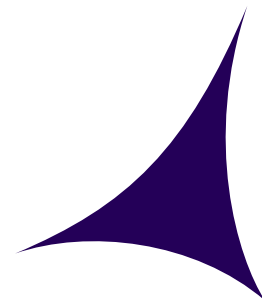
- poverty and/or low occupational status of parents and low education of parents;
- low expectations and aspirations of parents, teachers or the pupils themselves;<sup>69</sup>
- lack of parental engagement in their children's education, either due to lack of time, cultural barriers, or lack of ability to do so;<sup>70</sup>
- anti-academic culture and peer pressure;<sup>71</sup>
- residency in deprived areas where schools tend to have poor outcomes;
- disproportionate likelihood of parental or pupil illness; and
- pressure on children to enter employment as soon as possible to supplement family income.

<sup>68</sup> Interim Analytical Report, p.80.

<sup>69</sup> See: North Central Regional Educational Laboratory: [www.ncrel.org/sdrs/areas/issues/students/atrisk/at6lk11.htm](http://www.ncrel.org/sdrs/areas/issues/students/atrisk/at6lk11.htm)

<sup>70</sup> J. Ermisch and M. Francesconi, 'The Effects of Parents' Employment on Children's Lives', Joseph Rowntree Foundation, March 2001. See: [www.jrf.org.uk/pressroom/releases/140301.asp](http://www.jrf.org.uk/pressroom/releases/140301.asp)

<sup>71</sup> See Literacy Trust: [www.literacytrust.org.uk/database/boys/Boysinit.html](http://www.literacytrust.org.uk/database/boys/Boysinit.html)

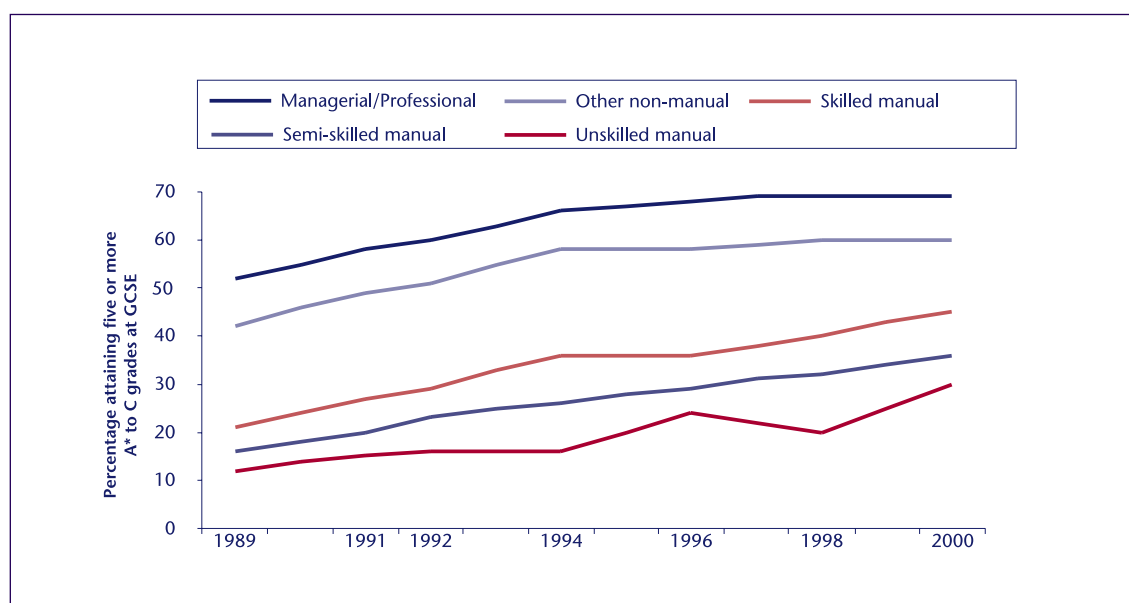


### *Box 4.2: Other factors affecting the educational attainment of certain ethnic minority groups*

#### **Factors specific to certain ethnic minorities**

- a lack of English language fluency;
- racial abuse or harassment;
- lack of role models;
- unfamiliarity with the workings of the education system;
- teaching based on unfamiliar cultural norms, histories and points of reference; and
- low expectations of teachers and parents.

**Figure 4.3: The Link between Class and Attainment of five or more A\*-C Grade GCSEs**



Source: Youth Cohort Study, Cohorts 4-10. Data for years 1990, 1993, 1995, 1997, 1999 are interpolated

### ***Social class is highly correlated with educational attainment***

Figure 4.3 shows the high correlation between parental occupation (a proxy for social class) and GCSE attainment.

Within this overall picture, some factors relating to lower social class are clearly more important than others. Parental education, for instance, appears to be a stronger determinant of children's educational outcomes than parental income.<sup>72</sup>

### ***Social class problems manifest themselves very differently for different ethnic groups***

Black Caribbeans, Pakistanis and Bangladeshis have similarly low levels of GCSE attainment. However, the causes are quite different:

- The causes of Bangladeshi educational disadvantage include low levels of income, spread across large families, as well as factors connected to recency of arrival, including poor parental education, problems with English as a second language and low levels of social capital.
- The causes of Black Caribbean educational disadvantage can include low engagement and poor educational histories on the part of parents, as well as low expectations of achievement from schools and society, negative peer pressure and high numbers of single parent families.
- The causes of Pakistani educational disadvantage are a partial mixture of the above, including high unemployment, partly due to industrial restructuring in northern England, low teacher and parental expectations, negative peer pressure, as well as parental English as a

second language issues and religious discrimination.<sup>73</sup>

Policies aimed at improving the attainment of ethnic minority groups by targeting problems associated with social class are almost certain to impact very differently on different ethnic groups. The message is clear – social class targeted measures are likely to be effective, but are unlikely to affect all groups at the same rate or in the same way.

### **A strategy is needed to improve the attainment of ethnic minorities in schools**

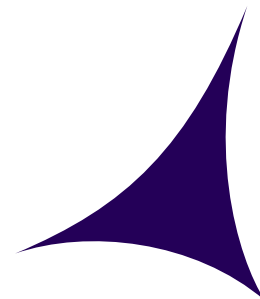
#### ***Government strategy to date has not set ethnic minority attainment targets...***

The Government has not previously set educational attainment targets by ethnic group on the grounds that education and other policies should be focused on raising attainment levels amongst all disadvantaged groups. However, there has been a clear expectation that policies aimed at raising attainment levels amongst pupils from disadvantaged backgrounds will disproportionately benefit ethnic minorities. Indeed, major programmes such as the National Strategies for Numeracy and Literacy, Beacon Schools, Specialist Schools and Excellence in Cities are all expected to have disproportionate benefits in low social class areas and should consequently help to reduce the gap. Indeed, some evaluations report that these programmes are already having positive impacts on ethnic minority groups.

However, the persistence of ethnic minority educational under-attainment suggests that there may be a case for a different approach.

<sup>72</sup> OECD, *Knowledge and Skills for Life: First Results from the OECD Programme for International Student Assessment (PISA)*, Paris: OECD, 2001, p.157.

<sup>73</sup> List compiled from several social and economic sources discussed in detail in Chapter 2.



There are numerous examples in this report of public policy interventions which ought to have large impacts on ethnic minority groups, but which in fact have had little effect:

- ethnic minority participants are 19 per cent less likely to leave the New Deal for a job than Whites;
- in Work-Based Learning for Young People (WBLYP), ethnic minorities are under-represented on programmes such as Advanced Modern Apprenticeships. The proportion of ethnic minority trainees entering jobs from WBLYP is some 23 percentage points below that of Whites; and
- ethnic minority small businesses have low levels of both awareness and usage of Government-funded business assistance services, despite owning disproportionately large numbers of small businesses.

**...but more targeted efforts may be needed if the attainment gap is to be closed**

In March 2003, the Department for Education and Skills (DfES) launched a consultation document, *Aiming High: Raising Achievement of Minority Ethnic Pupils*, as part of its new ethnic minority achievement strategy.<sup>74</sup> This is linked with a three-year Teacher Training Agency (TTA) strategy focused on improving the quality of trainee teachers' skills and knowledge about how to raise attainment of pupils from diverse backgrounds. These initiatives aim to develop a better understanding of best practice to help DfES, the TTA, schools and Initial Teacher Training (ITT) providers deliver what works, where it is needed. This is a vital step in improving the understanding of what practices improve the ethos, expectations and achievements of schools with low-attaining ethnic minority groups.

This report does not propose to intervene in this strategy. However, it is recommended that DfES should be ready to target ethnic minority under-attainment problems if the current gap does not narrow significantly by 2005. Ideally, the data upon which targeting decisions are based should be value-added to take into account social class factors, thereby reflecting quality of inputs, rather than simply raw outcomes.

**Conclusion 1:**

*DfES has already implemented, and will continue to implement, a series of policies which are directly and indirectly targeted at closing the attainment gap between low-achieving ethnic minority groups and the White average. These policies include Excellence in Cities, Extended, Specialist and Beacon Schools, Sure Start, the whole of the Standards agenda, and DfES' ethnic minority achievement strategy. If despite these programmes, new data sources reveal persisting and disproportionate attainment gaps between ethnic groups, DfES should factor ethnicity into education floor targets from Q3/2005.*

**Greater transparency in school attainment data is a valuable instrument**

Despite attainment targets at LEA level, ensuring that ethnic minority pupils do not systematically underachieve is not a sufficiently high priority for schools. Therefore, a key plank will be the need to establish high level incentives for Government, LEAs and schools to give sufficient priority to problems of ethnic minority under-attainment. Greater transparency in identifying and focusing on such attainment gaps is a valuable means to establishing the appropriate incentives.

<sup>74</sup> See: [www.dfes.gov.uk/consultations2/03/](http://www.dfes.gov.uk/consultations2/03/)

It is a policy priority to create more incentives for schools with diverse intakes to view sizeable achievement gaps as unacceptable and to eliminate them. Publishing attainment data by ethnicity is one such way of encouraging schools to pay more attention to the size and causes of ethnic attainment gaps, and so to close them. This would lead to several beneficial outcomes:

- incentivising schools to confront differential under-attainment by ethnic group;
- encouraging parents of ethnic minority pupils in schools failing particular ethnic minority groups, to put pressure for change on the school; and
- better information on schools failing particular ethnic minority pupils, meaning parents could avoid such schools when deciding where to send their children.

The introduction of the Pupil Level Annual School Census (PLASC), and the creation of the National Pupil Database (NPD) by linking it to pupil attainment data, makes available, for the first time, robust data on differential educational attainment by ethnic group. This data is gathered from schools via LEAs, processed and published by DfES and should be made available to schools and LEAs as a management tool. In addition, the TTA strategy on diversity aims to equip all trainee teachers with the skills to interrogate the data available to them to identify underachievement of individuals.

Using the PLASC/NPD platform, the principle should be extended and data made available to parents also, through the Ofsted parental summary report. This summary should draw upon and highlight patterns identified through quantitative data, where appropriate. If ethnically-disaggregated

results are of serious concern, they should be identified in the summary report – not only as a weakness of the school, but also as a key issue for improvement. High achievement by different groups in a multi-ethnic school should also be reported, together with strategies that have proved effective. Ofsted will examine what data would be useful to and welcomed by parents and consider the best mechanisms for presenting the data in inspection results.

This data, too, should be value-added, to reflect quality of inputs, rather than simply raw outcomes. Legitimate comparisons could therefore be made, and published, between attainment rates in an underachieving school and those in comparable schools, both at a national level and within a single LEA.

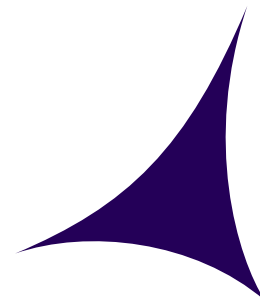
#### **Conclusion 2:**

*Where differential achievement between ethnic minority groups is of serious concern, Ofsted should identify this as a weakness of the school in its summary report to parents [by Q3/2004].*

### **Funding and inspection mechanisms need to support improvements in ethnic minority attainment**

*Well targeted, flexible funding arrangements are vital...*

A strategy for enabling and motivating schools to push for higher attainment for under-attaining ethnic minority groups needs to be accompanied by suitable funding. At present, ethnic minority attainment issues are dealt with through two funding mechanisms:



- the Formula Spending Share (FSS), used to allocate the great majority of overall school funding to local authorities, worth in all around £25 billion a year; and
- the Ethnic Minorities Achievement Grant (EMAG), a ring-fenced fund worth £154 million a year.

The FSS mechanism has been revised with effect from April 2003 and now allocates some £410 million a year according to numbers of pupils with English as an additional language in the primary sector and numbers of pupils in lower-achieving ethnic minority groups in the secondary sector. Consequently, this section concentrates on specific concerns surrounding the use and distribution of EMAG.

### ***...but the distribution of money by EMAG does not currently reflect needs***

At present, the arrangements for distributing EMAG are flawed. They are still very largely influenced by the historic bidding arrangements underpinning the Home Office Section 11 programme. LEAs are required to allocate EMAG to their schools on a locally-agreed basis. This is frequently based on a formula which takes into account the numbers of ethnic minority pupils and the numbers for whom English is an additional language.

This system fails to recognise the differing attainment levels of different ethnic minority groups, which range from rather better, to far worse, than the White average. It also tends to serve best large concentrations of ethnic minority pupils, rather than small numbers of low-attaining pupils in predominantly White schools; EMAG funding per pupil in low-density northern towns can

be up to 30 times less than Tower Hamlets in London. EMAG should be spent mainly where there are clear signs of ethnic minority under-attainment. It should also be allocated in a manner which aims to bring under-attaining ethnic minority groups up to the White average attainment level.

The EMAG distribution framework needs to be radically overhauled to connect grants directly to pupil need. DfES should take advantage of improved pupil level data to enable it to do this. These changes ought to be especially beneficial to the lower-achieving ethnic minority groups, notably Bangladeshis, Pakistanis and Black Caribbeans.

### ***There is also a lack of flexibility in dealing with pupil turnover...***

EMAG lacks flexibility in the arrangements for funding schools with high pupil turnover. Such schools face many difficult challenges: extra effort and expense is required to integrate pupils who have missed the normal induction processes, and many of those who arrive may have immediate English language needs.

Neither EMAG nor the SSA system currently allow rapid funding responses to such events and it is possible that attempting to modify them to respond faster would be in danger of undermining the whole school funding system. DfES should therefore introduce a new, short-term, flexible grant which can be awarded within days of application, until changed numbers of pupils can be adjusted for in the yearly spending assessments.

### ***...and there is insufficient funding for non-English-language-related projects***

A significant amount of EMAG is spent on provision of English as an Additional Language (EAL), which is extremely valuable, but by no means the only problem faced by ethnic minority pupils. There are a number of other initiatives with proven success in improving the attainment of ethnic minority pupils, such as after-school study support, mentoring schemes, supplementary schools, innovative use of ICT and work-experience programmes. Often, these policies are aimed primarily at improving the attainment of Black Caribbean boys, but they are also becoming increasingly relevant to second- and third-generation Pakistani boys and girls.

The quantity and targeting of EMAG funding should be determined by an analysis of the new ethnicity data recorded in the 2003 Pupil Level Annual Census of Schools (PLASC). DfES should ring-fence part of the Ethnic Minority Achievement Grant to ensure that it is not simply spent on either EAL or general school expenses.

### **Conclusion 3:**

***DfES funding arrangements should be reviewed to ensure that:***

- i. funding through the Ethnic Minorities Achievement Grant is linked to pupil need, not simply ethnicity [by Q2/2004]; and***
- ii. funding systems are flexible enough to help LEAs and individual school through periods of high pupil turnover [by Q3/2005].***

### ***Government needs to have confidence that Ofsted is playing its important role***

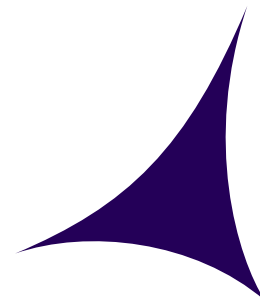
It is important that the systems for inspecting educational establishments are both thorough and constructive when dealing with ethnic minority attainment problems. Ofsted's school inspection framework has been completely revised, and will take effect from September 2003. Following a critical CRE report in 2000,<sup>75</sup> and in light of the requirements of the Race Relations (Amendment) Act 2000, this new framework gives greater emphasis to evaluating differential achievement and reporting on underachieving groups. Specifically, it requires inspectors to evaluate and report on:

- the school's results and other performance data, reporting any variations between different subjects and groups of pupils, assessing, as appropriate, the school's analysis of how different groups of pupils perform; and
- how well pupils achieve in each key stage, highlighting the achievement of different groups and assessing, as appropriate, the relative progress of groups and individuals, especially those of different ethnic minority backgrounds.

Other parts of the evaluation schedule contained in the new framework relate closely to social and school-centred reasons why some ethnic minorities underachieve. The schedule covers, for example, racism and harassment, fluency in English and provision for the cultural development of pupils' and teachers' expectations.

<sup>75</sup> A. Osler and M. Morrison, *Inspecting Schools for Racial Equality: Ofsted's Strengths and Weaknesses*, London: CRE, 2000.





***The Teacher Training Agency has developed a three-year strategy to assist Initial Teacher Training (ITT) providers to train new teachers in a way that enables them to tackle attainment problems amongst all their pupils***

Training for new teachers to enable them to deal with ethnically and culturally diverse classes is already part of the teacher-training curriculum. It has just been strengthened by the introduction of new Professional Standards for Qualified Teacher Status (QTS).

The latest annual survey of Newly Qualified Teachers (NQTs) carried out by the TTA showed that many newly-qualified teachers felt that their initial teacher-training had not equipped them sufficiently well to teach pupils from diverse backgrounds. Indeed, as many as four-fifths of current cohorts of student teachers expect to teach in ethnically diverse schools at some point in their careers. It is important that the TTA monitors the impacts and progress through an annual survey of ITT providers and by tracking responses in the NQT survey.

In past consultations with stakeholders, it was often commented that inner city LEAs and schools frequently have to retrain teachers who have only just passed their PGCEs, to enable them to work in multi-ethnic classrooms.

This support will help teacher-training bodies understand how to fulfil the demands of the new Professional Standards. DfES, the TTA and the National College for School Leadership are working with the Commission for Racial Equality, Ofsted and independent

teacher-training experts on both guidance and a matching inspection framework. With Ofsted's new inspection framework and the TTA's three-year strategy, it is vital to monitor and assess the impacts of these changes at classroom level. There is also a need to address how teachers should be trained and supported in engaging ethnic minority parents in order to help their children achieve their full potential.

Those groups with English language problems, such as Bangladeshis, will benefit from teachers who are better able to incorporate language development into the teaching of a wide range of subjects. Groups often characterised by low expectations or behaviour problems, such as Black Caribbeans, should benefit from teachers who are better able to identify these issues and provide solutions. Careful scrutiny of data at a school or LEA level will be needed to assess which groups benefit the most from these reforms.

## **Sharing good practice for the benefit of all**

### ***Best practice literature illuminates a range of effective tools for raising educational attainment***

DfES gathers, publishes and distributes information on best practice, including a considerable base of guidance on improving the attainment of ethnic minority pupils. The policies listed below are drawn from a variety of good practice guides. They are based on evidence of what works in successful schools with strong records of tackling under-attainment and discrimination.<sup>76</sup>

<sup>76</sup> Best practice guides in this area include: 'Achievement of Black Caribbean Pupils: Good Practice in Secondary Schools', Ofsted, 2002; 'Removing the Barriers: Raising Achievement Levels for Minority Ethnic Pupils', DfES, 2002; 'Raising the Attainment of Minority Ethnic Pupils: Guidance and Resource Materials for Providers of Initial Teacher Training', Teacher Training Agency, 2000; and M. Blair and J. Bourne, 'Making the Difference: Teaching and Learning Strategies in Successful Multi-ethnic Schools', July 1998.



- **Sharing good practice**

This can be achieved through meetings and discussions with other schools that have been identified as having successfully adopted effective practices for raising the attainment levels of ethnic minority pupils. In-service training can play a crucial role in distributing the lessons learned to the teachers in the classrooms.

- **Smart parental engagement**

It is crucial to recognise the impact of culture on parental involvement, as well as the needs, in certain circumstances, of lone parent families. Examples include: connecting bilingual teachers with non-English speaking parents; links to community centres; flexible visiting hours to allow for work and religious requirements; visits to parents in their own homes through home-school liaison officers; classes to explain how the curriculum and examination systems work; and the opportunities available for exercising parental choice in education.

- **Promoting attainment**

This can be achieved through public displays of good work, public acknowledgement and rewarding of success and a conscious effort to promote the idea that pupils of all ethnicities can attain. For example, schools with a strong academic ethos tend to have examples of good work, along with photographs of their authors and the reward gained, pinned up in prominent locations, such as the entrance to the school.

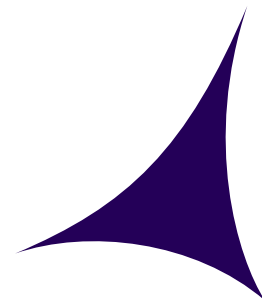
- **Matching pupils with mentors**

This helps break down stereotypes of failure and tackle low career aspirations associated with particular ethnic groups. Some schools, for example, bring in young, successful Black Caribbean men to mentor boys who would otherwise have few role models. Other schools identify successful students who are also popular amongst other pupils, and use them as examples of how success does not mean losing the respect of peers.

- **Institutionalising the expectation that all pupils can achieve**

This involves frank and open discussion of stereotypes and prejudices within the curriculum, directly tackling low expectations of both pupils and their parents through lessons, assemblies, the curriculum and a whole range of school activities such as sport and drama.

Importantly, however, different policies work to different degrees of effectiveness with different ethnic minority pupils. Indeed, in some cases, inappropriate adoption of some of the above policies may be counter-productive. Schools have to decide which policies will be most effective in their particular circumstances. Examples of the selective adoption of such policies are included in Box 4.3 below.



### *Box 4.3: Best practice in practice*

#### **Developing a long-term school-level strategy for raising attainment**

Denbigh High School is a mixed community school in the heart of industrial Luton. It handles an intake of 11-16 year olds, 92 per cent of whom are from ethnic minority backgrounds. The vast majority (75 per cent) of these are Bangladeshi and Pakistani. The proportion of pupils receiving free school meals is 54 per cent, and turnover of new pupils is high. Despite these multiple compounding challenges, GCSE results are extremely impressive, with 49 per cent of pupils receiving five or more A\*-C grade GCSEs. Furthermore, over 85 per cent of pupils stay in education after 16. Both these figures are comparable to or better than the national average. Denbigh's success has not come about through chance. In 1991, it was a struggling school, with only 14 per cent of pupils achieving five good GCSE grades and exclusions running at 10 per cent. Methods used in the process of transformation have included: rigorous monitoring and analysis of data; systematic sharing of good practice; target-setting; rewarding of success; involving pupils in school governance; continual parental engagement; and institutionalising and articulating raised expectations.

#### **Extending pupils' experiences and skills within and beyond the curriculum**

St Bonaventure's School is an 11-18 boys' voluntary-aided comprehensive school in Newham. The school is ethnically mixed, with Black Caribbean pupils forming 14 per cent of the pupil population. The proportion of pupils eligible for free school meals is above the national average, at 26 per cent. The curriculum at St Bonaventure's is of conventional subject-based design, with a substantial after-hours programme providing enrichment. Threaded through it are opportunities for pupils to extend experience and skills: a number are given the opportunity to attend the Catholic Association for Racial Justice conference each year; the religious education curriculum recognises the diversity of worship traditions within Catholicism and other religions; through residential attendance at a university's annual Black Science Enrichment Programme, the boys involved learn to understand that careers in science are open to them and what they need to do to gain access to them; and the school's rich extra-curricular provision includes sports rarely catered for in the local community, such as golf and sailing, as well as many music and drama opportunities, homework and Saturday clubs and study support in the holidays.

#### **Engaging parents in the educational process**

St Martin-in-the-Fields High School is a comprehensive girls' 11-16 school in Lambeth; 88 per cent of the pupil population are of ethnic minority heritage, with Black Caribbean pupils forming 33 per cent of the school population. The proportion of pupils eligible for free school meals is 36.5 per cent, well above the national average. The school sees the objective of developing a regular and wide-ranging dialogue as being to ensure that the school and parents share a common understanding of values and aspirations. This means that parents receive up-to-date assessments of progress, including estimated grades and information about what needs to be done to achieve them. The Black Caribbean parents are very supportive of classes held on Saturdays and of the wide range of out-of-school activities, but the school has worked hard to develop the trust especially of the considerable number who have had poor personal experiences of education and who are

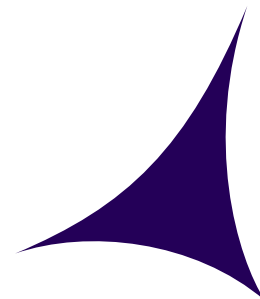
somewhat sceptical about or intimidated by the idea of school. The school has, for example, offered evenings for the parents on the management of pupils' behaviour and its impact on learning, and is quick to alert the parents if a pupil's learning is being adversely affected.

### **Matching pupils with mentors**

The Tower Hamlets Education Business Partnership (EBP) mentoring scheme operates in a highly diverse community, both culturally and economically. Of the 38,000 pupils registered at all Tower Hamlets schools, 70 per cent are from ethnic minority groups, compared with 13 per cent nationally. Bangladeshi pupils make up the majority of the school population, comprising 56 per cent of the total school roll. This diversity is reflected in the make up of students participating in the Year 10 mentoring scheme. Concentrating on improving students' awareness of career opportunities and developing their key employability skills, mentees are matched with business mentors based in the City of London. The mentors provide an invaluable perspective on employment in the City and on the opportunities available post-16. This close contact with City-based employees is important, as a significant percentage of the mentees come from homes where one or both parents are unemployed. Over the last year, participating mentees report having increased their knowledge of job opportunities (80 per cent significant/moderate benefit), better understood what potential employers look for in new recruits (76 per cent significant/moderate benefit); and increased their knowledge and awareness of the academic qualifications necessary for desired careers (75 per cent significant/moderate benefit). Key skills gained include working in small groups, developing time management skills, and organising and prioritising their own work.

### **Developing a new ethos**

The school (anonymised on request) is a mixed voluntary aided Roman Catholic secondary school with about 670 pupils in the North of England. Black pupils form 29 per cent of the school population, most coming from the local community, one of the most disadvantaged in the country, with high rates of unemployment among Black males. The new headteacher, who had previously been a deputy at the school and had witnessed a period of deteriorating relationships and worsening achievement, recognised that the school needed to develop a new ethos. She was aware that Black males particularly experienced a level of alienation and exclusion that had to be addressed. Listening to pupils and taking their concerns seriously became a major strategy to change the culture of the school. Older pupils were treated as adults and the different experiences they brought to the school were recognised. Whole school policies were redefined in various ways, which included: developing staff awareness of equality of opportunity regarding race and gender; involving parents in drawing up an anti-racist policy; and establishing a code of conduct applying to both staff and students. Systematic efforts were also made to raise achievement by changing pupil attitudes to achievement. For example, mentoring through a local company was established for all students in years 9 and 10, an initiative that gave extra support to the more vulnerable pupils, such as those influenced by gangs outside school. Also, individual pupils were identified to create positive role models to combat the peer group view, particularly among Black, that it was not "cool" to take academic work seriously. The school's commitment to raising the achievement of Black boys led to the percentage of black boys gaining five A\*-C passes at GCSE rising from 0 per cent to 19 per cent over the course of two years.



***However, it is unclear whether information about these tools is getting through***

Despite the clear power of these and similar tools, there is no systematic attempt within DfES to understand whether schools are using this type of best practice guidance or how useful they find it. There is a need to understand more fully how schools use the information, what media of distribution and topics are the most useful and which members of staff need to know about best practice for it to be useful. DfES should study the use of, and demand for, best practice guidance in schools, especially in the field of ethnic minority pupil attainment. The study should seek to answer the following questions:

- Which members of staff should guidance be targeted at?
- What channels of communication best suit these individuals?
- What guidance leads to which sorts of outcomes? Is some better at raising attainment, whilst other information is better at improving the school ethos?
- How can DfES embed feedback loops, so that it has a constant ability to measure and respond to school staff needs?
- How can a school ensure that good practice is spread to the teachers and pupils who need it? What works and what does not in this process?
- How many schools show no signs of using DfES best practice guidance at all? What causes this failure?
- How effective have web-based good practice guides, such as teacher.net and the standards site, been? Is there scope for piloting a new online discussion forum where information and ideas about raising

ethnic minority pupils' attainment can be swapped in confidence?

- Would guidance on parental involvement help schools raise ethnic minority pupils' attainment?

**Conclusion 4:**

***DfES should carry out a review of schools' use of information on best practice methods of raising ethnic minority educational attainment, focusing particularly on the lowest achieving LEAs with a view to improving access to guidance and advice [by Q2/2004].***

***Greater parental involvement with their children's education should also be encouraged***

Parents have a huge impact on their children's educational achievements. Parental education, income, social capital and engagement with schools have all been shown to have clear and sizeable impacts on the attainment of pupils. School-community relationships can often be the bedrock of successful schools in which high educational attainment is the norm for all ethnic groups. There are further dangers where segregation on ethnic lines has become established and where there are noticeable tendencies for ethnic minority communities to become inward-looking and isolated from both mainstream society and their fellow citizens.

The role of parents in guarding against this risk is important for two reasons. Firstly, parents' expectations and dialogue with schools can set the climate for a hard-headed sense of high educational attainment for all. Secondly, schools and schoolchildren continue to be a central route for building cross-ethnic relationships in society. A positive educational ethos among all parents across all ethnic groups benefits all.<sup>77</sup>

<sup>77</sup> Commission on the Future of Multi-Ethnic Britain, *The Future of Multi-Ethnic Britain*, London: Profile Books, 2000, pp.151-3.

Delivering improved educational attainment depends on parents being encouraged to become more active, and sharing responsibility with schools and teachers. There is evidence that a strong educational ethos within the family or community assists the job of schools. Although significant problems of low attainment exist today among certain groups, there is also a risk that these problems may lead to further disconnection in the labour market in social and cultural terms. Communities that are fully engaged with schools to tackle gaps in educational attainment are a central part of the strategy to mitigate such a risk.

DfES is currently developing a new strategy for improving parental involvement in the education of their children. The participation of ethnic minority parents must be seriously considered in the design process. LEAs are particularly important in implementing the strategy because they cover wider communities and are on a more appropriate scale for developing and sharing expertise and best practice than either national bodies (DfES) or highly localised ones (at individual school level).

As well as helping to improve pupil attainment, greater engagement of ethnic minority parents with schools may increase the levels of social and human capital of some particularly socially isolated groups, such as Bangladeshi and Pakistani mothers. At present, a combination of recency of arrival, language problems and cultural choice often means that these groups have little interaction with people outside their immediate social groupings. Schools provide an excellent meeting place in which people can engage and interact with members of a wider society. However, schools need proper funding and support to avoid this being perceived as unduly burdensome.

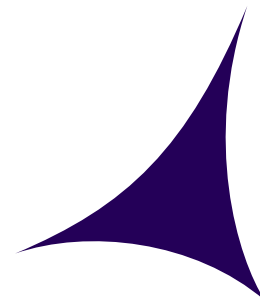
The Government has already recognised these opportunities through its Sure Start scheme. Sure Start aims to improve the health and well-being of families and children before and from birth, so children are ready to flourish when they go to school. Additionally, the Extended Schools and Family Learning schemes engage parents with schools for the purpose of adult education, community development and so on.

However, there is a need for an ethnically-responsive approach to identifying and managing parental disengagement with their children's education. For example, the reason for a Bangladeshi parent not being engaged with their daughter's schooling is very likely to be different from a Black Caribbean or White parent's reasons, and LEAs should be aware of and able to deal with these differences.

#### **Conclusion 5:**

*DfES should ensure that all LEAs with significant low attainment problems for particular ethnic minority groups have parental engagement processes that take ethnic specific factors into account [by Q4/2003]. Actions should include:*

- i. helping teachers and schools to identify ethnically related drivers of disengagement;*
- ii. using methods of engagement which are tailored to specific employment, religious and cultural needs; and*
- iii. encouraging schools to monitor and analyse parental engagement by ethnicity, to see if some ethnic minority communities are consistently disengaged.*



## Supporting parents through promoting educational choice

### *Establishing choice and diversity in education can drive better attainment for all*

The Government is committed to education reforms that will increase parental choice and promote diversity of supply. Consistency of approach is crucial: primary schools should play an important role in supporting Year 6 parents so that they can understand this increasingly complex system. These are on-going reforms and have the potential to refashion the type of education and attainment levels associated with schools in deprived areas. These reforms include: establishing schools within schools; introducing substantial private sector sponsorship of schools; increasing the number of specialist schools;<sup>78</sup> giving successful schools more flexibility and discretion; and making it easier to start new schools and to create local school networks.

These are potentially valuable opportunities to raise educational attainment levels among low-attaining ethnic minority groups. DfES should ensure that its ethnic minority achievement strategy makes full use of these tools by communicating school choice options to parents of low-attaining groups and by carrying out regular assessments of take-up and involvement. The aim is to ensure that low-attaining ethnic minority groups are participating and benefiting as much as other groups.

Enhanced school choice is valuable in various ways. Firstly, it provides an opportunity to promote greater variety of philosophy,

approach and ethos in schools, which increases the range of schools from which parents can choose. This can also increase the range of approaches adopted by existing schools. Harnessing and disseminating best practice, and offering mentoring programmes, are two prime forms this can take. Secondly, it increases flexibility by trying new types of schools or by giving existing school types more flexibility in their operations - the current roll-out of new Academies are already seeking greater involvement of the private sector in the school curriculum and school governance, for instance.

The USA, New Zealand, Denmark and Sweden have pioneered systems of education that emphasise accountability, parental choice and transparency. The tools they have used are:

- charter schools;
- education vouchers;
- tax credits;
- school assessments; and
- other instruments, such as transportation vouchers or facilities.

The USA and New Zealand have both measured the effects of greater school choice using these various tools. The effects are measured in two areas: first, on pupil learning and, second, on parental satisfaction. In both respects, school choice policies have had a significant and positive impact.<sup>79</sup> In addition, these new policy instruments have led to a wider range of benefits including:

<sup>78</sup> In addition to teaching the broad foundations of the National Curriculum, Specialist Schools can specialise in maths, science and technology, languages, arts, sports, business and enterprise, or maths, computing and engineering. There are currently 992 specialist schools. The Government has announced a target for 2,000 by 2006.

<sup>79</sup> J. Greene, *An Evaluation of the Florida A-Plus Accountability and School Choice Program*, New York: Manhattan Institute, February 2001.





#### *Box 4.4: School choice, innovation and attainment: Academies*

Academies (formerly City Academies) are publicly-funded secondary schools with sponsors from the private sector or from faith groups. They replace schools in challenging circumstances, and are established as part of a wider school reorganisation or where there is an unmet demand for school places. They have state-of-the-art facilities and offer broad curricula with an area of specialism. The first three opened in autumn 2002 with the close involvement of businesses, and there are a substantial number in the pipeline – some 50 further Academies are to be developed in partnership with business, half of which will be in London.

The **Bexley Business Academy** - among those opened in September 2002 – was the first purpose built, part-privately funded, independent Academy in the world. The Academy will specialise in business and commerce. Independent of the Local Education Authority, it will be a test-bed for innovation and change and will pioneer the way for other publicly-funded independent schools. The school will initially accommodate 1,350 11-18 year-old students, but will, as a result of the Education Act 2002, later include a primary school and a nursery with crèche, providing a continuity of education that is not available anywhere else in the UK.

- greater responsiveness of schools to parental concerns;
- greater awareness of educational issues; and
- a more dynamic, innovative educational system.

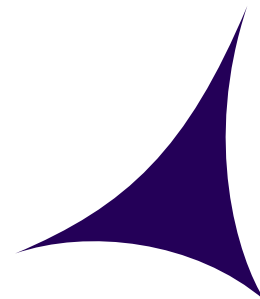
Charter schools, in particular, have been associated with pupils making greater academic progress than their peers.<sup>80</sup> The evidence suggests that these schools are more innovative, focused, energetic and responsive to pupil needs. There is much to be gained from the development of a mechanism to measure such outcomes in the UK.

*However, with these reforms come risks of groups being left behind and therefore actually widening the gap between the engaged and non-engaged...*

A major priority in rolling-out greater school choice is to make sure that ethnic minority parents and pupils are benefiting to the same degree as other parents and pupils within the system. This is particularly crucial for low-attaining ethnic minority groups or sub-groups where there is already evidence of poor or limited engagement with schools.

A variety of methods could be used to address this issue. For instance, parents could be targeted with more and better information to promote an educational ethos and to assist them in choosing schools, making better choices and engaging schools more effectively. Additionally, policies could

<sup>80</sup> C. Hoxby 'School Choice and School Productivity', NBER Working Paper 8873, April 2002.



be used to target particular groups that have a poor understanding of the education and schools system whilst maintaining a strong parental educational ethos (a typical pattern shown in evidence to characterise relatively highly educated and skilled migrant groups).

***...and this policy conclusion is designed to ensure real choice for all parents, regardless of socio-economic class***

These interventions are needed because of the evidence linking poorly-engaged and -informed parents with limited chances of benefiting from reforms to increase school choice. Greater choice can lead to increased sorting of pupils by socio-economic group. A desire for greater school choice in many countries has been a response to the fact that parents with means have been able to choose “good” schools. These parents have either been able to move to more affluent suburbs where schools receive more funding and have more resources generally and thus are able to provide a higher-quality education, or they have been able send their children to independent schools. Parents without means are often trapped in areas with low-performing schools, unable to afford houses in more affluent suburbs or to choose independent schools. A strategy to mitigate these risks should be informed by comprehensive research into the familiarity of ethnic parents with the operation of the education system.

#### **Conclusion 6:**

***DfES should draw up a communications strategy to inform, advise and support ethnic minority parents about opportunities for greater parental choice in school selection [by Q2/2005].***

## **An improving outlook for skills**

Some ethnic minority groups have lower basic skills levels than the adult population as a whole. The problem is particularly acute for the older age groups. However, recent changes in Government policy should pave the way for significant improvements in the teaching of skills in Britain.

### ***The Learning and Skills Council has an ambitious strategy for improving ethnic minority achievement***

Since April 2001, the Learning and Skills Council (LSC) has been responsible for the funding and planning of post-compulsory education and training. The Learning and Skills Act (2000) commits 47 local LSCs to “have due regard to the need to promote equality of opportunity between persons of different racial groups”.

To meet this commitment, the LSC has developed a wide-reaching national strategy with the following objectives:

- to develop the LSC as a champion of equality;
- to embed equality and diversity into all policies, programmes and actions;
- to develop the LSC as a model equality and diversity employer/organisation; and
- to report annually to the Secretary of State on progress towards equality.

The LSC strategy is ambitious and is being set up as a best practice model. It will be important for all parts of the education system to learn from the LSC’s experience, especially to help them better fulfil the requirements of the Race Relations (Amendment) Act 2000.



Further recommendations are set out in the Strategy Unit's workforce development report, *In Demand: Adult Skills for the 21st Century*.<sup>81</sup> Central to the recommendations is the creation of a demand-led system, to be delivered by mechanisms to improve information and remove barriers, backed up by measures to boost the quality and capacity of supply and to ensure the Government framework helps workforce development.

### ***Reforms are also taking place to the provision of English language teaching***

The last two years have seen an unparalleled level of development in Government provision of the teaching of English for Speakers of Other Languages (ESOL). A national adult core curriculum for ESOL has been developed and published, the training of ESOL teachers has been extensively reviewed and standards for ESOL established through the Qualifications and Curriculum Authority. This is in addition to the establishment of *Skills for Life*, the national strategy for improving adult literacy and numeracy skills.<sup>82</sup>

Whilst developments in the quality and consistency of ESOL provision have been progressing impressively, efforts to understand the size, location and nature of ESOL demand have only recently begun. The LSC is working with the Learning and Skills Development Agency to determine the levels of demand for ESOL and the capacity of providers to meet this demand. The LSC is aware of perceptions in some Bangladeshi and Pakistani communities that ESOL provision is scarce and inaccessible. Once a fuller picture has been developed, the LSC will be able to judge whether provision is

sufficient, especially given the critical role played by linguistic fluency in the workplace.

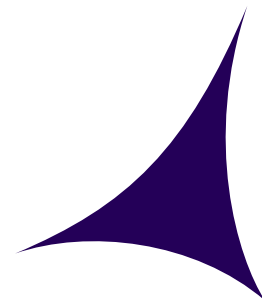
### ***The Modern Apprenticeship framework is being extensively revised to create a more effective link between education and employment***

Modern Apprenticeships are a bridge between the world of education and the world of work. They provide the opportunity for young people to train while gaining work experience, getting a qualification, earning and working towards a career. For employers, they are a chance to recruit highly-motivated staff and train them to develop the skills their businesses need. The Modern Apprenticeship programme is managed and funded by the LSC and delivered through a network of learning providers, both Further Education colleges and private work-based learning providers.

In 2001, the Government set up the Modern Apprenticeships Advisory Committee to examine the delivery and promotion of Modern Apprenticeships and advise Ministers and the LSC on the steps needed to achieve a world-class apprenticeship system. In autumn 2001, the committee recommended a target for participation on Modern Apprenticeships: that by 2004, 28 per cent (some 175,000) young people aged 16-21 enter apprenticeship for the first time. In the 2002 Spending Review, Government formally adopted this as a Public Service Agreement (PSA) target. Subsequently, the Chancellor's 2002 Pre-Budget Statement announced the establishment of a high-level business-led Task Force to champion the expansion of Modern Apprenticeships, to remove blockages to take-up and to suggest improvements to the programme within the broad context of current policy.

<sup>81</sup> [www.strategy.gov.uk/2001/workforce/development.shtml](http://www.strategy.gov.uk/2001/workforce/development.shtml)

<sup>82</sup> [www.dfes.gov.uk/readwriteplus/bank.cfm?section=211](http://www.dfes.gov.uk/readwriteplus/bank.cfm?section=211)



There is, at present, substantial inequality in access to the higher quality Modern Apprenticeship programmes by young people from ethnic minority groups. These problems of inequality of access are compounded by inequalities of outcome. In terms of both gaining a full qualification and moving into employment, young people from these groups experience lower outcome rates than White young people. As it takes its work programme forward, it is crucial that the Task Force addresses these imbalances, ensuring that the full range of occupational opportunities are available to all participants.

## Improving our understanding of low human capital levels

High quality, forward-looking policy-making is dependent on the availability of suitable data, research, evidence and analysis. In many instances, DfES and other educational agencies lack a clear understanding of the different barriers facing different ethnic minority groups. DfES needs to fill some important knowledge gaps if it is to enable LEAs, schools and local LSCs to improve the human capital levels of low-skilled and poorly-qualified ethnic minority communities.

DfES has already taken considerable strides towards improving data, most importantly by updating the Pupil Level Annual Schools Census (PLASC) to record pupil ethnicity from Spring 2003. This will give a fully-detailed picture of school attainment by ethnicity for the first time. However, despite the enormous power of this new tool, important questions will remain unanswered unless separate investigations are initiated.

### Conclusion 7:

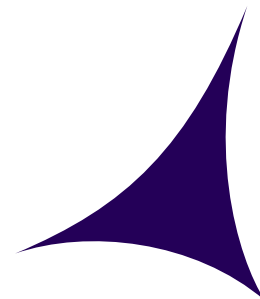
*DfES should conduct research to answer several key questions of central relevance to the attainment of different ethnic groups in the education system and in the labour market [by Q3/2004]:*

- i. What problems do new migrant pupils face when they enter the education system? What impacts do those migrant pupils have on schools and existing pupils?*
- ii. What skill sets do ethnic minority graduates have? Do they have a mismatch of subjects, skills or "soft" skills that makes them less successful in the labour market?*
- iii. To what extent do different ethnic minority parents know the basic structure of the education system and how to "work" it, through an understanding of school interaction, league tables, school assessments, streaming and so on?*
- iv. What is the demand for English language tuition amongst adults, and where can they find it?*
- v. Are there still signs of ethnic minority pupils being placed in lower sets than their prior attainment would suggest was just?*
- vi. What can analysis of value-added data show about differential ethnic attainment levels within schools?*

## 5. CONNECTING PEOPLE WITH WORK

### *Summary*

- Ethnic minorities can face multiple barriers to employment opportunities, even when they possess the right skills and qualifications. In part, this is because they tend to be concentrated in the most deprived neighbourhoods of the country, where job horizons can be narrower and employment opportunities more fragile.
- The conclusions in this chapter are designed to ensure that employment and business support services can respond more effectively to the different needs of diverse groups of users, whatever their ethnic origin.
- Lessons from a range of existing initiatives should be fed back into the new Jobcentre Plus network. Jobcentre Plus should develop an Action Plan to ensure that it is engaging effectively with ethnic minority communities and learning from specific, targeted outreach programmes. Similarly, the flexibility of New Deal programmes should be increased, building upon the successes of innovations such as “tailored pathways” and Employment Zones.
- Incentive structures for local Jobcentre Plus offices should be adapted to ensure that they promote sustainable employment outcomes for disadvantaged ethnic minority groups.
- Stronger links should be established between housing, training and employment initiatives. Jobcentre Plus offices, for instance, should be encouraged to work in partnership with social housing providers to promote employment opportunities, particularly in areas with concentrations of unemployment. In addition, the Government’s proposed Homes and Employment Mobility Service should be rolled-out nationally to ensure that ethnic minorities can access social housing in areas with stronger labour markets.
- Greater enterprise should be promoted in deprived areas by requiring the Small Business Service to provide better business support services to ethnic minority entrepreneurs.



## Measures are needed to better connect ethnic minorities with work

This chapter establishes ways in which Government can improve the connections between ethnic minorities and the labour market. There should be a particular emphasis on the problems faced by individuals living in deprived areas, who may be both economically and socially excluded. The range of obstacles which ethnic minorities may encounter when considering their work options is set out in Box 5.1.

Given the breadth of these barriers, it is crucial that Government's strategy targets identifiable pressure points. This chapter

therefore proposes a series of micro-measures to make existing provision more responsive to the needs of different ethnic minority groups. The objectives of these measures are:

- to ensure that policies designed to move people from welfare to work are sufficiently flexible to respond to the needs of diverse groups of users, including people from different ethnic minority backgrounds;
- to tackle the barriers to labour market achievement faced by those living in deprived areas; and
- to promote enterprise in deprived areas by requiring business support agencies, like the Small Business Service, to work more actively with ethnic minority entrepreneurs.

### *Box 5.1: Barriers to labour market achievement*

#### **Geographical mobility**

Transport barriers tend to be greatest for people living in deprived areas, where the availability of high-quality public transport is often limited and low travel horizons endemic. In the poorest 10 per cent of wards, 50 per cent of households do not have a car. In the least deprived 10 per cent of wards, this is true of only 11 per cent of households. In the most deprived ward in the country, about 75 per cent of the adult population have no car, which, in the absence of adequate public transport, can be a serious barrier to finding a job.

#### **Lack of support and information**

For a variety of reasons, information about the various opportunities offered by Government programmes and advice on self-employment often do not reach ethnic minority groups. Lack of effective links with employers or the local labour market can also compromise the success of the programmes themselves.

#### **Employer discrimination**

There is strong evidence that discrimination also plays a significant role in limiting the achievements of ethnic minority groups. While equal opportunities legislation has had some success in combating overt discrimination and harassment, indirect discrimination remains a problem, particular among those employers who have not been leaders in implementing equal opportunities programmes in the workplace.

#### **Other barriers**

Some ethnic minority groups have a higher tendency than the population as a whole to face other barriers to work, including the possession of a criminal record, a susceptibility to debilitating illnesses and drug use or mental health problems. Different family structures also mean that some ethnic minority groups have different childcare needs from the population average.

## Employment programmes are an important way of connecting people with jobs

### *Government's Welfare to Work provision is becoming increasingly responsive to individual need*

Since 1997, a number of measures have been introduced to extend employment opportunities to the most disadvantaged and disengaged groups. At the heart of this strategy has been the New Deal, which, through its emphasis on “making work pay”, has extended Government’s policy focus to those on “inactive” benefits and to the long-term unemployed. Both the New Deal for Young People (NDYP) for 18-to-24 year-olds, and the New Deal for those aged 25 and over (ND25+) provide tailored support from Personal Advisers. This can include help with job-search, opportunities to build and improve basic skills, training and subsidised employment. Other New Deal variants have addressed the barriers to work faced by specific disadvantaged groups, including lone parents and the over-50s.

In addition, Jobcentre Plus has been established to bring together the Employment Service and those parts of the Benefits Agency dealing with working-age people. For the first time, Jobcentre Plus delivers an active, work-focused service to all benefit claimants of working-age, both unemployed and inactive. Anyone making a claim for benefit at a Jobcentre Plus office will receive an interview with a Personal Adviser to discuss the opportunities available for taking up work and will have access to job vacancies, information, advice, training and support. Ensuring that Jobcentre Plus offices work closely with employers on issues of

equal opportunities will be key to ensuring that ethnic minorities benefit fully from employment programmes. This is addressed in Chapter 6.

As well as these mainstream programmes, a number of specific, targeted initiatives have been established:

- **Employment Zones**

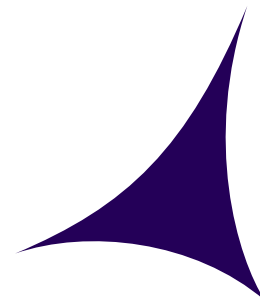
Employment Zones are testing an alternative approach to helping long-term unemployed people aged 25 and over find work. Currently operating in 15 areas with significantly higher unemployment levels than other parts of England, Scotland and Wales, Employment Zones allow jobseekers and their Personal Advisers to make more flexible use of the funds available to overcome individual barriers to work.

- **Action Teams**

To tackle the obstacles to employment in some of the worst affected areas, the Government has established Action Teams in 63 areas of England, Scotland and Wales. Action Teams focus their resources on the jobless, working closely with employers to identify vacancies and match them with clients, and using resources in innovative ways to overcome local barriers to work.

- **Step-UP**

In other areas, the Government is piloting a new scheme, building on the New Deal experience to help disadvantaged jobseekers to compete more effectively in the labour market. Step-UP will support jobseekers as they move into transitional employment. Placements will last for a maximum of 12 months and be tailored according to the needs of the local labour market. Twenty Step-UP pilots will be carried out.



- **Ethnic Minority Outreach and Lone Parent Outreach**

Both services aim to reach out to jobless people in disadvantaged or isolated communities, with the aim of encouraging them to take up help to move into work.<sup>83</sup>

- **Progress to Work**

Progress to Work helps unemployed users of illegal drugs, amongst whom ethnic minorities are disproportionately represented<sup>84</sup>, onto labour market programmes. The focus is to support clients whose recovery is sufficient for them to begin activity that will ultimately help them into work. The programme provides assistance for a wide range of problems associated with drug abuse.

Overall, Government employment initiatives have been successful, with long-term (and youth long-term) unemployment falling by more than three-quarters since 1997. Ethnic minorities have been among the beneficiaries: over 40,000 18-24 year olds from ethnic minority groups have moved into employment from the New Deal.<sup>85</sup>

***Specific measures have been taken to ensure that ethnic minorities engage with these programmes...***

The Government has set out a strategy to engage ethnic minority jobseekers, businesses and providers in New Deal, underpinned by the key objectives described in Box 5.2.<sup>86</sup>

***Box 5.2: Objectives of the Government's ethnic minority strategy for engaging ethnic minorities in New Deal programmes:***

- to promote equality of opportunity and outcome for jobseekers of all ethnic and racial groups;
- to ensure that the design and future development of the New Deal meets the needs of all jobseekers, including those from ethnic minority groups;
- to ensure that the design and future development of the New Deal meets the needs of employers, including ethnic minority businesses and that they are able to take full advantage of the support available through New Deal;
- to ensure that ethnic minority networks are aware of and engaged with New Deal; and
- to ensure that ethnic minority providers are represented appropriately and have the opportunity to participate in the delivery of New Deal.

<sup>83</sup> The Lone Parent Outreach will affect ethnic minorities as presently 11 per cent of New Deal for Lone Parents clients are from ethnic minorities. More than 70 per cent of this group are from the Black African, Black Caribbean and Black Other sub-groups.

<sup>84</sup> British Crime Survey, Home Office, 2002.

<sup>85</sup> Analytical Services Division (ASD), DWP data to March 2002.

<sup>86</sup> Strategy for engaging ethnic minorities in New Deal, 1998.



***...but, despite this, ethnic minorities are not benefiting to the extent they should***

There are concerns that, despite the strategy set out above, some ethnic minority groups may not benefit from these programmes to the same extent as their White counterparts. For instance, because of the younger demographic profile of ethnic minorities, the greatest number of ethnic minorities are found participating on the New Deal for Young People.<sup>87</sup> Employment outcomes from the NDYP are significantly worse for ethnic minorities than for Whites: for every 100 White people who get a job, only 86 ethnic minority individuals enter employment.

The differential is worrying and makes it more difficult for the Department for Work and Pensions and the Department of Trade and Industry to meet the shared Public Service Agreement (PSA) target to narrow the gap between the employment rates of people from ethnic minority groups and the overall rate.

**Changes are needed to the way that programmes are delivered**

Modern public services need to be able to deliver a high-quality service to a diverse client base. That means making efforts to understand the needs of different groups and adjusting the way in which services are delivered.

***Ethnic minorities must be made more aware of employment programmes***

Ensuring that all people, including ethnic minorities, are aware of and are able to access programmes is central to promoting employment opportunities. To this end,

Government has established a range of outreach initiatives, such as Action Teams and Ethnic Minority Outreach (described above), which have a specific remit within deprived areas to focus on ethnic minorities. These methods of outreach permit flexibility on the ground to help clients find work. They work closely with local employers and bring job-brokering services to clients where they live, such as Housing Associations.

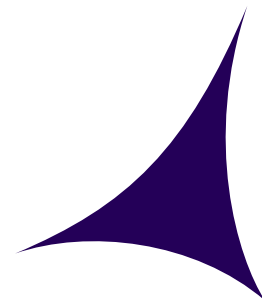
These programmes will play a crucial role in helping some of the most disadvantaged enter employment and, where appropriate, enter labour market programmes. There are concerns that some people, including ethnic minorities, will fall through the gaps because of the focus of the programmes on particular areas. For instance, while Action Teams operate at ward level, they only exist in local authority areas where the unemployment rate is far higher than the national rate. This risks overlooking local authorities that meet the national employment average, yet still have high ethnic unemployment at ward level.

It is vital that national services such as Jobcentre Plus begin to adopt this active role; firstly, by ensuring that – as part of its forthcoming strategy – it mainstreams the evidence of best practice from outreach and other area-based initiatives.

**Conclusion 8:**

***A Jobcentre Plus Action Plan to improve performance for ethnic minorities should be developed to incorporate best practice lessons from existing outreach and area based initiatives [by Q1/2004].***

<sup>87</sup> Approximately 18 per cent of the age cohort are known to be from ethnic minorities. The breakdown by ethnic group is as follows: Black Caribbean 20 per cent, Pakistani 19 per cent, Black African 13 per cent, Black Other 10 per cent, Bangladeshi 6 per cent and Other 22 per cent (source: Analytical Services Division, DWP, 2002).



### ***Better incentives structures should be developed within Jobcentre Plus***

The Jobcentre Plus Job Entry target structure is designed to put a greater emphasis on the delivery of Welfare to Work and Labour Market objectives to those most disadvantaged in the labour market. Jobcentre Plus is given a weighted points target for job entries. The weight for each group shows the number of points scored per job entry from that group, with a higher weighting given to the most disadvantaged client groups. This encourages staff to devote appropriate time and effort to helping these individuals rather than concentrating on those who are easiest to help. The relative scores give very clear signals about priorities. The overall points score is calculated on the basis of realistic but stretching estimates of the numbers of job entries in each category.

There are also additional points available which add an important qualitative dimension to the target structure. These points are used for three purposes:

- to give additional incentives to staff in the most difficult labour markets and to help deliver the PSA target for improving the position of the 30 local authority districts with the poorest initial labour market position;
- to encourage a stronger performance in meeting the PSA target of parity of job outcomes for disadvantaged ethnic minority clients. The target structure gives additional incentives in the 30 districts with the poorest labour market position plus another 30 districts which, together, cover over 72 per cent of the ethnic minority population; and
- to give added incentive to help clients into sustainable employment which, for the

purposes of the target structure, is considered to be every jobseeker who remains off benefit for four weeks after starting a job.

The points structure is currently being assessed and refined to enhance the focus on improving performance in job outcomes for ethnic minority clients. The Secretary of State for the Department for Work and Pensions (DWP) is considering proposals to refine the locations eligible for additional points to wards with a heavy concentrations of ethnic minority population and labour market disadvantage. In addition, DWP is examining how it can enhance the rewards for Jobcentre Plus in helping their clients into sustainable employment.

### **Conclusion 9:**

***DWP should review the Jobcentre Plus target points system, both to ensure that it gives incentives to place people into sustainable employment and to determine its capacity for increasing the number of job entries for ethnic minorities [by Q3/2003].***

### ***Better guidance is needed for ethnic minorities, to ensure that they gain maximum benefit from labour market programmes***

Even after getting on to labour market programmes, ethnic minorities do not necessarily gain maximum benefit from them, because they do not always take up the options for which they are best suited. Specifically, many job-seekers from these groups do not access the “soft” skills training available under the New Deal for Young People. Others choose options which may not maximise their chances of finding long-term employment.



### Accessing soft skills training

The NDYP's "Gateway to Work" programme exists to teach a variety of "soft" skills (such as interview techniques and presentation skills) to improve the ability of individuals to translate their qualifications into job opportunities. This is a positive step given the findings of the Policy Action Team report *Jobs for All*, which reported that ethnic minority jobseekers would benefit disproportionately from soft skills training.<sup>88</sup> In reality, however, more than one-third of ethnic minorities fail to access this course.

### Choosing the best New Deal option

Four options exist for participants in the NDYP: an employment option; work with the voluntary sector; work with the Environment Task Force; or Full-Time Education and Training.

On average, ethnic minorities participate in different options from their White counterparts. This is significant as these choices tend to result in ethnic minorities being less likely to move into work. Research reveals, for instance, that 53 per cent of ethnic minorities choose the Full-Time Education and Training option, compared to 40 per cent of Whites (although this overall figure masks considerable divergence across and within regions). Ethnic minorities are under-represented in the Employment option.

This is worrying for a number of reasons:

- evidence shows that ethnic minority entrants already have better qualifications on entry to New Deal;<sup>89</sup>
- fewer than 20 per cent of participants on the Full-Time Education and Training option appear to leave NDYP with the qualification for which they enrolled;

- research has shown that where members of ethnic minority groups obtained access to the Employment option, they drew particular benefit from it and were significantly more likely to be employed than if they had participated in any other option.

The weight of evidence therefore suggests that it would be beneficial to encourage more ethnic minority New Deal participants to choose the Employment option, rather than the Full-Time Education and Training option.

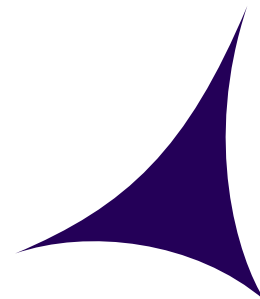
This should be facilitated by the fact that since January 2002, "tailored pathways" have been rolled-out in 17 areas of the UK to test the impact on job outcomes of a more flexible NDYP approach. This might entail a client taking part in a short intensive period of education and training followed by subsidised employment.

Personal Advisers in pathway areas can put together a tailored programme for every individual, selecting the most appropriate mix of provision to meet their needs. DWP is also expanding the choices available to young people by allowing them to access the Full-Time Education and Training option through short job-focused courses of up to eight weeks. These courses will have clear employment goals to meet the needs of specific sectors or employers.

In developing tailored approaches to ethnic minority New Deal clients, Personal Advisers should ensure that they are fully informed about the support mechanisms best suited to ethnic minorities. This should involve an awareness of the fact that ethnic minority New Deal entrants are often well qualified and would disproportionately benefit from participation in the Employment option.

<sup>88</sup> Social Exclusion Unit, *Jobs for All: Report of the Policy Action Team on Jobs*, National Strategy for Neighbourhood Renewal, 2000.

<sup>89</sup> A. Moody, 'New Deal and Ethnic Minority Participants', DWP, 2000.



## **Conclusion 10:**

*DWP should use the evaluation of the current round of New Deal “Tailored Pathway” pilots to review the effect of increased programme flexibility and greater Personal Adviser discretion in delivering better job outcomes for ethnic minorities. The findings of this review should be used to inform future Jobcentre Plus strategy [by Q4/2003].*

### ***Promoting greater flexibility in the delivery of employment programmes***

Modern public services should be continually improving and evolving in response to changing circumstances and to evidence about what works. This process will be more effective if services are contestable, where experimentation with competing approaches is allowed.

It is also the case that different approaches to connecting people with jobs may be appropriate in different circumstances. Strategies which work well in areas where jobs are plentiful may fail in more deprived environments and vice versa.

The overall success of the New Deal programme therefore should not preclude the trial of new approaches, particularly in areas of high unemployment where employment programmes face the greatest challenges. There is a case for introducing

greater contestability to encourage flexibility, innovation and discretion on the ground. This would allow resources to be targeted at helping the most disadvantaged clients to overcome the practical barriers to employment that are more prevalent in areas of high unemployment.

In addition to the New Deal, Employment Zones are testing a new and innovative approach to helping long-term unemployed people aged 25 and over back into work, in partnership with private and voluntary sector organisations. Introduced in April 2000, Employment Zones differ from ND25+ in that jobseekers and their Personal Advisers are able to make more flexible use of available funds to overcome individual barriers to work.

There is reason to believe that the Employment Zones approach may be of value in addressing the barriers to employment faced by wider client groups. However, validation of this assumption demands more robust evidence to show that there is a discernible “programme effect” at play. Although interim evidence on the value-add of Employment Zones relative to ND25+ is encouraging, at this early stage, it is far from definitive. Such evidence would also have to show that Employment Zones could prove successful for other jobseekers, such as the 18-24 cohort.

### *Box 5.3: Features of an Employment Zone*

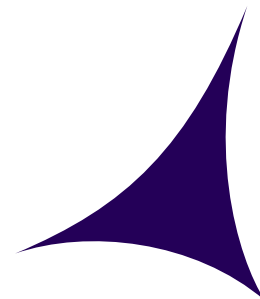
- Emphasis on a “work first” approach, the purpose being to help the client into sustainable employment as quickly as possible.
- Interventions are short and intensive and often delivered alongside job search.
- Focus on investment in the individual. There are financial resources available to pay for practical needs a client may have and no limits are placed by the department on the amounts personal advisers can spend on individual clients.
- A dedicated Personal Adviser available throughout the client’s time on the programme. Advisers build a strong relationship with the client to understand their aspirations and help prepare them for employment.
- Strong relationship with local employers, learning about employer recruitment needs and informing them of the calibre of clients they have. Matching client skills to employer needs results in higher job outcomes.
- Financial incentives influence the number of clients the Personal Adviser helps into employment. Output-related payments have proven to be successful in increasing the number of job outcomes in Zones.

### *Box 5.4: Brent Employment Zone*

Brent has a diverse community of various backgrounds and cultures. It is one of ten Employment Zones areas operated by Working Links. Its services are open to jobseekers who have been unemployed for more than 18 months and are over 25. Some 20 per cent of those eligible for the scheme have been unemployed for over three years, and 65 per cent are from ethnic minority backgrounds. Working Links aims to:

- change the perceptions of the jobseekers and clients, by emphasising that Working Links is a professional recruitment consultancy serving to help clients find the jobs they want; and
- encourage creativity in the consultants, in order to re-motivate clients who have been through many programmes in the past.

This approach has been successful. Over the last year, 42 per cent of clients have been helped into work and 84 per cent of these jobs are sustained for 13 weeks or more.



The 2002 Spending Review announced the extension of the Employment Zone approach. From October 2003, it would apply to people who would otherwise return to the New Deal for a second time in existing Employment Zone areas. In addition, the 2002 Pre-Budget Review announced the Government's intention to develop the Employment Zone model further by testing the effect of introducing multiple providers in the largest EZ areas from April 2004. Multiple providers will each be allocated a random cross-section of clients with similar characteristics, so that performance can be compared on a like-for-like basis. Employment Zones will also be extended to lone parents in existing EZ areas from October 2003.<sup>90</sup>

Evaluation of these pilots will allow a comprehensive assessment of the potential of the Employment Zone approach to deliver widespread change in job outcomes for client groups in the 18-24 age range. This would help inform future policy approaches in this area and particularly benefit jobseekers from ethnic minority groups, who are disproportionately concentrated in this age group.

#### **Conclusion 11:**

*Pilots were announced in SR2002 to extend the Employment Zone approach to New Deal for Young People "returners". Evaluations of these pilots should incorporate ethnic monitoring of clients in order to determine whether parity of outcomes is achieved between ethnic minorities and Whites. If parity is achieved, consideration should be given to rolling out the Employment Zone model to "first time" New Deal clients aged 18-24 [by Q2/2003].*

#### ***Improving our understanding of the impact of employment programmes***

Although New Deal programmes are successful in getting a high proportion of participants into work, significant numbers return to claiming benefit only weeks or months after entering employment. Government needs a better understanding of why this is happening and whether these participants require additional help.

Monitoring procedures exist to assess whether employment programme participants have entered sustainable employment. However, this monitoring does not explain fully why clients are leaving employment so quickly. This may be because the length of the monitoring period is currently restricted to 13 weeks.

One important initiative in this area is the Employment Retention and Advancement (ERA) Demonstration Project, designed by the Strategy Unit for implementation by the Department for Work and Pensions. This will examine policies to influence advancement and retention in work, with the aim of evaluating which interventions are effective in preparing a client for employment, and whether they require in-work support and financial incentives. This should result in greater understanding of why some disadvantaged groups, including ethnic minorities, do not progress in the workplace.

A careful examination of the financial incentives to work is particularly important. In April 2003, the Government is introducing the Working Tax Credit to extend in-work support through tax credits to people on low incomes who do not have children or a disability. This additional money could have a direct impact on retention levels of ethnic minorities who are eligible for the tax credit.

<sup>90</sup> HM Treasury, Pre-Budget Report 2002.

Claimants of this tax credit and the main out-of-work benefits should be monitored by ethnicity of recipient. It would be helpful, also, to be able to cross-reference this to length of claim to enable monitoring of the proportion of ethnic minorities who move into higher-paid employment.

### ***The design and future development of the New Deal needs to meet the needs of employers***

New Deal, and other employment programmes, will not succeed without employers. It is crucial to engage and inform employers about the services offered by Jobcentre Plus. Steps have been made, with over 95,000 employers already engaged with the New Deal. However, as this report has established, employers can have problems in responding to issues of diversity in the workplace and this may adversely impact on ethnic minority job outcomes, particularly for NDYP clients.

Jobcentre Plus' Field Account Managers are already expected to approach employers and to highlight racial discrimination when they perceive it to be occurring. But there is room for them to play a more active and preventative role, particularly in making employers aware of the services offered by the Race Relations Employment Advisory Service. This is explored further in Chapter 6.

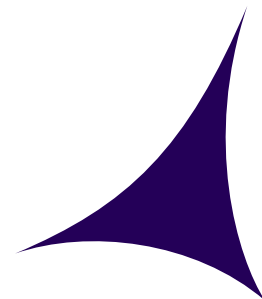
The National Employment Panel is an employer-led organisation that advises Government on labour market policies and performance. The Panel comprises Chief Executives of UK companies as well as senior figures from education, local authorities, community organisations and trade unions. One of the Panel's key objectives is to open better employment opportunities for disadvantaged groups, particularly in sectors and occupations that do not ordinarily recruit jobless people.

To achieve this, the Panel advocates the use of a demand-led strategy which uses employer hiring requirements to define training programme content and the basic standard of job readiness. By meeting precise entry requirements, Jobcentre Plus and its contractors can improve the prospects of jobseekers, satisfy employers and open up better jobs and new career opportunities for unemployed people. To demonstrate the demand-led approach, the Panel, working in close collaboration with Jobcentre Plus, has designed the Ambition initiative to help New Deal clients prepare for skilled jobs in the IT, energy, construction and retail sectors. Each Ambition programme includes special outreach activities to ensure that ethnic minority clients have access to the initiative.

### ***More could be done to engage ethnic minority providers of New Deal services***

Ethnic minority employers and providers of other New Deal programmes must also be part of New Deal strategies. So far, reviews of the Government's New Deal ethnic minority strategy (see Box 5.2) have not provided statistical information on the number of ethnic minority providers participating in New Deal. The new strategy, currently being developed by DWP, should ensure that information is provided about the following:

- the number of ethnic minority providers engaged in New Deal programmes, consistent with the requirements of the Race Relations (Amendment) Act;
- examples of best practice of ethnic minority organisations working proactively with employment programmes; and
- guidance, based on best practice, on how Jobcentre Plus offices should establish relationships with and engage ethnic minority providers.



As with many other New Deal providers, ethnic minority providers may often lack both effective links with employers and the capacity or expertise to design demand-led programmes. Investment in such providers is crucial to give their staff the knowledge to undertake market research and to ensure that their provision meets both employer and individual requirements.

### **Tackling the barriers faced by the residents of deprived neighbourhoods**

Although labour market programmes can be very effective in removing barriers to employment and helping to connect people with jobs, specific barriers remain which disproportionately impact on ethnic minorities. Many relate to the areas in which ethnic minorities tend to live. These are places where more than two in five people rely on means-tested benefits, where three-quarters of young people fail to get five good GCSEs, and where many homes are empty or hard to fill. These neighbourhoods exist across the country, north and south, rural and urban.<sup>91</sup>

### ***Ethnic minority groups have distinct settlement patterns***

Over two-thirds of all ethnic minorities live in England's 88 most deprived local authority districts. This is true of just 40 per cent of the general population. Concentrations of ethnic minorities in deprived districts and wards reflect, in part, historical settlement patterns established by large-scale migration in the 1950s and 1960s.<sup>92</sup> As Chapter 2 discussed, Blacks and Asians mainly settled in urban areas where there was high demand for industrial labour (often unskilled and semi-skilled) and public service workers (health and transport in particular).

While there has been a trend for the White population to drift from large cities following the decline in employment in traditional industries, this has not been the case for many Black and Asian people, who remain concentrated in some of the most deprived areas of Britain.

It is important to stress that concentrations of ethnic minority groups in particular geographic locations are not necessarily policy concerns in their own right. Concentrated groups are not always synonymous with either unemployment or deprivation. There are areas across the country which have a high ethnic minority share of the working-age population and a high employment rate (Box 5.5).

#### ***Box 5.5: Ethnic minorities in Harrow***

Ethnic minorities make up approximately 41 per cent of the total population of Harrow, with a large Indian population. This compares with 29 per cent in London and, more generally, approximately 8 per cent for the UK.

The employment rate for the ethnic minority population resident in Harrow was 73 per cent, up to February 2001. This compares with 57 per cent in London and 56 per cent in Britain as a whole. According to Office of National Statistics data, similar stories are found in Barnet, Hounslow, Enfield and other areas across Britain.

<sup>91</sup> National Strategy for Neighbourhood Renewal (2001), p.7.

<sup>92</sup> R. Dorsett, *Ethnic Minorities in the Inner City*, York: The Policy Press/Joseph Rowntree Foundation, 1998.



## Government has set out a new approach to neighbourhood renewal

The Government's approach to tackling the problems of deprived areas is set out in *A New Commitment to Neighbourhood Renewal: National Strategy Action Plan*,<sup>93</sup> with the strategy reflected in two long-term goals:

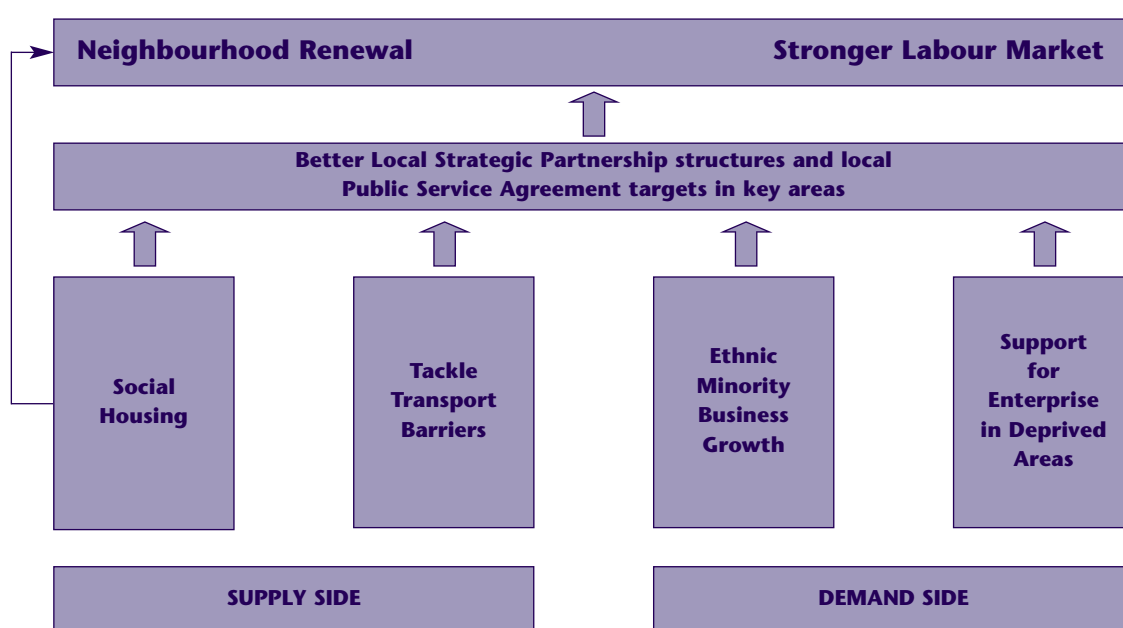
- in all the poorest neighbourhoods, to have common goals of lower worklessness and crime, and better health, skills, housing and physical environment; and
- to narrow the gap on these measures between the most deprived neighbourhoods and the rest of the country.

In the 2002 Pre-Budget Report, Government also announced its intention to pilot a programme of intensive support in neighbourhoods with very high concentrations of worklessness. From April 2004, pilots will begin in 12 of the most deprived neighbourhoods of the country.

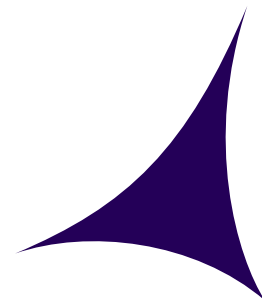
They will test a new approach of offering intensive support to help residents access the jobs that can often be found within travelling distance of where they live.

Government has recognised that strategies designed to regenerate deprived areas must connect together a number of individual issues. Policies to boost demand for labour, such as measures to generate enterprise, will not be sustainable unless work is also carried out to encourage people to access the new opportunities which are being developed to enter employment or to become entrepreneurs. Figure 5.1 illustrates the combined approach needed to tackle some of the main barriers to labour market achievement in deprived neighbourhoods. It also shows the importance of developing existing structures, specifically, Local Strategic Partnerships and Public Service Agreements, to achieve these aims.

**Figure 5.1: A Strategy for Urban Renewal**



<sup>93</sup> [www.socialexclusionunit.gov.uk/publications/reports/html/action\\_plan](http://www.socialexclusionunit.gov.uk/publications/reports/html/action_plan)



## Strengthening the links between housing and employment

### *There are strong links between housing and labour market performance*

There is a close correlation between people's employment status and the type of housing in which they live.<sup>94</sup> Those without regular jobs frequently live in social housing. Whilst four-fifths of owner-occupiers are in work, less than half of those in social housing are employed (Figure 5.2).<sup>95</sup>

This chapter suggests ways of breaking the cycle by using social housing to target help and advice. It should be noted that many of the same problems also apply to owner-occupiers living in poor-value homes in "undesirable" areas.

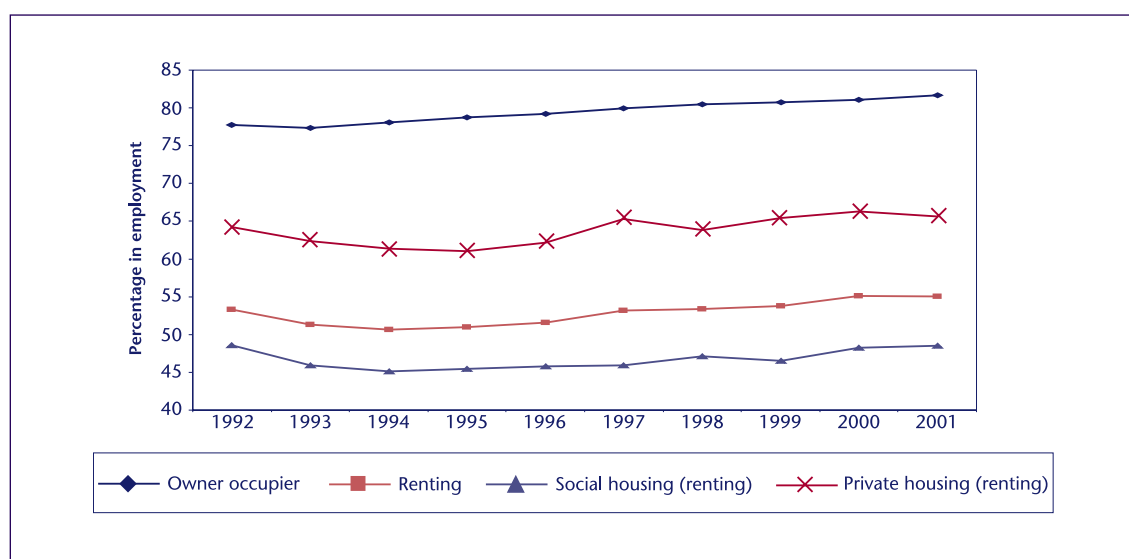
Housing may also act as a direct barrier to employment if people are unable to move

out of areas with poor job prospects. There is evidence that it is often difficult for those in social housing to transfer to a new area, although fresh policies are starting to tackle the problem. Owner-occupiers in deprived areas may face even greater problems in moving house, particularly if falling property values have left them with negative equity.

### *Ethnic minority groups are disproportionately affected by housing problems*

The disproportionately poor labour market performance of ethnic minorities means that some groups are over-represented in social housing (Table 5.1), with the most economically disadvantaged, Bangladeshis and Black Caribbeans, heavily concentrated in social housing. Evidence suggests that there are significant ethnic differences in housing tenure patterns beyond those which can be explained in socio-economic class terms alone.<sup>96</sup>

**Figure 5.2: British Employment Levels by Tenure**



Source: LFS, 2001

<sup>94</sup> HM Treasury, Pre-Budget Report 2001, Chapter 4.

See: [www.hm-treasury.gov.uk/Pre\\_Budget\\_Report/prebud\\_pbr01/report/prebud\\_pbr01\\_repchap04.cfm?](http://www.hm-treasury.gov.uk/Pre_Budget_Report/prebud_pbr01/report/prebud_pbr01_repchap04.cfm?)

<sup>95</sup> Labour Force Survey, 2001.

<sup>96</sup> Black Caribbeans and Bangladeshis have considerably lower levels of owner occupation than their class profile would lead us to expect (source: General Household Survey, 1998).



**Table 5.1: Tenure by Ethnic Group of Head of Household:  
England Average 1998-2001**

	<b>% Owner-occupied</b>	<b>% Social rented</b>	<b>% Private rented</b>
White	70	20	10
Black Caribbean	46	47	6
Indian	81	9	11
Pakistani	69	16	14
Bangladeshi	34	54	11

*Source: Survey of English Housing, from Housing Statistics Summary, Number 10, 2001*

The picture is very different for other Asian groups. Indians have higher owner-occupation rates than the White population, whilst Pakistani levels of home ownership are virtually the same as the White average. There are important differentials though in the quality of homes owned, even after correcting for income. For instance, in 1996, amongst the lowest income quartiles, the average value of homes owned by Whites was £45,000; for Pakistanis and Bangladeshis it was £26,000.<sup>97</sup> Some of the problems faced by owner-occupiers in run-down areas will therefore be felt disproportionately by these groups.

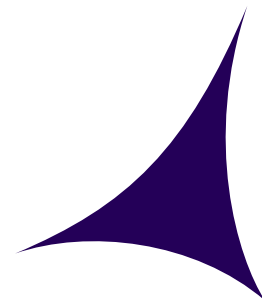
***Employment policies should take greater account of the links between social housing and joblessness***

The high concentration of workless people in social housing means that targeting housing associations and local authority tenants with extra support, help and advice would be an effective way to connect the unemployed and economically inactive with welfare to work programmes.

This approach is already being used in some areas. Some Employment Action Teams, for instance, actively target social housing as part of their efforts to promote employment. However, this practice is not sufficiently widespread. Of the 120 Employment Service (ES) district offices across Great Britain, only a third were working with a housing association to deliver or support local New Deal services at the start of 2001.

Alongside this, a growing number of housing associations have put their own programmes in place to give their tenants the opportunity to train or to enter employment (Box 5.6). Some are motivated by the prospect of improving the desirability of their social housing areas by reducing the proportion of tenants who are out of work; others are keen to train tenants to work on the maintenance of the houses or estates themselves; while others act from altruistic motives.

<sup>97</sup> English House Condition Survey, 1996.



### *Box 5.6: Housing associations and employment programmes<sup>98</sup>*

The Croydon People's Housing Association (CPHA) is committed to the regeneration of communities. It sees its role as wider than housing and has become involved in local issues, including employment. It has worked with the NDYP, supporting activity under the Full-time Education and Training option (FTET) and the Employment option by:

- providing mentor support and advice to young Black people;
- delivering IT training to help participants to gain the skills needed to participate in the FTET option fully and to equip people in employment placements;
- running an employment and training programme; and
- providing one-year work placements for trainees who successfully complete an NVQ level 2 or higher in a relevant subject.

The scheme is assisted by one full-time project manager, who identifies suitable work placements and provides support to trainees on placement. A payment is made by the Employment Service for each referral. The project has led to greater knowledge and understanding of local New Deal clients, particularly young Black unemployed people, as well as improved retention of young Black people on New Deal.

Some ethnic minority groups, particularly Pakistani, Bangladeshi and Black Caribbean groups, are also more likely to be in receipt of Housing Benefit.<sup>99</sup> This is important as a number of recent reports, including the 2000 Housing Green Paper, have highlighted problems associated with Housing Benefit, not least in terms of work disincentives.<sup>100</sup>

The Government announced a range of reforms in November 2002 to simplify and streamline the administration of Housing Benefit, reducing its capacity to act as a barrier to work. These will provide valuable evidence for further action to improve and reform the functioning of Housing Benefit.

#### **Conclusion 12:**

***DWP should, in 60 priority districts (the 30 areas with high concentrations of ethnic minorities and the 30 areas with high unemployment rates), encourage Jobcentre***

***Plus offices to develop employment interventions in partnership with social housing providers [by Q4/2003].***

#### ***Promoting residential mobility amongst the workless can help to improve labour market achievements***

Social housing tenants have low levels of both employment and residential mobility. The difference in mobility is particularly striking when compared with that of low-income private tenants. Controlling for other factors, it is estimated that low-income private tenants are about 50 times more likely to relocate between regions than low-income, local authority tenants.<sup>101</sup>

Policies to encourage residential mobility may help people in social housing to move to areas with stronger labour markets, and ultimately help some of the most disadvantaged ethnic minority groups.

<sup>98</sup> *Working with New Deal: A Good Practice Guide for Housing Associations*, The Housing Corporation, London, 2001. See also *More than Just a Job: Holistic Approaches to Delivering Sustainable Employment*, National Housing Federation, 1999.

<sup>99</sup> Data from the Family Resources Survey showed that whilst 14 per cent of Whites are in receipt of Housing Benefit, 28 per cent of the Black group are in receipt of Housing Benefit.

<sup>100</sup> Office of the Deputy Prime Minister, *Quality and Choice: A Decent Home for All*, The Housing Green Paper, 2000.

<sup>101</sup> DTLR, *Housing tenure, Labour Mobility and Unemployment: A Literature Review*, 2002.

Government-sponsored mobility programmes in parts of the USA have been shown to have a considerable impact on ethnic minorities who, as a result, have moved out of inner-city neighbourhoods to job opportunities in the suburbs. The Gautreaux programme involved moving African American residents from Chicago's inner-city to the suburbs. The experiment had a substantial positive impact on both the parents and children, including increasing employment and educational attainment.<sup>102</sup>

In the UK, mobility in social housing is currently promoted by the Housing Organisation and Mobility Exchange Scheme (HOMES), primarily funded by a Government grant. However, in February 2001, the Prime Minister announced a new initiative to "put the Employment Service on a new footing that lets them help people find new jobs across the country by identifying housing as well as job placement."

The initiative, given the working title Housing and Employment Mobility Service (HEMS), would take over the grant-funded activities of HOMES. It would bring together a database of employment and social housing and provide general information on local areas to allow people to make informed choices on where to move and the area's opportunities for employment and housing. This measure could benefit the Black Caribbean and Bangladeshi populations disproportionately, as these groups are both more likely to be unemployed than Whites and more likely to be concentrated in social housing. It is important that this scheme reaches ethnic minority groups.

Delivery of the new service is expected to begin in July 2003 for full implementation by April 2004.

### Conclusion 13:

*The Office of the Deputy Prime Minister should begin to roll-out the Housing and Employment Mobility Service to promote inter-regional mobility, ensuring that ethnic minority Registered Social Landlords are not excluded [by Q2/2003].*

### *Government should also look at new ways of stimulating demand for homes in low demand areas*

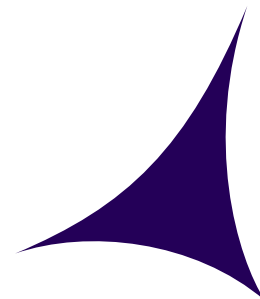
The Government is committed to reducing the incidence of low-demand housing by 2010. The former Department for Transport, Local Government and the Regions (DTLR) announced, in May 2002, a series of pathfinder projects to tackle the problems of low-demand housing. The pilots aim to provide lasting solutions, through investment and innovation, for communities blighted by derelict homes. The areas to be covered range from 40,000 to 120,000 properties.<sup>103</sup>

In addition, the Transport, Local Government and the Regions Select Committee recently investigated this issue and made a number of recommendations:

- radical intervention is needed in some inner urban areas where the housing market has collapsed to make them attractive to a broader mix of residents. This means a move away from small-scale investment in houses and neighbourhoods towards a conurbation-wide, long-term approach;
- greater emphasis should be placed on restoring confidence to housing markets to stop the problem of low-demand spreading to neighbourhoods already at risk; and

<sup>102</sup> P. Ong, 'Racial/Ethnic Inequality in the USA Labor Market: Empirical Patterns and Policy Options', 2001.

<sup>103</sup> See: [www.press.dtlr.gov.uk/pns/DisplayPN.cgi?pn\\_id=2002\\_0154](http://www.press.dtlr.gov.uk/pns/DisplayPN.cgi?pn_id=2002_0154)



- local authorities and Registered Social Landlords should work with private sector organisations such as the Council of Mortgage Lenders and local lenders, estate agents and developers to improve information about housing markets in general and specifically to identify housing markets at risk of decline.

## Transport as a barrier to work

Transport barriers can prevent people from getting jobs. Poor public transport can make it difficult for people to attend interviews, can lead people to apply for jobs in a narrow geographical area, and can result in people turning down jobs. Available evidence suggests that, whilst this is not a problem for most jobseekers, it can act be a significant barrier to employment for some.<sup>104</sup> It can also make it difficult for people to form links outside their immediate geographical area, thus limiting their social capital.

Some jobseekers are unwilling to look for, or consider job vacancies outside their own geographical area, even when they are accessible. This can be due to poor information about how to get around and a lack of trust or familiarity with local transport services.

This problem is likely to impact disproportionately on ethnic minorities because:

- ethnic minority groups are more than twice as likely as White people to depend on public transport, albeit with variations (Black people being the heaviest users);
- ethnic minorities are concentrated in deprived areas. In the poorest 10 per cent of wards, 50 per cent of all households do not have a car, whereas in the least deprived 10 per cent of wards, this falls to only 11 per cent of all households. This is important because people with driving licences are twice as likely to get jobs as those without;<sup>105</sup> and
- ethnic minorities may also face particular difficulties in using public transport. For example, recent research found that ethnic minorities had particular concerns about language and information provision and about the routing of local buses.<sup>106</sup> This is particularly true for older age groups.

Despite ethnic minorities being concentrated in urban areas, which often have a dense public transport network, barriers to work may still remain. Buses are focused on radial routes entering town centres rather than peripheral locations, and early morning, evening and weekend journeys may be under-served.<sup>107</sup>

There have been improvements to public transport provision for people from deprived neighbourhoods, such as ensuring that planning policies promote accessible employment and supporting selected lower fares through the New Deal.<sup>108</sup> Promoting social inclusion is one of the issues to be addressed by local authorities in preparing their Local Transport Plans.

However, there remains room for improvement. The Social Exclusion Unit has recently published *Making Connections*, the final report of its project on transport and social exclusion.<sup>109</sup> This report examines the links between social exclusion, transport and the location of services. It is particularly focused on increasing access to those opportunities that have the most impact on

<sup>104</sup> 'Making the Connections: Transport and Social Exclusion', Interim findings from Social Exclusion Unit, 2002. See: [www.cabinet-office.gov.uk/seu/publications/reports/html/Making%20the%20Connections/ chapter\\_one.htm](http://www.cabinet-office.gov.uk/seu/publications/reports/html/Making%20the%20Connections/ chapter_one.htm).

<sup>105</sup> Ibid

<sup>106</sup> Commissioned by the Department for Transport, Local Government and the Regions. See also Interim Analytical Report, p.95.

<sup>107</sup> 'Making the Connections: Transport and Social Exclusion', Chapter 2. [www.cabinet-office.gov.uk/seu/publications/reports/html/Making%20the%20Connections/ chapter\\_two.htm](http://www.cabinet-office.gov.uk/seu/publications/reports/html/Making%20the%20Connections/ chapter_two.htm).

<sup>108</sup> Financial support is also available from Jobcentre Plus, in the form of the Travel to Interview Scheme.

<sup>109</sup> Social Exclusion Unit, 'Making the Connections: Final Report on Transport and Social Exclusion', February 2003. See: [www.socialexclusionunit.gov.uk/publications/reports/html/transportfinal](http://www.socialexclusionunit.gov.uk/publications/reports/html/transportfinal)

life-chances, such as work, learning and healthcare. It explains specifically how the Government will address transport and accessibility problems that affect social exclusion and will form a vital part of the Government's programme to build successful and sustainable communities.

## Ensuring that ethnic minorities can access childcare

### *Childcare provision in Britain is expanding...*

A lack of available and affordable formal childcare can act as a barrier to labour market participation.<sup>110</sup> Expanding the provision of childcare in Britain is a high Government priority. The 2002 Spending Review settlement, informed by the Interdepartmental Review of Childcare, unveiled a major investment and reform programme to enhance opportunities and services for young children and families, particularly for the most vulnerable.<sup>111</sup> The settlement announced:

- a combined £1.5bn budget for Sure Start, early years and childcare, including more than doubling childcare spending by 2006;
- the bringing together of responsibility for Sure Start, Early Years Education and Childcare within a single interdepartmental unit (now designated as the Sure Start Unit) responsible to both DfES and DWP;
- a requirement to reform local and national infrastructure and simplify funding;
- the establishment of a network of Children's Centres in disadvantaged areas providing good quality childcare with early

education, family support and health services for at least 650,000 children and their families and building on existing influential integrated programmes such as Sure Start, Early Excellence Centres and Neighbourhood Nurseries; and

- the creation of a further 250,000 new childcare places in Children's Centres and elsewhere by 2006, in addition to the existing target of creating new places for 1.6 million children by 2004.

### *...but use of formal childcare by ethnic minorities is relatively low*

Use of formal childcare is lower amongst ethnic minorities than amongst Whites. While 87 per cent of working White parents use childcare, only 79 per cent of Black parents and 68 per cent of Asian parents do so.<sup>112</sup> While this may reflect choice and cultural preferences, it could also suggest that ethnic minorities may face barriers that prevent higher usage of formal childcare.

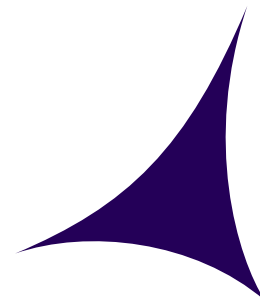
### **Access to financial assistance**

The Working Families Tax Credit (WFTC) – to be replaced in April 2003 by two new tax credits – is currently available to families with children where at least one parent is in employment. Through this, a childcare element (childcare tax credit) is available to a lone parent who is working, or to two parent families if both parents are in work, when formal childcare is used to care for their children. Childcare support will continue in an improved, more flexible form in the new Working Tax Credit. Inland Revenue is working to promote take-up of new tax credits across all eligible groups, including ethnic minorities.

<sup>110</sup> Repeat Study of Parental Demand for Childcare, DfES Research Report No. 348, 2002.

<sup>111</sup> The report of the Review – *Delivering for Children and Families* – was published in November 2002, and is available on the Strategy Unit web-site, at [www.strategy.gov.uk](http://www.strategy.gov.uk)

<sup>112</sup> Ibid. These statistics do not account for latent demand for formal childcare.



## Family size

A second related barrier may arise from the number of children amongst particular ethnic groups. For Pakistani and Bangladeshi families, the average number of children per household is 2.42 and 2.63 respectively, whereas for Whites it is 1.8.<sup>113</sup> This fact clearly results in higher childcare costs, depending on the age profile of the children. The childcare tax credit covers a maximum of 70 per cent of the childcare costs for families, up to a maximum eligible cost of £200 per week for two or more children (£135 for one child).

## Concentration in inner-city and deprived areas

Ethnic minorities are also disproportionately concentrated in London, where formal childcare costs can be much higher than elsewhere.<sup>114</sup>

This problem is compounded by the limited availability of childcare in disadvantaged areas, where ethnic minorities are disproportionately likely to live. There are six to eight places per 100 children in disadvantaged areas compared with 12 to 14 in affluent areas.<sup>115</sup> DfES has targets to increase the levels of formal provision in disadvantaged areas and the more than doubling of resources for childcare within the 2002 Spending Review will support this.

## Conclusion 14:

***DfES, working with Inland Revenue, should carry out analysis to find out the degree to which low levels of formal childcare use are a result of cultural preferences, financial constraints, accessibility and information issues, family size or other factors***

***[by Q1/2004]. The information should be used to consider whether policy changes are needed. Over the same period, measures should also be taken to raise awareness of the childcare element of the Working Tax Credit amongst ethnic minorities.***

## Promoting self-employment amongst ethnic minorities

Ethnic minority businesses make an important contribution to the British economy. In 1997, people from ethnic minority backgrounds represented five per cent of the British population, while entrepreneurs from ethnic minority backgrounds were responsible for nine per cent of new business start-ups. Moreover, ethnic minority businesses represent almost seven per cent of the total business stock in Britain.

However, areas where ethnic minorities live still tend to have lower levels of business activity, because they are often in deprived areas. In four out of five local authorities where there are significant concentrations of ethnic minorities, there are levels of business activity lower than the national average.<sup>116</sup>

This overall picture is by no means consistent across different ethnic minority groups: people from Indian, Pakistani, Bangladeshi and Chinese backgrounds are more likely to be self-employed than the average; workers of Caribbean or African ethnic origin are less likely to be self-employed than the average.<sup>117</sup>

<sup>113</sup> ONS: LFS, 'Average Number of Dependent Children in the Family Aged under 19 by Ethnicity', Autumn 2001.

<sup>114</sup> See, for example, the Daycare Trust's 2003 survey of the cost of nurseries, childminders and after school club: [www.daycaretrust.org.uk/article.php?sid=138](http://www.daycaretrust.org.uk/article.php?sid=138)

<sup>115</sup> Early Years Development and Childcare Partnerships Implementation Plans, 2002-03.

<sup>116</sup> Interim Analytical Report, p.62.

<sup>117</sup> Bank of England, *The Financing of Ethnic Minority Firms in the United Kingdom*, 1999.



### ***The Government is already committed to promoting entrepreneurship amongst ethnic minority groups...***

The Government is already committed to promoting enterprise across society, and particularly in under-represented communities and deprived neighbourhoods.

In the 2002 Pre-Budget Report, the Chancellor announced the designation of 2,000 Enterprise Areas, the most deprived areas across the UK, where policies to promote enterprise in deprived areas are now being concentrated. A variety of policies, including the removal of stamp duty on commercial property, will benefit businesses and entrepreneurs in these areas.

To meet the Government's objective, the Small Business Service (SBS), based within the Department for Trade and Industry, has an objective "to help different ethnic minority entrepreneurs overcome any specific barriers to entrepreneurship they encounter".<sup>118</sup>

SBS offers help to a wide range of customers including micro-, small- and medium-sized enterprises – sectors in which ethnic minority businesses are heavily concentrated.<sup>119</sup> SBS and its Business Link operators work with ethnic minority businesses and business support organisations to provide high quality support and advice.

The Department for Trade and Industry has a Public Service Agreement (PSA) target to:

*Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.*

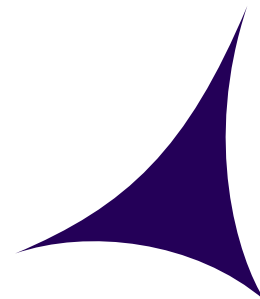
DTI has also established the Phoenix Fund, designed to encourage entrepreneurship in disadvantaged areas. The Fund has already supported over 150 organisations to promote enterprise in the most disadvantaged communities. Building on this success, the 2002 Spending Review provided for the extension of the Phoenix Fund with a further £50 million over two years. The Fund currently includes:

- a Development Fund to promote innovative ways of supporting enterprise in deprived areas;
- a pilot network of volunteer mentors to pre- and early start-up businesses;
- capital and revenue support for Community Development Finance Institutions (CDFIs);
- investment alongside the private sector in the Bridges Community Development Venture Fund (CDVF), a venture capital fund for SMEs in disadvantaged communities;
- loan guarantees to encourage commercial and charitable lending to CDFIs; and
- City Growth Strategies (CGS) designed to encourage towns and cities to develop and implement strategies which put enterprise and business at the heart of regeneration. Seven pilot projects are operating in Nottingham, Plymouth, St Helens and parts of London.

A number of Phoenix Fund projects are providing business support to, and improving opportunities to access finance for, ethnic minority entrepreneurs and potential entrepreneurs. Examples include:

<sup>118</sup> Small Business Service 2001-02 Business Plan.

<sup>119</sup> M. Ram and D. Smallbone, *Ethnic Minority Enterprise: Policy in Practice*, London: Small Business Service, 2001.



- Faith in Business, which aims to encourage and nurture enterprise within Afro-Caribbean communities by working with churches that have mainly Afro-Caribbean membership. The project provides training and support for individuals to set up and run their businesses, and is also working to build the capacity of church-based community groups and business support organisations to provide long-term support for this client group; and
- Bangladeshi Women's Co-operative Social Enterprises, which aims to encourage entrepreneurship and tackle social exclusion amongst socially excluded women. The project works to increase the confidence of these women, helps to improve their spoken and written English, and provides marketable employment skills, as well as offering job search, interview preparation and supporting the establishment of new worker co-operatives.

An Ethnic Minority Business Forum has also been established to advise Ministers on the appropriate help and advice ethnic minority businesses need for growth and success, and helps the SBS to tailor policies and support to ensure more ethnic minority businesses succeed and grow.

### ***...but many ethnic minority businesses are still not accessing support services***

The SBS's Omnibus Survey 2001 estimates that eight per cent of ethnic minority-owned businesses have used Business Link operators, compared with 15 per cent of the total business population, excluding sole traders. A MORI poll commissioned in June 2000 reported similar findings.<sup>120</sup>

### ***A lack of data hinders effective strategies and support***

Reliable data is needed to understand and analyse business trends. Yet there is a lack of data on how many businesses are owned by ethnic minorities or, equally, by women and disabled people.<sup>121</sup>

The Small Business Service, having accepted the recommendation of the Ethnic Minority Business Forum to "monitor, disseminate and analyse information on ethnic minority businesses",<sup>122</sup> now collects regular surveys of small businesses and entrepreneurs, as well as data on the ethnicity of those business clients who receive "significant assistance" from Business Link operators.<sup>123</sup> From 2003-04, Business Link Operators will be required to collect ethnicity data for all clients receiving a "non-trivial" level of support.

However, with some notable exceptions (Box 5.7), evidence suggests that many Business Link operators still have some way to go in formulating effective strategies towards ethnic minorities. Less than one in three Business Link operators have a specific policy towards ethnic minority businesses.<sup>124</sup>

<sup>120</sup> MORI Business Support Needs survey, April/June 2000.

<sup>121</sup> 'Cross-Cutting Review of Government Support of Services for Small Business', 2002, p. 11.

<sup>122</sup> Ethnic Minority Business Forum Annual Report 2000-01, p.2.

<sup>123</sup> "Significant assistance" is where businesses have drawn up and agreed an 'Action Plan' with a client. Clients may be recovered in more than one quarter if (a) a new action plan is agreed; or (b) objectives within the action plan are spread over time.

<sup>124</sup> Ram and Smallbone, *Ethnic Minority Enterprise: Policy in Practice*, p.2.



### ***Box 5.7: The Business Link for Birmingham and Solihull – a proactive strategy***

The Birmingham and Solihull Business Link actively targets and direct strategies towards ethnic minority entrepreneurs in its area. Ethnicity information is gathered at an early stage as part of “Initial Visit” procedures. Business Link advisers also gather data by sending out letters, with the support of business groups and trade associations, to all companies, asking them to verify details, including ethnicity, already held on Business Link databases. Leaflets informing businesses about Business Link initiatives, like African Caribbean Business Forums, are effective ways of collecting ethnicity information, as well as raising the profile of Business Link operators.

#### ***Business support services should increase awareness of their services amongst ethnic minority businesses***

A crucial aspect of providing opportunity for all is to increase awareness of Government business services. The Omnibus Survey indicated that approximately 40 per cent of ethnic minority businesses were unaware of Business Link operators, compared to 30 per cent of all businesses. Low levels of awareness may reflect Business Link operators “not marketing their services to ethnic minority communities effectively enough”.<sup>125</sup>

A good forum for promoting awareness to target groups would be employment programmes. Within the New Deal, advice can be offered on self-employment, though there is no explicit option. Assistance and advice is provided along with a business plan and a test trading period. However, take-up is low amongst all New Deal clients (3,652 out of 628,500 clients).<sup>126</sup> Employment Zones have greater success in helping clients into self-employment.

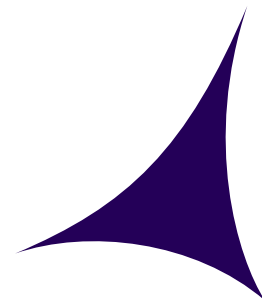
#### **Conclusion 15:**

*The Small Business Service (SBS) should adopt a range of measures to increase the effectiveness of its support to business, including:*

- i. developing a strategy to enable each Business Link operator to draw on data on its ethnic minority business customer base [by Q3/2003]. This database should not be limited just to those businesses that have received “significant assistance”, and should be established at a national level.*
- ii. a strategy to deliver focused and tailored information on its services to ethnic minority entrepreneurs and, with Business Link operators, forge closer working relations with those institutions that evidence has shown are utilised by ethnic minority entrepreneurs [by Q4/2003]; and*
- iii. consistent with its commitment to help ethnic minority entrepreneurs overcome any specific barriers to entrepreneurship, each Business Link operator should set year on year improvement targets to increase the proportion of ethnic minority businesses served until it reflects the*

<sup>125</sup> Cross Cutting Review of Government Support of Services for Small Business (2002), p.6.

<sup>126</sup> Other schemes that promote self-employment amongst the long-term unemployed, are the Prince’s Trust Awards, which have a 70-90 per cent success rate. See: Performance and Innovation Unit, *Lending Support: Modernising the Government’s Use of Loans*, 2002, p.73.



*business composition of the areas which each Business Link operator serves, and the proportion of ethnic minorities within that area.*

***Access to finance may also be a barrier for ethnic minority entrepreneurs***

The process of raising external finance is difficult for many small firms, regardless of the owner's ethnic group. However, research has consistently shown that members of ethnic minority communities face additional barriers to those faced by other small firms, particularly at start-up.<sup>127</sup> More detailed analysis shows that Black Caribbeans were particularly unsuccessful in accessing bank loans compared with Whites and other ethnic minority groups and are less successful in gaining finance from Government support agencies, despite engaging with these agencies more than any other ethnic minority group.<sup>128</sup>

An important source of finance available to small firms is the Small Firms Loan Guarantee Scheme (SFLGS), which provides a Government guarantee on loans from £5,000 up to £250,000, in return for which the DTI charges the borrower a premium. The scheme is designed to assist viable small firms that are unable to raise conventional finance because of lack of security.

However, this scheme does not seem to be reaching under-represented groups as effectively as it might. The retail and catering sectors, where ethnic minority firms are strongly represented, are currently excluded from the SFLGS. Changes to the scheme, announced in November 2002, will help

overcome this. From April 2003, eligibility for the scheme will be extended to additional sectors, including retail and catering. This will give a significant boost to some ethnic minority owners of business.

**Conclusion 16:**

*DTI and NRU should report on a regular basis on how funds aimed at promoting economic growth and supporting businesses in deprived neighbourhoods are benefiting ethnic minority communities [by Q4/2003]. This information should feed into future strategies designed to benefit ethnic minority communities.*

<sup>127</sup> Ram and Smallbone, *Ethnic Minority Enterprise*, p.12. See also British Bankers' Association, *Ethnic Minority Business in the UK: Access to Finance and Business*, September 2002.

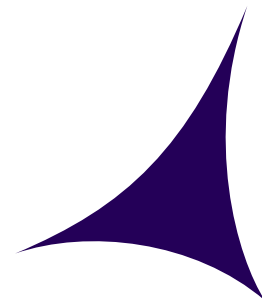
<sup>128</sup> Ram and Smallbone, *Ethnic Minority Enterprise*, p.21.

## 6. EQUAL OPPORTUNITIES IN THE WORKPLACE

### *Summary*

- Despite undoubted improvements in race relations and equal opportunities in the workplace over the past three decades, racial discrimination and harassment still occur. An understanding of indirect discrimination<sup>129</sup> remains limited amongst some employers, which restricts equal opportunities.
- This chapter sets out a strategy for promoting greater equal opportunities in the workplace. The strategy has a number of elements reflecting the multiple causes of the problem.
- Existing mechanisms for information and support should be improved to ensure that employers are aware of what is expected of them legally, and how workplace policies and practices can best be refined to ensure equality of opportunity for all.
- The CRE should update its Code of Practice in Employment and examine the options for more high-profile award and recognition schemes to encourage employers to offer equality of opportunity to ethnic minorities.
- Job Opportunity Compacts should be created in cities with the largest concentrations of ethnic minorities to engage employers in developing a strategy for increasing the recruitment and retention rates of ethnic minority employees.
- Data management within the Employment Tribunal System should be improved to ensure that more robust information about repeat offending by discriminatory employers is collected and that patterns in discrimination cases are identified and acted upon.
- Government should review how best to tackle systemic discrimination in the workplace. The review should consider the case for allowing tribunals to make wider recommendations on the causes of discrimination, which would go beyond mitigating the problems experienced by individual complainants. It should also be accompanied by more rigorous research into the nature, causes and extent of racial discrimination and harassment in the workplace.
- Government should issue clearer guidance for public bodies on the use of procurement mechanisms to promote best practice in equal opportunities in all those organisations with which it contracts.

<sup>129</sup> See: Annex 3 for definitions.



## New initiatives are needed to promote equal opportunities

This chapter describes the nature, documents the persistence and identifies several key causes and costs of racial discrimination and harassment in the labour market. It also details policy conclusions that flow from this analysis, the main objectives of which are:

- to raise awareness amongst employers about the persistence of racial discrimination and harassment; the meaning and impact of indirect discrimination; and the urgent need to address these issues;
- to encourage employers to establish equality of opportunity by assessing and, if necessary, changing their workplace policies, practices and cultures;
- to encourage employers to offer support and encouragement to ethnic minority employees to take advantage of greater opportunity;
- to stimulate leadership amongst key labour market stakeholders to keep race equality on the agenda and to encourage action;
- to refine our understanding of racial discrimination and harassment in the labour market; and
- to create an enabling environment in society to support change in the workplace.

## Past policy has sought to address direct and indirect aspects of discrimination and the need to build strong, cohesive communities

The first strategic responses to the transition and integration challenges of immigration were an attempt to curb direct acts of racial discrimination. This idea was embodied in the first Race Relations Act (1965) and the White Paper, *Immigration from the Commonwealth*.<sup>130</sup> The first Race Relations Act focused on direct discrimination, typically that which took place in public locations. It prevented the imposition on racial grounds of restrictions on the transfer of tenancies and penalised incitement to racial hatred.

The second Race Relations Act, in 1968, extended the coverage of direct discrimination legislation into the housing and employment markets. It also split the roles of promotion and enforcement in implementation, with the Community Relations Commission set up for the promotion of the Act, whilst the Race Relations Board continued to enforce the legislation. An underlying thread of these initial strategic responses was a consensus that the problems faced by second-generation ethnic minorities would be less than those faced by their parents. As the previous chapter shows, however, patterns of disadvantage have actually tended to persist.

The third Race Relations Act of 1976 constituted a major departure for public policy in tackling racial inequality. The central reason for this was the incorporation of the doctrine of indirect discrimination into law.<sup>131</sup> An underlying premise of this approach was

<sup>130</sup> Cmnd. 2739.

<sup>131</sup> Indirect discrimination is that which occurs “where an apparently (race) neutral provision, criterion or practice would put persons of a racial or ethnic origin at a particular disadvantage compared with other persons, unless that provision, criterion or practice is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary”. See: ‘EU Race Discrimination Directive’, *Equal Opportunities Review*, London: Industrial Relations Services, 2000.

that the rights and opportunities of ethnic minorities would continue to be suppressed unless a willingness existed to look beyond overt acts of discrimination. The bulk of the institutions and machinery to tackle racial discrimination, such as the Commission for Racial Equality, dates from this Act.

The Human Rights Act 1998 incorporated the European Convention of Human Rights into UK law. As a result of the Act, public authorities are under both a duty not to infringe upon human rights and an obligation to protect rights in certain circumstances. Article 14 of the Act is particularly relevant in that it requires Convention rights to be secured “without discrimination on any ground such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status.”<sup>132</sup>

The publication in 1999 of the Macpherson Report, following the Stephen Lawrence Inquiry, was a defining point in recent race relations. The conclusions reached in this document were that patterns of discrimination and exclusion persisted within the policies and procedures of public institutions, most notably the police service, but also more widely.

In 2000, Government responded by amending the 1976 Race Relations Act. This included a general duty to promote race equality, which applied to a broad range of public authorities.<sup>133</sup> It also included specific duties, such as ethnic monitoring, which are intended to help the public authorities meet their general duty. These changes have only very recently been implemented and it is premature to draw any firm conclusions on their impact.

Government’s concerns over racial equality and social inclusion were heightened following disorders in several northern English towns in summer 2001. The response has been to draw fresh attention to the very limited points of social, cultural or economic interaction that persist between different ethnic groups in certain parts of the country. This is a point amplified in the Home Office report, *Building Cohesive Communities*, especially in relation to economic interaction arising from labour market opportunities.<sup>134</sup> Furthermore, the need to prioritise social and community cohesion is emphasised. The gains that can be made through better policies to promote the economic integration of Britain’s ethnic minorities are likely to be invaluable in improving social, cultural and civic integration.

## Defining the issue

### *Racial discrimination and harassment refer to specific types of behaviour*

Direct discrimination describes a situation in which, on racial grounds, one person is treated less favourably than others are, or would be, treated in the same circumstances, or in circumstances that are not materially different.<sup>135</sup> For instance, direct discrimination occurs if an individual from an ethnic minority background is passed over for promotion, despite being better qualified for the job than a White colleague whose application for promotion is successful.

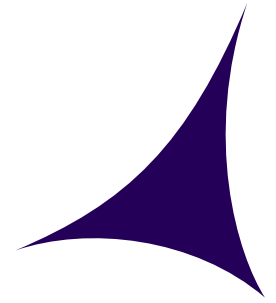
*Indirect discrimination* may be more difficult to identify because it is often embedded in ostensibly race-neutral practices and policies. The definition in the 1976 Race Relations Act involves the application of a requirement or condition to every individual, where a

<sup>132</sup> [www.hmso.gov.uk/acts/acts1998/80042—d.htm](http://www.hmso.gov.uk/acts/acts1998/80042—d.htm)

<sup>133</sup> CRE Codes of Practice on the Duty to Promote Race Equality, 2002.

<sup>134</sup> Home Office, *Building Cohesive Communities*, A Report of the Ministerial Group on Public Order and Community Cohesion, London, 2001.

<sup>135</sup> Section 1(1)(a) Race Relations Act 1976. The definition of direct discrimination in the EC Race Directive is approximately the same.



considerably smaller proportion of members from a particular racial group are able to comply with the requirement or condition, where not being able to comply is a detriment to that group, and the requirement cannot be justified on non-racial grounds.<sup>136</sup> For example, to require all job applicants to have a high standard of spoken English could be indirectly discriminatory, as it could be more difficult for members of certain racial groups to comply. If the post was a radio presenter, the requirement is likely to be justifiable; if, however, the post was a manual worker, such as a mechanic in a car factory, the requirement may not be justified and would be indirectly discriminatory.

*Racial harassment* is defined in the EC Race Directive as occurring when “an unwanted conduct related to racial or ethnic origin takes place with the purpose or effect of violating the dignity of a person and of creating an intimidating, hostile, degrading, humiliating or offensive environment.”<sup>137</sup> Racial harassment can range from targeted racial slurs and physical intimidation or attack to unintended or unconsciously offensive behaviour or racist jokes.

Discrimination can occur throughout the employment cycle, from recruitment to dismissal. It is not limited to certain size employers or to certain industries or sectors. It can be cumulative and reinforcing: for example, in some instances, as a result of exclusion over time, there can be perceptions among job applicants or employees that certain employers or industries are exclusively “White”. Likewise, some employers may see ethnic minorities as outside their recruitment

pool, or inappropriate candidates for promotion within their companies. Racial discrimination may also interact with other forms of discrimination, such as gender or disability, thus heightening its impact, and occur within an organisation in multiple forms.

It is important to note that as racial discrimination has persisted, different patterns have emerged.<sup>138</sup> For example, overt forms of discrimination have become less frequently observed, while covert, indirect forms of discrimination have been more widely recognised.

### ***Despite considerable progress, there is evidence that racial discrimination and harassment persist in Britain’s labour market***

There has been considerable progress in tackling racial discrimination and harassment in the labour market over the last 30 years. Race relations legislation as well as other efforts to address the problems, such as leadership initiatives, have been important contributory factors.

However, several types of evidence suggest that racial discrimination and harassment persist in workplaces throughout Britain.

- *Statistical analysis:* factors such as education, age and economic environment explain a relatively small percentage of the difference in labour market achievement between ethnic minorities and Whites. Variables, such as difficulties in accessing information and discrimination that cannot easily be taken into account through formal statistical analysis, explain much more of the gap.<sup>139</sup>

<sup>136</sup> Section 1(1)(b) Race Relations Act 1976. The EC Race Directive includes a wider definition of indirect discrimination that does not depend on statistical evidence: “Indirect discrimination shall be taken to occur where an apparently neutral provision, criterion or practice would put persons of a racial or ethnic origin at a particular disadvantage compared with other persons unless that provision, criterion or practice is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary.”

<sup>137</sup> Council Directive 2000/43/EC. The UK courts and tribunals (in cases relating to sexual harassment as well as racial harassment) have upheld complaints where there is not necessarily evidence of both violation of the dignity of the person and creation of an intimidating, hostile, offensive or disturbing environment.

<sup>138</sup> J. Clarke and S. Speeden, *Then and Now: Change for the Better?*, CRE, 2001.

<sup>139</sup> For a more thorough presentation of the data from statistical analyses, see Interim Analytical Report, pp. 99-111.



- *Discrimination tests*: for example, in 1996 the CRE carried out a series of discrimination tests to determine how young people from ethnic minorities fared in their search for jobs.<sup>140</sup> At least two applications, with identical fictitious CVs, were submitted for a number of vacancies that differed only by ethnic background.<sup>141</sup> White applicants were nearly three times more likely than Asian applicants, and almost five times more likely than Black applicants, to be asked to come to an interview.<sup>142</sup>
- *Outcomes of Employment Tribunals*: excluding settled, withdrawn and dismissed cases, in 2001/02 there were some 129 cases in which Employment Tribunals were satisfied that racial discrimination had occurred or was occurring. Given the reluctance of most discrimination victims to come forward, this may be an underestimate of the actual number of cases.
- *The personal testimonies of ethnic minorities*: personal testimonies strongly suggest the persistence of racial discrimination and harassment in the workplace.<sup>143</sup> However, some individuals may perceive discrimination where it does not exist, whereas others may underestimate the degree of discrimination to which they are actually being subjected.
- *Public attitudes surveys*: public attitudes surveys reveal sentiments about the persistence of racism at work. For example, a recent poll commissioned by BBC News Online revealed that almost one in three Black and Asian ethnic minority people believe that racism has cost them the chance of a job.<sup>144</sup>

***A striking majority of people acknowledge the fact of racial discrimination and accept that it is wrong, a norm to which Government and others can appeal***

Recent evidence from public attitudes surveys points to a widespread and little noted acknowledgement of the fact of racial, and indeed other forms, of discrimination in the workplace. Around four in five adults believe that such discrimination exists in the workplace, although around a quarter believe that its prevalence is widespread. An important element of this is generational: younger generations are far more likely than their older counterparts to acknowledge the existence of all kinds of workplace discrimination.

The response to this picture is equally striking. Again, around four-fifths of adults report that racial discrimination in the workplace is wrong. Around two in five can be described as core believers in that their reaction to such discrimination is that it is “always wrong”. When compared with those who think that discrimination “happens a lot”, this points to an important norm about racial discrimination. Twice as many people are unconditional in their reaction as the proportion who think that discrimination is a commonplace problem.

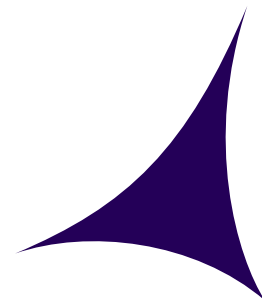
<sup>140</sup> CRE, *We Regret to Inform You...*, London: CRE, 1996.

<sup>141</sup> Some prospective employees were also sent into places of employment in person to enquire about vacancies.

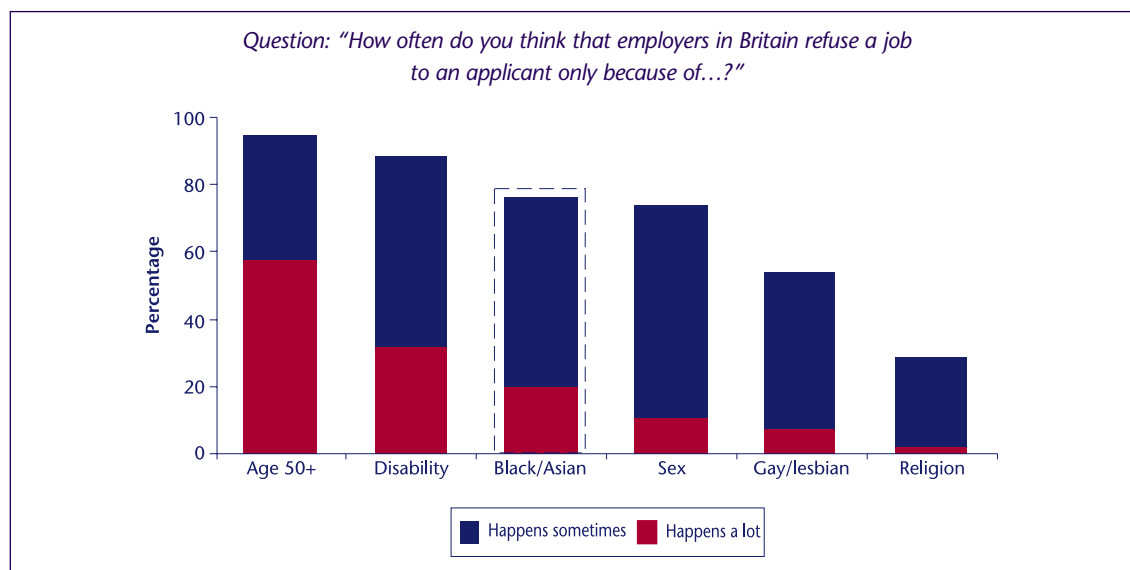
<sup>142</sup> Ibid.

<sup>143</sup> TUC, *Exposing Racism at Work*, TUC, 2000.

<sup>144</sup> BBC News, *Britain ‘A Racist Society’* poll, 20 May 2002. See: [news.bbc.co.uk/2/hi/uk\\_news/1993597.stm](http://news.bbc.co.uk/2/hi/uk_news/1993597.stm)

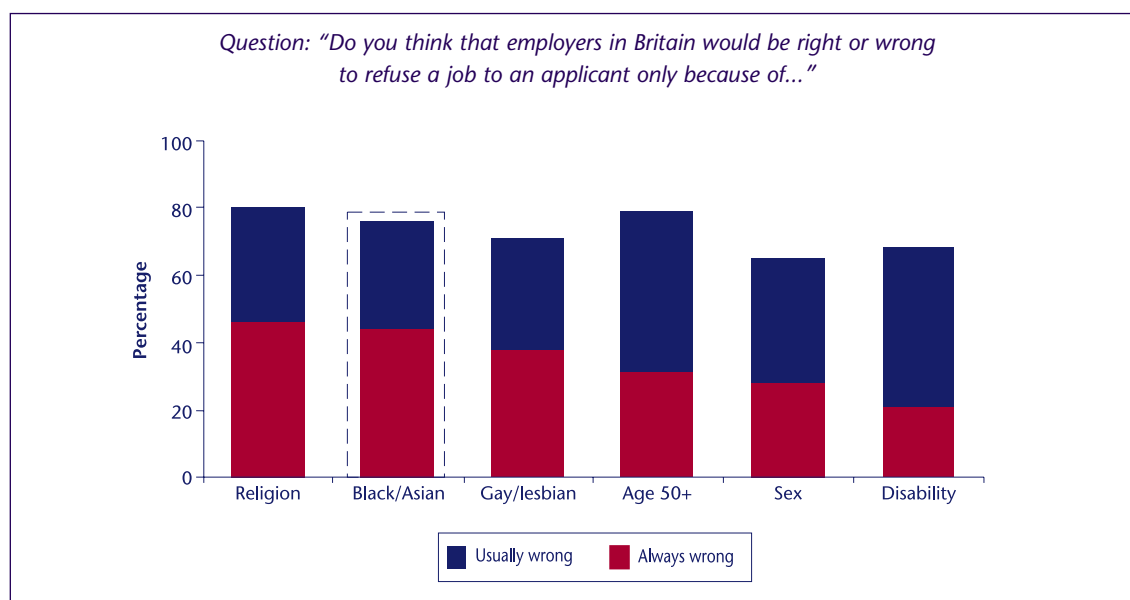


**Figure 6.1: Prevalence of Discrimination in the Workplace**



Source: Figures provided by Centre for Research into Election and Social Trends (CREST), based on British Social Attitudes data, 2002

**Figure 6.2: The Acceptability of Discrimination in the Workplace**



Source: Figures provided by Centre for Research into Election and Social Trends (CREST), based on British Social Attitudes data, 2002



### *Box 6.1: The causes of the persistence of racial discrimination and harassment*

#### **Human and learned behaviour**

To make sense of the onslaught of people and objects we deal with daily, we must identify patterns in the world.<sup>145</sup> This can often result in reducing individuals to categories and lead to stereotyping and prejudice.<sup>146</sup> Socialisation in the home, school or through the media can lead people to notice certain patterns and to attach certain values to them, sometimes negative. Discrimination occurs when these stereotypes and prejudices start to influence the way in which people act.<sup>147</sup>

#### **Lack of understanding, information and awareness**

Employers may lack awareness of how discrimination happens indirectly, as an unforeseen result of their policies and practices. Employees may not know what to do if they have been discriminated against.<sup>148</sup>

#### **Lack of leadership in the workplace**

A key component in tackling discrimination in a workplace is commitment at the top of the organisation, matched by commitment at other levels of management, to ensure that race equality is a priority and that changes are effectively implemented.

#### **Intolerant workplace cultures**

There is growing recognition of the extent to which organisational culture can contribute to the exclusion of, and discrimination against, ethnic minority employees even if formal equal opportunity policies and procedures exist.<sup>149</sup>

#### **An unbalanced enforcement regime**

The enforcement regime in Britain can be criticised as being too reliant on a strategy of responding to failure, with legal and non-legal standards being coupled with enforcement mechanisms, such as investigations and legal proceedings.<sup>150</sup> This has been mitigated by the recent amendment to the 1976 Race Relations Act that emphasises more active measures for the public sector to tackle discrimination.

#### **The challenge of providing political leadership to combat racial discrimination**

Government has historically been cautious about race equality legislation and policies because public attitudes have not always been supportive. Tackling racial discrimination requires political leadership that highlights equal opportunities as being central to the economic and social well-being of British society.

#### **Racial discrimination and harassment in society**

Racial discrimination and harassment in the workplace cannot be treated in isolation from the racial discrimination, social exclusion and distance between communities that exists in British society more broadly.

<sup>145</sup> *Facing History and Ourselves: the Holocaust and Human Behaviour*, Massachusetts: National Foundation, 1994.

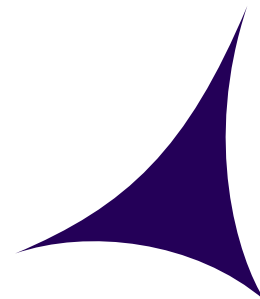
<sup>146</sup> *Ibid.*

<sup>147</sup> *Ibid.*

<sup>148</sup> Evidenced both by anecdotal accounts (widely held beliefs shared throughout our research process) and recent studies such as H. Metcalf and J. Forth, *Business Benefits of Race Equality at Work*, 2000.

<sup>149</sup> N. Tackey *et al.*, *The Problem of Minority Performance in Organisations*, Brighton: The Institute for Employment Studies, 2001.

<sup>150</sup> B. Hepple, M. Coussey and T. Choudhury, *Equality: A New Framework*, Oxford: Hart Publishing, 2000; DFES, *Impact Assessment of the Race Relations Employment Advisory Service*, August 2001.



Racial discrimination and harassment have persisted for several reasons (as summarised in Box 6.1).

### ***Racial discrimination has potentially large economic and social costs***

Racial discrimination and harassment in the labour market can have a negative impact on the victim, as well as the workplace and the society in which they occur. For the individual, they often cause great anxiety, stress, reduced self-confidence, compromised health and a decrease in motivation to participate in the labour force, as well as early job termination, limited career progression and inappropriate training opportunities.

In the workplace, racial discrimination can deprive the employer of the most able candidate. Moreover, racial discrimination and harassment can cause tension, conflict, absenteeism, high turnover and low productivity.<sup>151</sup> Ultimately, the impact on society of racial discrimination and harassment is a loss of productivity that damages the growth potential of the British economy and engenders the further social exclusion of ethnic minorities.

### ***Employers have responded differently to racial discrimination and harassment***

The commitment of employers to develop and implement race equality strategies varies. Employers range from leaders who have developed race equality strategies voluntarily, to firms that are perhaps motivated only by negative incentives, such as having had

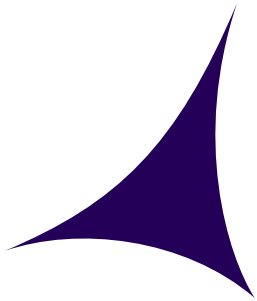
complaints against them upheld by an Employment Tribunal. The firms that fall in between often lack the necessary information and support to make changes. These groups are not static: with the right encouragement, employers who were previously unenthusiastic can be motivated to make changes.

### **A multi-faceted strategy is needed to deal with racial discrimination and harassment in the workplace**

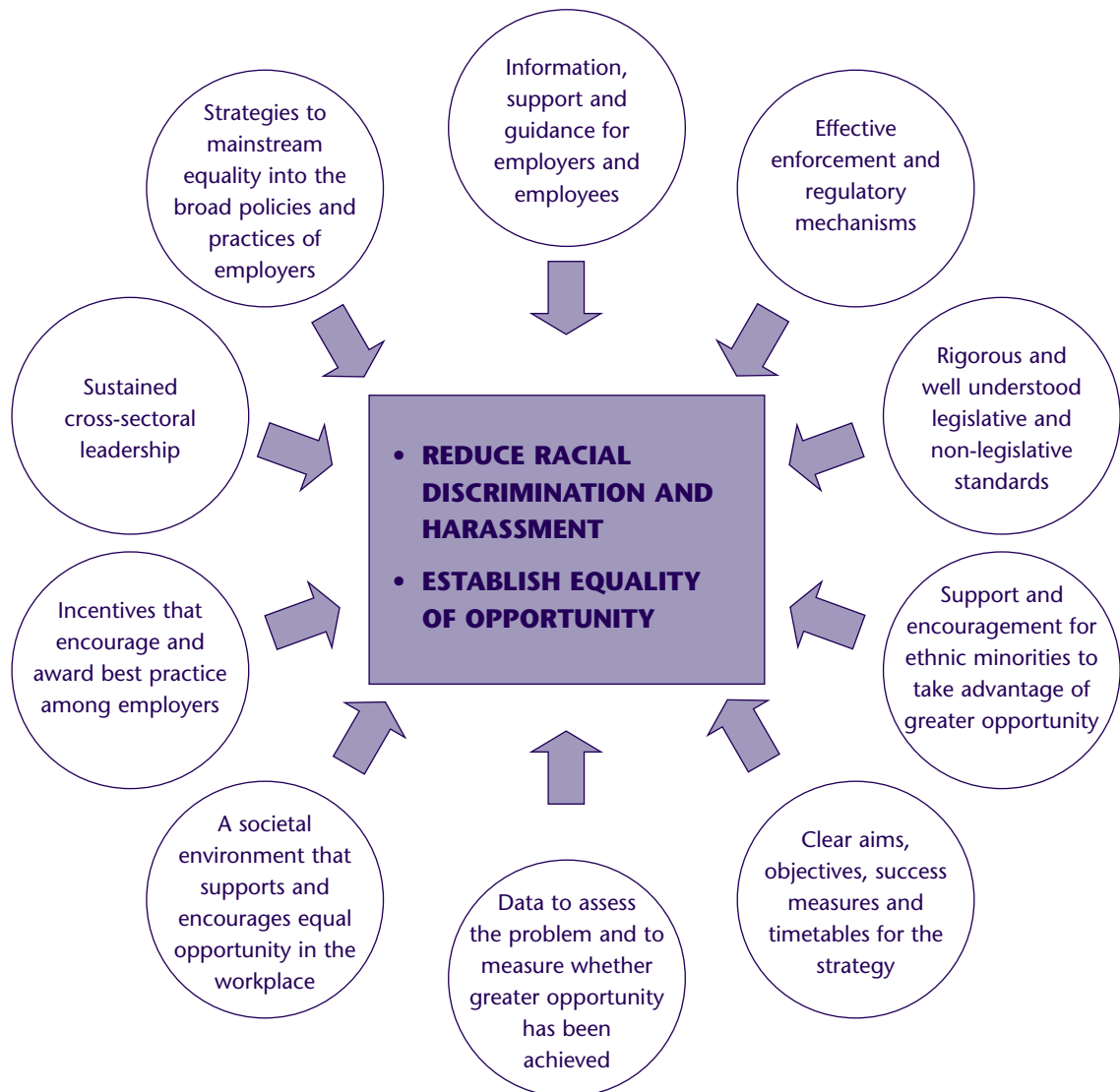
Racial discrimination and harassment are complex phenomena, with a number of causes. A balanced and comprehensive package of measures is required to address them.

Figure 6.3 sets out key components of a comprehensive Government strategy to reduce racial discrimination and harassment in the labour market, as well as to establish equal opportunity. Together, the components of the strategy aim to effect changes within the workplace, in the labour market more broadly and across society as a whole.

<sup>151</sup> CRE, *Racial Harassment at Work: what employers can do about it*, London: CRE, 1995.



**Figure 6.3: A Comprehensive Government Strategy to Reduce Racial Discrimination and Harassment in the Labour Market**

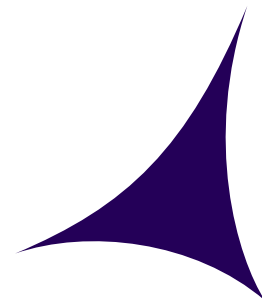


A great many of these components are already in place. For example, considerable efforts are being made to improve the efficiency of the tribunal system, an important enforcement mechanism. The 2000 Race Relations (Amendment) Act, as well as the EU Employment and Race Directives, strengthen UK equal opportunity legislative standards. The Act will also help to mainstream race equality into the policies and practices of many public employers. The CRE's efforts to redesign the Leadership

Challenge will encourage cross-sectoral leadership.

The conclusions of this chapter build on these existing measures and seek to ensure that:

- adequate information, support and guidance is available to employers and employees, in order that legislative and non-legislative standards are well-understood;
- there are incentives to encourage and award best practice among employers;



- the effectiveness of enforcement mechanisms to change the behaviour of employers, specifically Employment Tribunals, is increased;
- race equality is incorporated into key Government activities, including procurement;
- society at large supports and encourages equal opportunity in the workplace; and
- the data necessary to assess and better understand racial discrimination and harassment in the labour market is available.

## Information, support and guidance for employers and employees

While some employers are well informed about diversity and discrimination issues, a significant number of employers still have limited understanding and awareness of the prevalence of racial discrimination and harassment in the workplace. They are also often unaware of legal requirements, what indirect discrimination actually looks like in practice, whether they are discriminating and how to re-formulate policies and practices in their workplace to ensure that they are offering equality of opportunity to all.<sup>152</sup> Effective support and guidance that provides employers with relevant and accessible information therefore has a vital role to play in the Government's commitment to race equality in the labour market.

### *Existing mechanisms for employers' information and support need development*

There are a number of existing mechanisms for support and advice which either specialise in race or discrimination issues, or provide

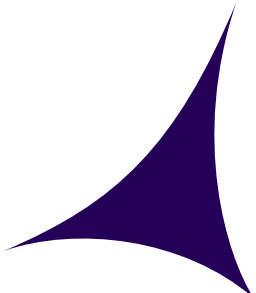
employers with advice on race related issues as part of a broader service. The main agencies are set out in Box 6.2.

Each of these services meets the needs of different employers. This being the case, the range is necessary: no one service can or should be expected to do it all. Private consultants, for instance, are expensive and therefore not accessible to some employers. Equally, some employers, particularly in the private sector, do not perceive the CRE to be a source of confidential advice. Government should improve the information, support and guidance it offers to employers.

### *The RREAS service is valuable, and should be expanded and promoted*

RREAS is an important service. In part, this is because its proactive approach allows it to reach employers who may not realise they are discriminating and who therefore would not necessarily seek advice on race equality. RREAS is also important because it lends an expert eye to employers, helping them to recognise discriminatory practices and to respond appropriately with changes in policy. RREAS is valued by the employers with whom it has worked (Box 6.3). However, its impact is limited by its lack of resources: it has 14 advisers to cover employers with more than 200 employees, of which there are approximately 8,500. It has low public recognition. The valuable aspects of RREAS should be built upon, and the service expanded and better promoted. This would enable the Government to diversify the services it offers to employers and, in so doing, to meet the diversity of demand that exists for supporting equal opportunities in the workplace.

<sup>152</sup> Evidenced both by anecdotal accounts and recent studies such as H. Metcalf and J. Forth, *Race Research for the Future: Business Benefits of Race Equality at Work*, National Institute of Economic and Social Research, March 2000.



### *Box 6.2: Existing information, advice and support services for employers*

**The Commission for Racial Equality (CRE)** is a publicly funded, non-Governmental body set up under the Race Relations Act 1976 to tackle racial discrimination and promote racial equality. It also has the duty to review race relations legislation, as well as the power to issue statutory Codes of Practice and to carry out investigations.

**The Race Relations Employment Advisory Service (RREAS)** is offered through ACAS. It provides advocacy, advice and consultancy services to employers. RREAS's geographical remit is the whole of Great Britain, but it concentrates its efforts on geographical areas with the greatest density of ethnic minority groups and works largely with employers with more than 200 employees.

**Equality Direct (ED)** is a free, confidential advice service for business on equality, provided by ACAS. It comprises a telephone advice service and supporting website. It was designed to focus on small businesses.

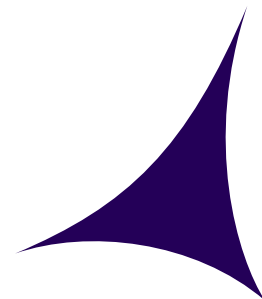
**Race Equality Councils (RECs)** are funded by a number of sources, most notably the CRE and local authorities, to work among local communities to promote racial equality and tackle racial discrimination. The key elements of REC work are assumed to be policy development, public education, community development and casework.

**Race for Opportunity (RfO)** is a network of organisations working on race and diversity as a business agenda. The campaign works primarily with organisations that recognise that race and diversity are core business issues, routes to a creative management environment and important to a competitive British economy.

**Equality consultancies** are independent consultancy firms that offer advice on equal opportunity/diversity matters, with average charges of £1,000 per day.

**Law Centres** provide a free and independent professional legal service to people who live or work in their catchment areas.

**Citizens Advice Bureaux (CAB)** offer free, confidential, impartial and independent advice on issues such as debt, benefits, housing, legal matters, employment and immigration. There are 2,000 CAB outlets in England, Wales and Northern Ireland, each of which is an independent charity.



### *Box 6.3: The Race Relations Employment Advisory Service – how it works*

RREAS's primary means of reaching employers is to write an unsolicited letter offering its services: 90 per cent of its work is initiated in this way. Although some particularly change-averse employers might reject this approach, it allows RREAS advisers to stimulate change in organisations that may not otherwise have taken the initiative on equality issues.

At the first meeting with an employer, RREAS advisers assess the approach the employer takes to equality issues and recommends improvements. If the employer is interested, RREAS advisers continue to work with the employer to implement the recommendations. Initial services are free, although there are charges for more in-depth work, such as training.

The type of support offered by RREAS has been shown to be valued by employers and to be effective.<sup>153</sup> A recent review showed that:

- most of the employers surveyed who had an initial diagnostic interview with RREAS found the meeting to be very or quite helpful and reported making changes to their equal opportunity policies and practices as a result; and
- out of the employers that continued to work with RREAS following their first contact, the vast majority rated their organisation's experience as either positive or very positive. A majority also said that RREAS had been responsible for helping them to bring about changes to their equal opportunity policies and practice.

An expanded RREAS service should:

- help employers look closely at their policies, practices and workplace cultures to assess whether they are discriminatory, insensitive or resulting in unequal opportunities and, where necessary, help employers to change them;
- help employers to develop ways to support and encourage ethnic minority employees to reach their professional potential – for example, encouraging the formation of employee support groups, mentoring schemes and positive action programmes;
- raise awareness among employers about all equality issues (not just race);
- work with employers of all sizes from the private and public sector where there is a recognised business need;
- increase their collaboration with private and voluntary partners including professional associations, unions, solicitors and accountants to reach employers;
- fully examine the scope to integrate RREAS services within ACAS's wider best practice work;
- continue to work proactively and strategically, initiating contact with companies which it believes would benefit most from its services, particularly those that may not seek out assistance on their own;
- work confidentially; the primary purpose of the service is to support employers as they assess and make changes to their work environment. The advisers should not have enforcement powers and should not be seen as an enforcement body; and
- employ strategies to encourage leadership among employers.

<sup>153</sup> DfES, *Impact Assessment of the Race Relations Employment Advisory Service*, A report prepared by KPMG Consultants, August 2001.

The effectiveness of the advisers should be assessed by whether employers are satisfied with the support they received and whether their work resulted in changes in policies, practices, workplace cultures and ultimately, ethnic minority representation at all levels of the client's organisation.

Expanding the RREAS service will require additional Government funding. Doubling the number of advisers would incur an annual cost of approximately £1.4 million. However, some money will continue to be raised through fees: initial advocacy services will be free, but further equality training will be offered at a cost. This model allows RREAS, through their advocacy work, to persuade many employers that action on equality is needed before asking for a financial commitment. Once employers recognise the need for change, they are more willing to pay for RREAS's assistance.

### ***Field Account Managers can also provide information to employers***

Given their extensive contact with employers, New Deal and Jobcentre Plus Field Account Managers, as well as Jobcentre Plus Vacancy Filling Managers, can play a proactive role in addressing discrimination in the workplace by serving as a conduit for delivering information and heightening awareness. For example, they can refer employers to the various information and support services available. They can also help services such as RREAS make strategic decisions about which employers or industries to approach.

### ***The CRE can disseminate lessons from the amended Race Relations Act***

The 2000 Race Relations (Amendment) Act places a general duty to promote race equality on a wide range of public authorities. Every public authority listed in a schedule to the Act must, in carrying out its functions, have due regard to the need to eliminate unlawful racial discrimination; to promote equality of opportunity; and to promote good relations between people of different racial groups.<sup>154</sup> The aim of the duty is to make the promotion of race equality central to the way public authorities work.<sup>155</sup>

It also places specific duties on certain public authorities, such as a requirement to monitor policies for any adverse impact on race equality. Compliance with the specific duties should help public authorities to meet their general duty to promote race equality.<sup>156</sup>

By requiring selected public employers to look closely at their practices and policies and to address discrimination where it exists, the Act has the potential to change the way public organisations think and work. Effective arrangements to train staff to carry out their duties and sustained leadership as the duties are implemented will be key to realising this potential.

### ***Implementing this Act will provide valuable examples of best practice for the public and private sectors***

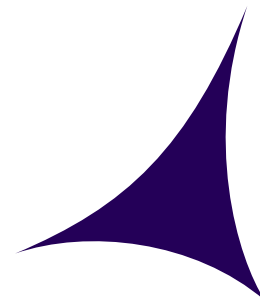
Examples of best practice will be useful both in helping other public sector bodies to implement the Act and in helping private and voluntary sector employers to initiate organisational change.

<sup>154</sup> Section 71(1) Race Relations Act 1976, as amended by Race Relations (Amendment) Act 2000.

<sup>155</sup> CRE Statutory Code of Practice on the Duty to Promote Race Equality, May 2002.

<sup>156</sup> Ibid.





### ***The Small Business Service can inform small – and medium-sized employers***

There is particular concern that sufficient support is not reaching employers in small – and medium-sized enterprises (SMEs). Support for SMEs is particularly important, given the challenges many face maintaining a strong business on a day-to-day basis. It is important that these employers are encouraged to adopt race equality strategies because ethnic minorities are likely to live and seek employment in areas where there are high concentrations of small businesses.

#### **Conclusion 17:**

*In order to provide better information, support and guidance to employers:*

- i. ACAS should double the size of, and publicise the support it offers through, RREAS. Consideration should also be given to further expansion of RREAS [by Q1/2004];*
- ii. Field Account Managers and Vacancy Filling Managers in Jobcentre Plus should be proactive in delivering information, raising awareness about the importance of race equality and promoting the support services available to the employers with whom they work [by Q1/2004];*
- iii. the CRE should disseminate best practice in the implementation of the 2000 Race Relations (Amendment) Act to the private and voluntary sectors [by Q1/2005]; and*
- iv. the Small Business Service (SBS) should raise awareness among small business owners of the importance of race equality policies and practices by incorporating the issue into all aspects of the guidance that they provide to small businesses [by Q1/2004].*

The changes above represent a step change in the information and support services available to employers. However, Government still needs to ensure that the full range of information and support services meets the needs of, and is accessible to, employers. The services should also be appropriately co-ordinated and held accountable to high standards. Co-ordination will be needed to ensure that a consistent message is sent, that service delivery is seamless and that support is available to employers of all sizes and sectors. It is important to consider the role that a future Single Equality Commission has to play in this range of support and guidance.

#### **Conclusion 18:**

*DTI and DWP should conduct an independent review of how the information and support mechanisms available to employers about race equality can be strengthened as well as the extent to which, once strengthened, they meet the needs and influence the practices of employers [by Q2/2006].*

### **Well-understood legislative standards**

An important source of information and guidance for employers is the CRE Code of Practice for the Elimination of Racial Discrimination and the Promotion of Equality of Opportunity in Employment. The code aims to give practical guidance to help employers, trade unions, employees and others “to understand not only the provisions of the Race Relations Act and their implications, but also how best they can implement policies to eliminate racial discrimination and to enhance equality of opportunity.”<sup>157</sup> It does not itself impose legal obligations, but is admissible in evidence in any proceedings under the 1976 Race Relations Act in an Employment Tribunal.

<sup>157</sup> CRE Code of Practice for the Elimination of Racial Discrimination and the Promotion of Equality of Opportunity in Employment, 1984. See: [www.cre.gov.uk](http://www.cre.gov.uk)



Given the code's important role, it is vital that it should accurately reflect the law, and is updated promptly when the law changes. The code should also be known extensively by, be accessible to and be able to meet the needs of employers.

#### **Conclusion 19:**

*The CRE should update its Code of Practice in Employment, consulting widely amongst all relevant stakeholders, to ensure that it accurately reflects existing race relations legislation and that it is known extensively by, is accessible to and is able to meet the needs of employers [by Q1/2004].*

#### **Incentives are needed that encourage and award best practice among employers**

Schemes showing that an employer has met a certain standard, or rewarding excellence

with a publicly recognised award, can provide incentives to employers and should be a key part of the Government's strategy to reduce racial discrimination and harassment in the workplace.

#### **Several award or recognition schemes already exist in the area of race equality...**

Award or recognition schemes about race equality, or with race equality elements, are highlighted in Box 6.4. Several initiatives are currently being pursued to increase the prominence of race equality. For example, the European Foundation for Quality Management (EFQM), with the British Quality Foundation, is currently engaged in a project to expand the equality aspect of the Business Excellence Model on which the UK Business Excellence Award is based. Investors in People UK is currently considering how to include equal opportunities in new modules.

#### **Box 6.4: Award and recognition schemes<sup>158</sup>**

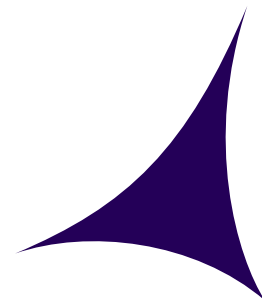
**Business in the Community Diversity Award for Excellence** is for companies striving towards attracting and utilising a truly diverse workforce. It is sponsored by Procter and Gamble.

**The British Diversity Award** was launched in 1995 by the independent publishing and training organisation Anser House to reward good diversity practice in organisations. It has separate categories for different sectors, including public services, retailing, and the media, as well as an overall award for a Diversity Champion.

**The Race in the Media Award** was established by the Commission for Racial Equality in 1992 to encourage informed coverage of race relations across all media in the United Kingdom.

**Race Equality Means Business** is a race equality standard for employers that the CRE developed in 1995. It includes a checklist of actions relevant to planning and implementing a race equality policy and an assessment tool for employers to measure their performance in different areas, such as selection and staff development, against a graded standard.

<sup>158</sup> The CRE is currently planning to develop an award for promoting race equality in public services.



**UK Business Excellence Awards** are administered by the British Quality Foundation. Entry to the awards is open to all organisations in the UK. The award programme is based on the Excellence model, a non-prescriptive framework designed to capture the basic concepts which underpin excellence. One of these is “People Development and Involvement”, the way in which human resources are planned, managed and improved. A key consideration in this regard is equal opportunities; this being one of the areas to be expanded.

**Investors in People** is a standard towards which employers work in developing their staff. It is based on four principles: commitment, planning, action and evaluation. A recent evaluation of Investors in People (IiP) shows that directors were driven to achieve recognition, in part because they believed that valuable results would accrue from achieving the status, including an improved external image, and increased productivity and profitability.<sup>159</sup> Those that had achieved recognition confirmed many of these results. Directors who were not using the IiP reported that they would consider using it in the future.

### *...but the scope and influence of these schemes may be limited*

A review of this range of award and recognition schemes raises concerns whether it is broad enough in terms of the industries or sectors covered or sufficiently recognised to have a significant impact. More could be done by Government to recognise leaders in the area of race equality and to grant awards on the basis of employers demonstrating measurable improvements in equality.

#### **Conclusion 20:**

*The CRE should examine the options for more high profile award and recognition schemes to encourage employers to offer equality of opportunity to ethnic minorities. The results should be implemented by Q4/2003.*

### **Promoting sustained cross-sectoral leadership**

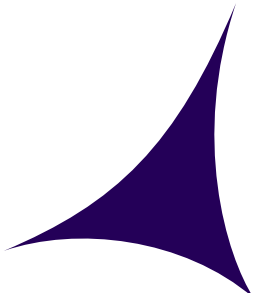
Strong leadership across sectors and industries as well as within workplaces at all levels is vital to ensure that race equality is a priority issue for all employers. The success of

efforts to stimulate and sustain leadership will, in large part, determine the degree to which Britain will be able to establish equality of opportunity in the labour market.

A number of initiatives are in place to help stimulate or demonstrate leadership. The CRE is currently redesigning its Leadership Challenge to provide private and public sector organisations with an accessible model for implementing best practice in equality.<sup>160</sup> The Institute for Public Policy Research (IPPR), a think-tank, has established an employer-led task force to decide how best to achieve equality and diversity objectives in private sector employment. The National Employment Panel (NEP) has made addressing racial discrimination in the labour market a priority. Race for Opportunity and the broader efforts of Business in the Community continue to stimulate leaders to put race equality on the agenda of business. Likewise, the award and recognition schemes mentioned above, such as the British Diversity Award, also play a part in stimulating leadership.

<sup>159</sup> M. Harris, *Investors in People: Its Impact on Business Performance*, Institute of Directors Research Paper, 2001.

<sup>160</sup> The Leadership Challenge is a CRE initiative to bring together influential leaders from organisations across sectors to make a commitment to promote racial equality. It is being re-designed, with a focus on private sector organisations, to provide leaders from the sector with an accessible, holistic model for achieving change in the area of equality that is built on best practice.



Evidence from the USA has also highlighted the opportunity to promote leadership through the development of “compacts”, in which employers agree to hire (or at least to interview) disadvantaged individuals who meet certain standards – typically in terms of job-readiness or educational attainment. In the USA, the most ambitious of these are city-wide commitments involving co-operation between educationalists, the workforce development system and trade unions, led by the local authority in partnership with the city’s business leadership. Importantly, these compacts have long-term, measurable goals, year-on-year targets, and dedicated resources. Compacts can be effective in galvanising the local business community, in educating employers to problems on the supply side and in agreeing common expectations about the role of the public and private sector in embedding equality of opportunity in employment practices.

#### **Conclusion 21:**

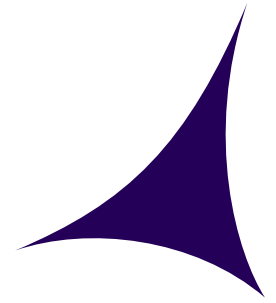
*In order to raise levels of labour market achievement, DWP and NEP should examine the feasibility of Job Opportunity Compacts in the five cities with the largest concentrations of ethnic minorities. The objective of the Compacts should be to engage employers in developing a strategy and action plan for increasing recruitment and retention rates in each of the key sectors, and for ensuring that local education and training provision is relevant to labour market demands [by Q3/2003].*

### **Tackling systemic discrimination through increasing the effectiveness of enforcement mechanisms**

#### ***Repeat patterns of discrimination can be better highlighted and thus prevented***

The existing system of handling cases of racial discrimination is adversarial in nature. It cannot be used until things have already gone wrong and is poorly geared towards prevention. The approach is to look at each complaint of discrimination in isolation and remove from scrutiny evidence relating to which employers are especially likely to appear in tribunal cases. It neglects the possibility of learning from the large number of complaints that are abandoned, settled before appearing before a tribunal or indeed dismissed by a tribunal. These are all potentially important sources to learn more about the actual operation of the system of redress.

There is clearly a balance to be struck between conciliation and undue reliance on redress through tribunals. With a high attrition rate of cases failing to appear before a tribunal, alongside the relatively low chance of a complaint being upheld, it is important to know about the pattern of cases further upstream. Equally, employers may prefer to take their chances in the tribunal itself, fearing few financial or other penalties if specific cases are lost. The critical issue is the extent to which a specific case could have been prevented if an employer has been given ample opportunity to mitigate against repeat cases.



Taking action to demonstrate greater transparency in tribunal cases would uncover especially “resistant” employers. At present, any patterns of repeat offence are not centrally collated or published, allowing those with especially poor track records to go undetected. The ability to encourage change in this hard-core group of employers is unnecessarily compromised. Greater transparency would also help bodies that currently offer advice and guidance to target employers.

Given that the formal redress system picks up a small proportion of original complaints, there is a compelling case to allow the Presidents of Tribunals to play a more effective role in looking at the full range of potential outcomes to individual complaints. The findings of this exercise could be organised annually and would allow greater probing into the factors that underlie both repeat offence as well as failed complaints. The Secretary of State at DTI should be sent an annual report of this nature, so that an action plan could be prepared to address particular priority issues.

#### **Conclusion 22:**

*In order to ensure that patterns and trends in Employment Tribunal cases are properly noted and addressed, DTI should:*

- i. collect and publish data on repeat offences by specific employers in cases of racial discrimination that have been upheld [by Q2/2004]; and*
- ii. mandate the Presidents of Tribunals to monitor racial discrimination cases (including cases that have been abandoned and dismissed) and report findings to the*

*Secretary of State at DTI. This should take the form of an annual report and, in response to key issues that are highlighted, should seek an action plan from relevant departments [by Q4/2004].*

#### ***There are currently limitations to the type of recommendations Employment Tribunals can make***

Under the 1976 Race Relations Act, an Employment Tribunal is empowered, upon a finding of unlawful discrimination, to make (formal) recommendations to an employer to obviate or reduce the adverse effect on the complainant of any act of discrimination to which the complaint relates.<sup>161</sup> If, without reasonable justification, the employer fails to comply with the tribunal’s formal recommendation, it can order the employer to pay increased compensation or, if an order of compensation was not made, make such an order. As such, formal recommendations have legal status and sanctions for non-compliance.

However, an Employment Tribunal is not able to make formal recommendations that might have a wider impact on the practices of an employer. For example, if, during a case, an Employment Tribunal identifies discriminatory practices that have contributed to the proven discriminatory act, the tribunal cannot formally recommend corrective measures to address these wider problems. If a complainant is no longer employed by the defendant, the tribunal cannot make any formal recommendations to the offending employer because they will not obviate or reduce the adverse effect of discrimination on the former employee.

<sup>161</sup> See 1976 Race Relations Act. The Sex Discrimination Act of 1975 give Employment Tribunals the same powers.

### ***Addressing systemic discrimination: the case for widening the powers of tribunals<sup>162</sup>***

The power of Employment Tribunals to make formal recommendations could be widened in the following ways:

**Option 1:** To protect not only the complainant, but also any other persons who have been or may in future be adversely affected *by the acts of unlawful discrimination that have been proved during the case*; or

**Option 2:** To ensure that within a reasonable period, the respondent take action relating to *any policy, procedure or practice which had been at issue* that the tribunal considers to be practicable for the

purpose of preventing or reducing the likelihood of the respondent committing any further act of discrimination. This goes further than the first option.

It would not be appropriate to extend the recommendation powers of Employment Tribunals beyond the employment procedures or practices at issue in the case. The Employment Tribunal could not speculate about the practices of an employer. Box 6.6 gives clear illustrations of what the options mean in practice.

#### ***Box 6.6: Widening the powers of Employment Tribunals in practice***

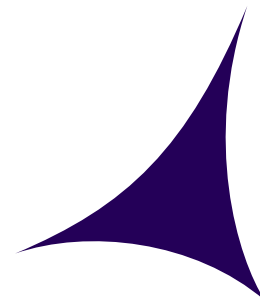
The following examples illustrate what is currently permissible as well as what would be permissible under Options 1 and 2 stated above:

**Currently:** If a complainant wins a case concerning racial discrimination in promotion, the Employment Tribunal can formally recommend that the employer ensures that the complainant, if he/she is still employed by the respondent, is no longer adversely affected by the promotion procedure(s) which have been found to be discriminatory.

**Option 1:** If a complainant wins a case concerning racial discrimination in promotion, the Employment Tribunal could formally recommend that the employer ensures that neither the complainant, who may no longer be employed by the respondent, nor anyone else was adversely affected by the promotion procedure(s) that have been found to be discriminatory.

**Option 2:** If, during the case described above, it became clear to the tribunal that, although the employer had produced a document entitled “equal opportunities policy” no steps had been taken to communicate this policy or to train managers on equal opportunities and that this contributed to the discrimination that was proven, the tribunal could make a formal recommendation that the employer publicise the policy across the workforce and, not later than a specified date, complete equal opportunities training for all managers. Like Option 1, this recommendation would affect the complainant as well as others.

<sup>162</sup> In some other areas, tribunals are already able to make wider formal recommendations. For instance, the Fair Employment and Treatment (Northern Ireland) Order 1998, concerned with discrimination on the ground of religious belief or political opinion, gives the Northern Ireland industrial tribunal the power to make recommendations “appearing to the Tribunal to be practicable for the purpose of obviating or reducing the adverse effect (on the complainant and/or) on a person other than the complainant of any unlawful discrimination to which the complaint relates”. (Article 39(1) (c) and (d), Fair Employment and Treatment (Northern Ireland) Order 1998 SI 1998 No. 3162).



Listed below are a number of high order issues that arise when linking reform of tribunal powers to the over-arching aim of addressing the causes of systemic discrimination in the workplace:

- What impact would such recommendations have on relevant, offending employers and would they ensure that they do not discriminate in the future?
- To what extent are tribunal claims relating to racial discrimination made against “repeat offenders”? If they were numerous, would extending tribunals’ powers to make recommendations be an effective and efficient way of addressing repeat offences?<sup>163</sup>
- If the powers given to Employment Tribunals were widened, could Employment Tribunals unduly prejudice the interests of individuals not present at the tribunal and thus offend the principles of natural justice? If so, how could this be addressed practically?
- Would compliance with wider recommendations be too difficult to monitor?
- Would extending the powers unduly burden Employment Tribunals and ACAS despite related costs that could be saved if such powers were preventative?
- What training and support would need to be given to chairs and laypersons sitting on tribunals to allow them to use their new power?

### ***Tribunals should be encouraged to make informal comments about employers’ practices***

Separate from formal recommendations, an Employment Tribunal is currently able to comment on an employer’s practices during the case, either at the hearing or in their written decision, even where the particular complaint of discrimination is not upheld. These comments have no legal status or sanction for non-compliance. For example, a tribunal could informally comment on the fact that staff involved in recruitment had had no equality training. Tribunals currently make informal comments and should be encouraged to do so further.

While some already do, all tribunals should make employers that have discriminated against an employee aware of the support services that are available to them, such as RREAS and the follow-up support offered by the CRE, to help them make any necessary changes in policies and practices.

### **Conclusion 23:**

***DTI should carry out a review of the most effective means to tackle systemic racial discrimination among employers [by Q1/2004]. Part of this review should examine the case for adapting the powers of Employment Tribunals to make wider recommendations to effect change both for the complainant and the work environment more broadly.***

<sup>163</sup> Article 15 of the EC Race Directive requires Member States to have sanctions for racial discrimination which are “effective, proportionate and dissuasive”.



***Successfully tackling systemic discrimination will also require refining our understanding of the causes of discrimination***

We need better understanding of the evidence on the persistence of racial discrimination and harassment in the labour market. For example, it would be useful to have comprehensive primary research data on the extent and the nature of these problems. A better understanding would allow for the development of more refined policy responses and more accurate measures of progress.

This research should include, but not be limited to, large-scale discrimination tests, focus groups, interviews, an analysis of Employment Tribunal cases, regression analysis, employer case studies and public attitude surveys. The results of the research should be published and disseminated to key labour market stakeholders, including trade unions, professional associations, trade associations and professional services firms such as accountants, in addition to the general public.

**Conclusion 24:**

***DWP and DTI should develop a research programme to improve understanding of the nature, causes and extent of racial discrimination and harassment in the labour market [by Q4/2003]. In the light of this improved understanding, the research programme should assess potentially promising future approaches to tackling racial discrimination and harassment in the labour market.***

**Obtaining better educative and preventative outcomes from enforcement should be accompanied by a more focused and effective role for the CRE**

***Developing a more streamlined approach to effectiveness relies on a range of promotional activities...***

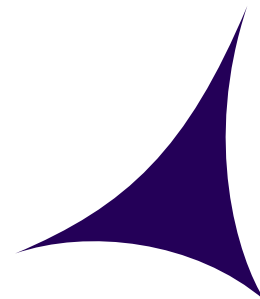
The CRE has a number of important roles that contribute to the thrust of this report and its conclusions. These include:

- collating and disseminating best practice based on the Race Relations (Amendment) Act 2000;
- developing and issuing updated codes of practice for employers;
- examining options for a high profile awards scheme; and
- implementing a new awareness campaign based on fresh research on the effectiveness of past such campaigns.

***...alongside a new focus on conducting general enquiries***

The CRE has a promotional role as well as its main law enforcement duties. It needs to gain greater visibility and credibility in the eyes of employers, so that it can engage with employers at a senior level without putting at risk its credibility as a watchdog.

It also needs to acknowledge and encourage those employers, who have been, or are seeking to become, leaders in the field of equal opportunities. It should focus use of its quasi-judicial powers on those employers who have been proven to be resistant to change through other means.



One way of achieving this would be by shifting the balance towards greater use of the CRE's general enquiry powers. These are much less judicial, can result in relatively quick inquiries and allow many more opportunities for a range of stakeholders to be consulted and engaged. Using such an enquiry could give the CRE a much higher chance of bringing together affected parties to establish a clear consensus about facts and underlying causes of particular outcomes.

The recent British Bankers Association report<sup>164</sup> examining the role of finance in ethnic minority business ownership provides a good example of the kind of intervention that could be achieved through the CRE's general enquiry powers. A robust collection of evidence, together with clear sign-posting on contributory factors, has enabled key stakeholders to agree quickly a credible course of action. This exercise has demonstrated to employers generally, and large corporates in particular, that a powerful case needs to be answered and acted upon. This is precisely the kind of result that the CRE should seek through greater reliance on its general enquiry powers.

### **Conclusion 25:**

*The CRE should examine ways to make greater use of its general enquiry powers to gather evidence of underlying patterns of discrimination and disadvantage, and to engage relevant stakeholders on appropriate action plans in response [by Q3/2003]. It should implement action points as part of a strategic review of its overall enforcement and promotional powers and specific levers of influence.*

## **Linking race equality to Government procurement**

Recent statistics show that an estimated £13 billion a year is spent on civil procurement by central Government and a further £10 billion on defence.<sup>165</sup> When purchasing from external contractors, which constitutes more than 50 per cent of their current expenditure, local authorities spend an additional £42.2 billion.<sup>166</sup>

### ***The policy and legal framework***

The Government's longstanding policy is that all public procurement of goods and services is to be based on value for money, with due regard to propriety and regularity. Value for money is defined as the optimum combination of whole life cost and quality to meet the user's requirement. The European Commission Procurement Directives, based on principles of transparency, non-discrimination and competitive procurement, are consistent with this policy.

Within this framework, relevant employment and social issues can be taken into account in public procurement. However, it is clear that, in pursuing its social objectives, Government is not at present benefiting from the full scope to do so.

<sup>164</sup> British Bankers' Association, *Ethnic Minority Business in the UK: Access to Finance and Business*, September 2002.

<sup>165</sup> National Audit Office, 'Modernising Procurement: Report by the Comptroller and Auditor General', London: HMSO, 1999, p.1; DASA, UK Defence Statistics 2001, London: The Stationery Office, 2001. Procurement covers every aspect of the process of determining the need for goods and services as well as buying, delivering and storing them.

<sup>166</sup> Local Government Procurement Taskforce, *Delivering Better Services for Citizens: A Review of Local Government Procurement in England*, July 2001, ch.1, para. 1.10. Estimates vary quite widely depending on the definitions used. These are for England, 1998-99.



### *Box 6.7: The legal framework for race equality*

Following the implementation of the 2000 Race Relations (Amendment) Act, public authorities must, in carrying out their functions, have due regard to the need to eliminate unlawful discrimination and to promote equality of opportunity and good race relations.

A recent interpretative communication of the European Union Treaty and European Commission Procurement Directives offers guidance on how social considerations can be applied at different stages of the procurement process.<sup>167</sup> For example, if two or more economically equivalent tenders are being considered, a public authority may be able to apply an additional (social) criterion, provided it is in line with EU law, is not discriminatory between Member States and has been explicitly stated in the contract notice.<sup>168</sup> Additionally, contracts can require that, in carrying out services or works, the contractor must adopt and implement certain workforce policies or procedures, for example, non-discrimination in recruitment and promotion.

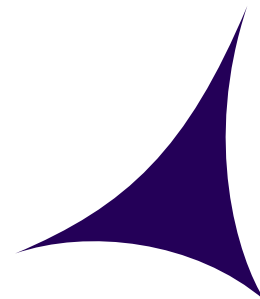
The 1988 Local Government Act specified that local authorities were prohibited from taking “non-commercial” matters into consideration in their procurement procedures. However, as local authorities already had a duty under section 71 of the 1976 Race Relations Act, they were permitted (under section 18 of the 1988 Act) to ask contractors six prescribed and approved questions and/or to include terms in the contract relating to workforce matters if this was “reasonably necessary” to secure compliance with their duty under the 1976 Race Relations Act.<sup>169</sup>

However, this was superseded by the 1999 Local Government Act and the Local Government Best Value (Exclusion of Non-Commercial Considerations) Order 2001. The Local Government Best Value (Exclusion of Non-Commercial Considerations) Order 2001, provided, in respect of best value authorities, for workforce matters to cease to be defined as “non-commercial” matters for the purposes of Part II of the Local Government Act 1988 to the extent that they are relevant to the achievement of best value, and also in circumstances where they are relevant for the purposes of a TUPE transfer. These meant that local authorities are allowed to consider equal opportunities in workforce matters during the procurement process, where they are consistent with Best Value and the EC rules. Local authorities can ask for whatever information they consider necessary to determine the suitability of a contractor to be invited to tender. Local authorities may include workforce matters in the service specification and in their processes for award of contract to the extent that matters such as training, supervision and management are relevant to the contractor’s ability to deliver the required quality of service.

<sup>167</sup> Interpretative Communication of the Commission on the Community Law applicable to public procurement and the possibilities for integrating social considerations into public procurement, October 2001.

<sup>168</sup> By July 2003, all Member States must implement the EC Race Directive in national laws.

<sup>169</sup> The six approved questions: (1) Is it your policy as an employer to comply with your statutory obligations under the Race Relations Act 1976 and, accordingly, your practice not to treat one group of people less favourably than others because of their colour, race, nationality, or ethnic origin in relation to decisions to recruit, train or promote employees? (2) In the last three years, has any finding of unlawful racial discrimination been made against your organisation by any court or Industrial Tribunal? (3) In the last three years, has your organisation been the subject of formal investigation by the Commission for Racial Equality on the grounds of alleged unlawful discrimination? (4) If the answer to question 2 is yes or, in relation to question 3 the Commission made a finding adverse to your organisation: what steps did you take in consequence of that finding? (5) Is your policy on Race Relations set out: a) In instructions to those concerned with recruitment, training and promotion? b) In documents available to employees, recognised trade unions or other representative groups of employees? c) In recruitment advertisements or other literature? (6) Do you observe as far as possible the Commission for Racial Equality’s Code of Practice for Employment, as approved by Parliament in 1983, which gives practical guidance to employers and others on the elimination of racial discrimination and the promotion of equality of opportunity in employment, including steps that can be taken to encourage members of the ethnic minorities to apply for jobs or take up training opportunities?



***The Government's policy on public procurement, which applies to central Government Departments, also needs to be considered<sup>170</sup>***

Central Government is responsible for: (i) achieving value for money, having regard to propriety and regularity, normally through competition; (ii) ensuring that procurers comply appropriately with their legal obligations under the EC procurement rules and other international agreements; (iii) ensuring that the roles and responsibilities of staff are clearly defined and that there is adequate separation of duties; (iv) ensuring that staff are aware of the Procurement Policy Guidelines and the guidance on procurement which is issued by the OGC; and (v) ensuring that the guidelines are brought to the attention of public bodies for which they are responsible.

Current guidance on procurement issues for central Government was prepared prior to enactment of the Race Relations (Amendment) Act 2000, and does not, therefore, refer to any obligations of central Government departments after this Act came into force. Further guidance is required to clarify the relevance of this legislation for procurement by central Government departments.

***Encouraging good employment practices through the public procurement process can be very effective***

Boxes 6.8 and 6.9 give examples of where the introduction of conditions relating to good employment practices by public bodies have resulted in significant changes in behaviour in the private sector. However, the ways in which social and employment issues can be incorporated in public procurement will depend on the specific circumstances and on the legal and policy framework in which the contract is awarded.

<sup>170</sup> 'Government Accounting', London: TSO, 2000, especially Chapter 22.

### Box 6.8: Local Authority (GLC/ILEA) case study<sup>171</sup>

From 1983 until 1989, the former Greater London Council (GLC) and the Inner London Education Authority (ILEA) jointly adopted a contract compliance policy.<sup>172</sup> Under the policy, compliance with the terms of the Sex Discrimination Act (1975), the Race Relations Act (1976) and later, the Disabled Persons (Employment) Act (1944-58) were pre-requisites for tendering for contracts above a certain amount. The Contract Compliance Equal Opportunities Unit (CCEOU) was set up to administer the GLC/ILEA policy.

To get on an approved list of bidders, companies were required to show that they were in compliance with equality legislation by meeting a number of conditions, such as:

- monitoring the composition of their workforce (by sex, ethnicity and disability);
- paying the same rate for jobs of similar or equal value;
- having a written and well-communicated equal opportunities policy; and
- having non-discriminatory job applications and objective selection, promotion, training, and redundancy and dismissal procedures.

Advisers from the CCEOU developed an agreed tailor-made Programme of Action with companies that did not comply, designed to change discriminatory practices within a specified period of time and to bring the company into compliance. Being on the approved list of bidders was conditional upon the company agreeing to carry out the Programme of Action. Continued assistance was offered to these companies to implement the Programme and their progress was regularly assessed. If a company proved unwilling to comply with the agreement, they were made ineligible to tender for GLC/ILEA contracts.

#### Impact of the programme

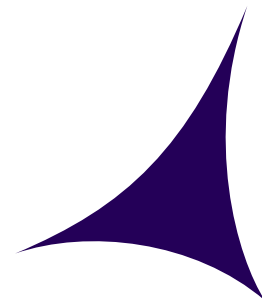
The impact of the GLC/ILEA programme was measured by changes in the equal opportunity practices and procedures after intervention by CCEOU advisers. Out of 152 companies reviewed, very few were compliant with equality legislation prior to intervention by CCEOU advisers. The GLC/ILEA contract compliance programme encouraged significant numbers to change their practices and procedures. For instance, the number using non-discriminatory job application forms increased from 1.3 per cent to 44.7 per cent.

Data from the United States also provides evidence of the potential effectiveness of achieving increased equality of opportunity through public procurement. Overall results suggest that in the United States,

linking race equality to public procurement has been effective tool, when enforced properly, in increasing the participation and achievement of ethnic minorities in the labour market.

<sup>171</sup> Due to policy changes since the 1980s, certain aspects of the GLC/ILEA programme are no longer permitted, such as the in-person follow-up with companies to discuss their responses to forms such as the Application Form for Retention on the Approved List, to gather more information or to address any concerns.

<sup>172</sup> The following description of the GLC/ILEA programme is drawn from ILEA Contract Compliance Equal Opportunities Unit, *Contract Compliance: A Brief History*, 1990, unless otherwise noted.



### *Box 6.9: The United States Contract Compliance Programme – a case study*

In 1941, an Executive Order was passed prohibiting discrimination on the basis of race, colour, creed or national origin by all defence contractors in the USA. In 1943, all federal contracts were included under this provision. A series of Executive Orders over more than 20 years raised the obligations of contractors bidding for contracts over a certain size to include different forms of affirmative action and strengthened the sanctions for non-compliance to include cancellation of the contract and disqualification from future contracts. In 1965, the Office of Federal Contract Compliance Programs (OFCCP) was set up to oversee compliance with contract compliance mandates. Executive Order 11246 applies to Federal contractors and subcontractors with contracts of more than \$10,000 a year, with some exceptions. Requirements on construction and non-construction firms differ.

A review of the USA system found that incorporating race equality into public procurement has had a positive impact on employment. Comparing with non-contracting firms during the tested years (1974-1980), showed that:

- overall, there was a 20 per cent increase in the employment of ethnic minorities in contracting firms as compared to a 12 per cent increase in non-contracting firms. This was found to be the result of changed behaviour on the part of contractors;
- among officials and managers, the increase in employment of ethnic minorities by contractors was 57 per cent compared with 31 per cent by non-contractors. Among professionals, the increase was 57 per cent and 12 per cent respectively; and
- there was no significant evidence of reverse discrimination.

These observations were made during the 1970s when enforcement was quite strong. During the 1980s, enforcement and therefore the effectiveness of the programme declined. The result was a reversal of Black advances and, between 1980 and 1984 both female and male Black employment grew more slowly amongst contractors than non-contractors.<sup>173</sup>

Box 6.10 provides a current example from Britain of how some local authorities are taking race equality into consideration in their procurement process.

<sup>173</sup> J. Leonard, 'The Impact of Affirmative Action Regulation and Equal Employment Law on Black Employment', *Journal of Economic Perspectives*, Vol 4, No.4, Fall 1990, pp 47-63.



### *Box 6.10: Local Authority (The West Midlands Forum) case study*

The West Midlands Forum (a group of six local authorities) launched a programme in 1998 aimed at establishing a common standard for assessing construction service providers' compliance with the 1976 Race Relations Act and the observance of the CRE Code of Practice in Employment. Under the system, responses to the six approved questions serve as a pre-qualification standard and are to be answered in reference to a series of detailed requirements, varying by size of the employer, developed in part from the CRE Code of Practice in Employment. Service providers that do not meet the standard are given advice and guidance on what they can do to meet it and are invited for reconsideration for the list of approved tenderers. Service providers that are put on the approved list of tenderers are reviewed every three years to assess their continued compliance with the standard. The common standard is being revised to take account of the Race Relations (Amendment) Act 2000.

#### ***Incorporating legitimate race equality issues in public procurement has a number of advantages...***

##### **Race equality is a Government priority**

Government has articulated its commitment to achieving race equality on several occasions.

##### **Race equality has business benefits**

Tenderers with effective race equality strategies will, on average, enjoy better performance and productivity than their competitors. This is because they will tend to have access to a wider recruitment pool, have lower staff turnover, and higher staff morale and skills.<sup>174</sup> They should therefore be able to perform their contractual duties better, including delivering services to a diverse customer base.<sup>175</sup>

##### **Fair play**

A contractor adhering to public policy goals expressed in legislation should not be disadvantaged when tendering for contracts because a competitor has managed to cut costs by not doing so.<sup>176</sup>

##### **Public accountability**

Public bodies award contracts, in part, on behalf of the ethnic minority communities they serve. As such, it is reasonable that the communities should expect that public contracts should go to employers who provide equality of opportunity within the limits of the law.<sup>177</sup>

#### ***...but, using public procurement to pursue aims of improving equal opportunities in employment can also have costs***

##### **Regulatory burdens and costs**

Adding extra conditions to the procurement process, even if these only oblige bidders to show that they are complying with existing laws, would place regulatory burdens and costs on contracting companies and public authorities.

##### **Risk of discouraging potential bidders**

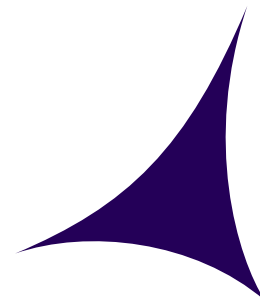
Potential tenderers might be discouraged from competing by the conditions required and fewer might be eligible to tender, reducing competition and potentially increasing tendering prices.

<sup>174</sup> H. Metcalf and J. Forth, *Business Benefits of Race Equality at Work*, (DfEE) March 2000.

<sup>175</sup> S. Denman, *Race Discrimination in the Crown Prosecution Service*, Final Report, July 2000.

<sup>176</sup> Ibid.

<sup>177</sup> Ibid.



### **May confuse judgements of value for money**

Pursuing unrelated social objectives can confuse and distort the process of awarding a contract to the bidder offering best value for money for the taxpayer.

### **The law is complicated**

UK and EU law is complicated. It is not always clear what is permissible. As such, public authorities might adopt an approach that is unwittingly outside the law.

### ***There is a clear case for guidance to set out the benefits and to mitigate the risks associated with taking account of social objectives in public procurement***

The overall potential for using public procurement to reflect relevant race equality issues is substantial. The following examples show how race equality issues can be reflected within the policy and legal framework for public procurement:

- a requirement that companies bidding to run a community service, where there are ethnic minority interests, have appropriate equality standards and expertise to carry out the work in the required way;
- a requirement that a company's staff, operating on a department's premises, follow the same equality codes that the department's staff follow, in order to ensure effectiveness in the workplace;
- a requirement that would exclude firms with poor performance on previous contracts resulting from race equality issues;

- a requirement that would exclude firms who have been convicted of an offence or are guilty of grave misconduct in relation to a race equality issue;
- a requirement that suppliers follow the Race Relations Act, although they should comply with the law anyway, regardless of whether it is mentioned in contracts;
- a requirement on a contractor, running a service contracted-out to the public, to meet the statutory function aspects which the authority would otherwise have to meet, such as monitoring the ethnicity of the prisoner population in running a prison service;
- a requirement on the contracting authority not to discriminate on race equality grounds in its choice of suppliers. This would be consistent with its obligations to secure value for money and to follow the non-discriminatory EC procurement rules; and
- using wider social criteria at award stage, that is those beyond the subject of the contract and beyond a benefit to the contracting authority, where there are two equivalent bids on the basis of the permitted value for money criteria.

It would, however, be illegitimate, for instance, to rule out suppliers who have not broken the law and who are not working in the authority's own premises, but who do not, or will not, meet the authority's own (higher) codes or policies in respect to the supplier's relations with its own workforce.

Clearly, judging whether or not particular requirements are permissible within the existing legal framework can be complex and problematic. The CRE has recently initiated a project to produce a guide for listed public authorities and contractors on addressing race equality through procurement.

The Office of the Deputy Prime Minister (ODPM) is working with the Local Government Association (LGA) through the Local Government Procurement Forum to prepare guidance for local authorities on the EC Procurement Directives and how social considerations may be included in procurement exercises.

The work of the Government's Sustainable Procurement Group on the pursuit of environmental goals through procurement will be followed, in summer 2003, by an examination of social action issues, including upholding race equality standards.

It is crucial that these initiatives are carefully and efficiently co-ordinated, and consistent in their emphasis upon gaining the full potential for racial equality through public procurement. They should also recognise the distinction between the procurement framework for central Government and that for local authorities, and ensure that lines of accountability within Whitehall reflect these legal and policy implications.

#### **Conclusion 26:**

*In order for public authorities to feel confident in using public procurement to promote race equality, comprehensive and clear guidance on race equality issues in public procurement is now required. The Home Office, in consultation with OGC and ODPM, should consider how this can best be achieved, in the light of the existing work being undertaken by the Sustainable Procurement Group and the CRE. The guidance should:*

- *explain what is and is not permissible at each stage of the procurement process, including sanctions or incentives that might be available in relation to relevant race equality contract provisions;*

- *exercise use of the full extent of UK and EU law;*
- *explicitly encourage public authorities to use this scope; and*
- *include several model approaches that authorities can adopt.*

*The guidance will be disseminated to relevant public authorities and potential tenderers through organisations such as the LGA, CBI and CRE. The guidance will be produced and disseminated by Q2/2004.*

## **Combating discrimination and connecting people with the workplace**

### ***Raising awareness through public campaigns***

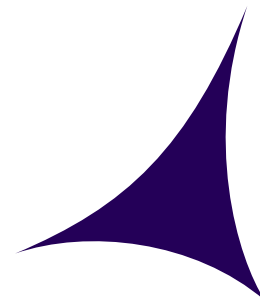
Advertising campaigns, whether run by Government or by independent organisations, have sometimes proven very effective in influencing people's attitudes on a number of issues, from drink-driving to the environment. However, research shows that designing effective campaigns that positively influence attitudes is difficult. Campaigns can "backfire", or lead to adverse effects, if not conducted properly.<sup>178</sup>

Whilst some of the campaigns run by or involving the CRE (Box 6.11), for instance, have been successful, others may have caused adverse effects. Researchers evaluated a CRE campaign to determine the effects it had upon subtle and blatant prejudice, and found participants exposed to this campaign reported more prejudice than a control group that had not been exposed to any campaign.<sup>179</sup>

<sup>178</sup> Corr William Research and Development, Qualitative Research for Evaluating the Potential for a Race Equality Campaign, 2000

<sup>179</sup> A. Vrij and B. Smith, 'Reducing Ethnic Prejudice by Public Campaigns: An Evaluation of a Present and a New Campaign', *Journal of Community and Applied Social Psychology*, 1999.





### *Box 6.11: Influencing attitudes towards ethnic differences*

A number of campaigns have been undertaken by the CRE, such as the “Would I?” campaign which featured, amongst others, Ken Livingstone asking whether he would still be mayor of London if he was Asian and Spice Girl Mel B asking if she would be more “scary” if she was White. Further campaigns include the “Kick Racism Out of Football” campaign designed to eliminate racism from football. In addition, the CRE recently launched two radio adverts aimed at uniting communities in the northern cities where riots occurred in the summer of 2001.

In the autumn of 2002, the Scottish Executive launched a high-profile anti-racism media campaign. This was preceded by detailed surveying and attitudinal analysis. The campaign celebrated the aspiration of cultural diversity - “One Scotland. Many Cultures” – at the same time as challenging attitudes and behaviours that are racist. The CRE was involved in the development of the campaign and results of surveys following the first phase of the campaign show high public recognition of the images and messages used. The campaign was universally welcomed by the Scottish media and prompted a national debate on Scotland’s multicultural identity.<sup>180</sup>

Given the potential negative effects, it is important to conduct thorough research before implementing a campaign. This is to determine if and how it should be carried out, to test it and to evaluate results afterwards to develop best practice for future campaigns. Different groups, for example younger as against older and small-scale employers as against those heading large corporates, will often tend to react to different stimuli. The context of the recipient matters a great deal in designing and implementing awareness campaigns and it is often striking how effective campaigns are centred on unpacking what may appear as a complex principle in practical and certain terms. It is also notable just how little is known, or shared, within and beyond Government, about successfully raising awareness of racial discrimination and stereotyping. Raising awareness in the business community is one of the biggest challenges for an awareness campaign. Business voices should be used to help identify the factors that mean certain campaigns succeed whilst others flounder.

#### **Conclusion 27:**

*The Home Office, in consultation with the CRE, should commission research to determine whether awareness campaigns are an effective instrument for changing negative attitudes about individuals from different ethnic backgrounds [by Q4/2003]. This research should include an examination on how to design, implement and assess such campaigns. The results of the research should be published and disseminated to a wide range of key stakeholders, including local authorities and private sector firms. In accordance with the findings of the research, the CRE as a principal user-group should design, implement and assess an awareness campaign [by Q2/2004].*

#### **Using the education system to deliver messages on equality and diversity**

A key part of changing attitudes in the workplace and society is to ensure that people are educated about diversity and equality from a young age.

<sup>180</sup> See: [www.onescotland.com](http://www.onescotland.com)

Since September 2002, the National Curriculum in England for secondary schools has included a citizenship component.<sup>181</sup> The curriculum is aimed at helping children to understand their roles and responsibilities as citizens and to deal with the difficult moral and social questions that arise in their lives and in society.<sup>182</sup>

This new part of the curriculum presents an opportunity for teachers to prepare their pupils to challenge racism and harassment, and to live and work in an ethnically-diverse society. If this potential is to be realised, a number of conditions will have to be met:

- high-quality training and resources will need to be available to prepare teachers for initiating conversations on race issues;
- teachers' efforts in the classroom will have to be supported by school communities and, in particular, by head teachers;
- each school's efforts must be supported by local education authorities and DfES; and
- ethnic diversity themes will need to be incorporated across the curriculum, so that essential connections are made across disciplines and to ensure that students receive the message that these issues are important.

***Steps are needed to ensure that ethnic minorities receive better information about Government policies aimed at improving labour market achievements***

A persistent difficulty is that Government departments have not always considered their policies in terms of their reach and impact on ethnic minorities. There is a tendency, at best, to see questions of ethnic

diversity and related questions of need as afterthoughts in the policy process. At worst, there is a risk that policy-makers fail to consider the possibility that implementation and delivery can be affected by factors such as cultural norms, religious observance, covert patterns of bias and even racist sentiment.

Even if the right policies and structures are in place, ethnic minorities sometimes do not receive the services or advice to which they are entitled, either because they do not receive any information at all or because this information is disseminated in a way that is linguistically or culturally inaccessible.

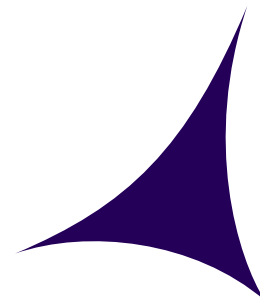
Examples illustrate the point:

- fewer Jobseeker's Allowance claimants from ethnic minority backgrounds were aware of their right to participate in other activities while claiming unemployment-related benefits; and
- the Second Report of the Low Pay Commission (LPC) expressed concern that workers from ethnic minorities were frequently unaware of the minimum wage and how it applied to them. Language barriers were cited as crucial.

This section sets out two elements of the response to this problem: ensuring that messages are constructed in a way which is accessible to ethnic minority groups; and making sure that they are distributed effectively to their target audience.

<sup>181</sup> Department for Education and Employment and Qualifications and Curriculum Authority, *Citizenship: The National Curriculum for England*, 1999.

<sup>182</sup> Ibid.



***Creative thinking is required on how to convey messages to different ethnic minority groups***

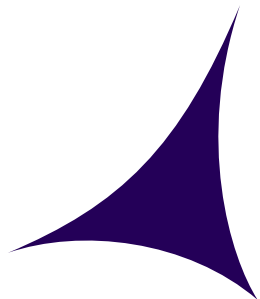
Careful thought is needed in determining how best to present messages about public policy to ethnic minority groups. In the past, it has been assumed that translation is all that is required. However, research suggests there are several barriers which face non-English speakers when accessing public information, and that it would be wrong to think that the main problems are solved simply by translation. It is more important to get across the message in a way which ethnic minorities understand and through media which they access. There are some good examples of advertising campaigns which tailored their messages to the target audience. One, part of the Government's overall strategy to cut cigarette consumption, is set out in Box 6.12.

A good deal of useful work has been done on this subject, both within and outside Government. For example, COI Communications has for some years provided a Cultural Diversity Consultancy service, which advises publicity teams in Government departments on the best ways to reach ethnic minority audiences. Most Whitehall departments target some of their publicity at these groups and significant research on these issues has been commissioned. The best known examples of this research are:

- the Asian Language and Communication report published in 1994;
- a Home Office/COI-commissioned report summarising existing knowledge on communicating with non-English speakers, published in July 2001 and publicised to communications professionals in departments; and

- detailed research among black and ethnic minority communities, part of COI's "Common Good" research programme to be presented to departments in April 2003.

However, knowledge of how to communicate with ethnic minority communities remains patchy. It is strongly recommended that communication issues are further researched and learning disseminated, to facilitate better communications throughout Whitehall. In doing this, communications agencies should work in close co-operation with members of the Government Information and Communication Services (GICS). The GICS Development Centre should also continue to promote awareness of the communication needs of ethnic minorities through its induction for new recruits and updating its summary guidance for members in the GICS Handbook.



### *Box 6.12: Asian tobacco information campaign*

The Department of Health in conjunction with the Central Office of Information appointed a specialist agency (Media Reach Associates) to help them develop a targeted multi-media campaign to reduce tobacco use and raise awareness of the dangers it poses to the health of the South Asian community.

The campaign was multi-lingual and gave references to helplines where callers could receive specialist advice in Bengali, Gujarati, Hindi, Punjabi and Urdu. More importantly, it tailored its message to maximise its impact within the community, by reflecting the importance of the family in Asian communities by referring to the damaging impact of smoking on children, and was supported by outreach efforts.

There were 6,002 calls to the helplines between August and the end of December 2001. Quantitative research was commissioned to track the impact of the campaign on its target groups and this will inform future work in this area.

### *Box 6.13: Communicating with ethnic minority parents*

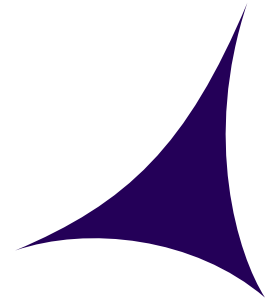
In 2000, The Department for Education and Employment (DfEE) produced two Parents' Guides to the National Curriculum, one for primary schools (Years 1-6) and one for secondary schools (Years 7-11). The objectives of the guides were to:

- inform parents about the content of the National Curriculum;
- help parents understand what their children do at school;
- advise parents on how they can support their children's education; and
- allow parents and teachers to have a more productive relationship.

These guides took the form of a short, illustrated paperback book. DfEE was keen that the information should be accessible to parents from ethnic minority communities who do not read or speak English well. Research was commissioned to explore the best ways of communicating this information to non-English speaking parents, including a consideration of translating written text or conveying the information in other ways, such as audio tapes or other media.

Research indicated that the guides were considered too long, too detailed and too complex. Most teachers and Community Workers felt that it would be daunting for parents, whether translated or not, and would not be widely read. As a result, they did not recommend translating the complete English text of the guides. The guides are relatively long and complex documents, and the limited literacy in Mother Tongue and preference for oral communications would seriously limit the usefulness of full translations.

Following this research, DfEE produced much shorter, translated versions of the guides in magazine format with appropriate illustrations and photographs



Professional communicators in departments, including GICS members, should aim to put together a guide to best practice in the following areas:

- understanding the demographic profiles of the constituent parts of the target audience;
- creating messages that will appeal to each constituent part;
- undertaking pre-evaluation to understand the likely efficacy of the plan;
- undertaking post-evaluation to assess reach and impact; and
- using appropriate media and other ways of engaging with constituent parts of the target audience (discussed in the section below).

### ***Ensuring that the message is received***

Communicating with ethnic minorities, particularly those living in deprived areas, often requires an active outreach effort. Several conclusions in this report reflect this, such as those on Jobcentre Plus offices forging links with social housing providers.

One of the most effective ways of reaching out is often through community and religious organisations. At present, most communications are distributed through organisations such as Citizens Advice Bureaux and Post Offices, which are unlikely to reach certain groups. Greater knowledge of the most effective means of reaching these groups would help communication specialists plan and monitor the reach and effectiveness of their media strategy.

Distributing messages to ethnic minorities also requires an understanding of the media consumption of these groups, particularly where it differs from Whites. However, there

is currently little information on either the broad media consumption patterns of ethnic minority groups or of the effectiveness of the specialist ethnic media in reaching them. On broad media consumption, the last comprehensive survey was conducted by the Central Office of Information in 1994. With this survey now out of date, there is a dearth of information on how to reach ethnic minority groups, making it difficult to construct effective communication. The Common Good research will address this problem by gathering quantitative data on media consumption.

## 7 DELIVERING CHANGE

### *Summary*

- Realising the goals set out in this report requires reforms to delivery structures and a much stronger focus on ethnic minorities by departments responsible for economic policy in its widest sense.
- Greater levels of political accountability should be established - through the Secretary of State for Work and Pensions reporting to the Cabinet Committee on Economic Affairs, Productivity and Competitiveness – to ensure that labour market underachievement by ethnic minority groups continues to be addressed effectively.
- A Task Force, chaired by the Minister for Work, should be set up to help departments work in more co-ordinated ways to deliver improved labour market achievements for ethnic minorities. There should be annually-published progress reports on the Strategy Unit's conclusions and, after three years, there should be a full review of the effectiveness of the Task Force in implementing these conclusions.
- The joint working arrangements between DWP and DTI to achieve the ethnic minority employment PSA target would benefit from the support of the new PSA Plus initiative, aimed at streamlining Government delivery.

### **Effective mechanisms for delivering this report's conclusions are essential**

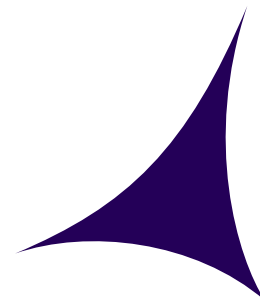
The objective of this chapter is to ensure that the policies set out in previous chapters are delivered effectively by central and local Government. Reforms to the machinery of Government will improve implementation, delivery and co-ordination and enable Government to refine and target policies on those most disadvantaged in the labour market.

The second section of the chapter contains the Implementation Plan – a full list of the report's conclusions, detailing lead responsibilities within Government and proposed time-scales.

### **Making Government work better**

Appropriate central and local Government structures are crucial to ensure both that the conclusions in this report are carried through and that, in the development of future Government policies, issues of ethnic diversity are considered at an early stage of design and kept in mind during implementation. Driving through this report's conclusions will require Government to work in more focused ways through the development of:

- new forms of political accountability, recognising the strong economic narrative underpinning this report; and



- a Task Force supported, in the short term, by the Government's PSA Plus initiative.

These objectives are underpinned by two key principles:

- in view of the economic costs surrounding the labour market underachievement of ethnic minority groups, it is crucial that Government machinery in this area retains a tight economics focus; and
- given the multiple dimensions of labour market underachievement and its causes, policy responses, and the range of stakeholders co-ordinating these responses, must be equally varied.

### ***Political accountability for implementing the measures in this report***

In the past, there has been a lack of accountability across Government for the labour market achievements of ethnic minorities. Clearer political accountability, supported by appropriate structures, is necessary. Three key elements to accountability are needed in future:

- **Accountability should lie with a relevant Cabinet Committee**  
Cabinet Committees provide a framework for collective consideration of, and decisions on, major policy issues and issues of significant public interest. They ensure that issues of interest to more than one department are properly discussed and that the views of all relevant Ministers are considered.
- **Political leadership should lie with the Secretary of State for Work and Pensions**  
The Department for Work and Pensions is a lead economics department with joint ownership of the Government's PSA target

to increase ethnic minority employment rates. The Secretary of State for Work and Pensions sits on the Ministerial Committee on Economic Affairs, Productivity and Competitiveness.

- **Policy responsibilities should lie with a Task Force, chaired by the Minister for Work**

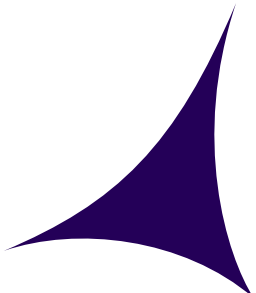
The Minister for Work should be appointed as a Ministerial Champion to oversee and chair the work of a proposed Task Force. The Ministerial Champion should report to the Secretary of State for Work and Pensions on progress made by the Task Force.

As the aim of this report is to improve the labour market achievements of specific groups, there is a strong case for a Cabinet Committee with an economics and/or employment focus to hold to account those responsible for implementing the conclusions. This would have the obvious advantage of giving the responsible Minister and bureaucracy a tight focus and agenda to work to. In addition, it would provide a high profile for this responsibility within Government. An appropriate Cabinet Committee would be the Ministerial Committee on Economic Affairs, Productivity and Competitiveness (EAPC), chaired by the Chancellor of the Exchequer. The objective of this committee is "to consider issues relating to the Government's broader economic policies, in particular measures to improve productivity and competitiveness of the UK economy."

The implementation of the measures in this report should support the Government's wider race equality and community cohesion agenda; for example, Home Office's lead on the Government's PSA target to improve race equality and community cohesion.<sup>183</sup>

<sup>183</sup> HM Treasury, 2002 Spending Review. See: [www.hmtreasury.gov.uk/Spending\\_Review/spend\\_sr02/psa/spend\\_sr02\\_psahome.cfm](http://www.hmtreasury.gov.uk/Spending_Review/spend_sr02/psa/spend_sr02_psahome.cfm)





## Establishing a Task Force to drive forward delivery of the measures in this report

One of the core messages of this report is that policy responses to the problem must be cross-cutting: no single department has the capacity to deliver improvements in isolation. Nor does the capacity to effect change lie solely within Government. The conclusions of this report suggest that placing the responsibility for the delivery of conclusions within one department would not be appropriate.

For the conclusions to be delivered effectively, it is imperative that stakeholder departments, alongside critical partners outside Government, work together. To ensure that this happens, overall responsibility for these issues should be assigned to a Task Force comprising relevant ministers and policy leads from key departments alongside representatives of key external organisations with related expertise. The contribution of stakeholders from beyond Government would ensure that the Task Force is outward looking and sensitive to the interests of diverse constituencies.

Representatives from the following bodies would constitute the Task Force's core membership:

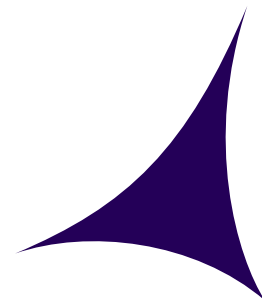
- *Government* - DWP (PSA lead), DTI (PSA lead), DfES, HM Treasury, Home Office (including Race Equality and Community Cohesion Units), ODPM (including Social Exclusion and Neighbourhood Renewal Units);
- *Non-Departmental Public Bodies* – CRE; and
- *Non-Government* – CBI, TUC, private/public sector employers, voluntary sector representatives.

Among the main responsibilities of the Task Force would be to:

- ensure that this report's conclusions are implemented;
- develop and meet key milestones in the delivery of conclusions;
- ensure that relevant departments are meeting their targets;
- assume a strategic co-ordination role to encourage greater inter-departmental working and consistency of approach;
- ensure appropriate research is conducted and statistics gathered to monitor and evaluate success;
- support the efforts of departments to mainstream race issues in policy development;
- support the work of a Ministerial Champion; and
- pro-actively engage local organisations and Local Strategic Partnerships.

It would be important to give this Task Force a sufficiently high profile in driving through change, particularly amongst those departments contributing to the cross-departmental strategy outlined in this report. Consideration should be given to establishing a clear period of time within which this Task Force could be expected to build its co-ordinating role.

The Task Force will need some secretariat resource to support and organise its work, to build lower-level links between member bodies and to handle some central tasks, such as reporting to stakeholders on progress in implementing the report and handling briefing/speeches/media issues. This resource should be located in DWP, but staffed by people from other Whitehall departments and the private sector as well as from within



DWP. It will be important to ensure that it remains a supporting secretariat, of up to six people, and does not turn into a central team responsible for implementing the report. That responsibility must lie with the Task Force.

A further responsibility of the Task Force would be to co-ordinate departmental resources to establish a single knowledge pool for best practice in a range of areas concerned with combating ethnic minorities' labour market disadvantage. This would allow the Task Force to develop central expertise and insight into further aspects of the economic and social exclusion faced by ethnic minorities. This should extend to a knowledge pool that includes related fields such as economic assets and wealth-creation, social and geographic mobility, and the implications of an ageing ethnic minority population. The collection and assimilation of high quality, textured data is a precondition of effective policy-making: the establishment of a coherent inter-departmental knowledge pool of this nature is therefore crucial to the success of the Task Force. The [www.emlm.gov.uk](http://www.emlm.gov.uk) web-site should act as host for this single knowledge pool.

## **Publishing annual progress reports**

Transparency is a powerful incentive for action. The Task Force should prepare and publish an annual progress report. This would summarise its work, highlight the main tasks allocated to key partner departments in Government, review the oversight work of the Cabinet Committee responsible and include a preface from the Ministerial Champion on lessons from the past year and priorities for the coming year. Again, this report should be available for

wider public consumption. The [www.emlm.gov.uk](http://www.emlm.gov.uk) web-site should be used to publish progress reports on the implementation of specific conclusions.

## **Improving delivery structures to meet the existing PSA target**

A Public Service Agreement exists to increase the employment rate of ethnic minorities. Yet, Strategy Unit analysis has shown that the capacity of any one department to tackle the cross-cutting factors which drive ethnic minority underachievement is restricted. Government has recognised this, and the strong economics focus of the issue, by asking DTI to share the PSA target with DWP, as set out in the 2002 Spending Review. This arrangement now recognises that certain key issues impacting upon labour market performance, such as poor educational attainment and employer discrimination, lie outside the remit of a single department.

To maximise the effectiveness of the proposed Task Force, its role should be explicitly tied to the existing PSA target (Box 7.2). The achievement of this target should be one of the Task Force's key success measures. This should be coupled with the recognition that although DWP and DTI are accountable for this PSA, inter-departmental co-operation is a crucial pre-condition of meeting it.



### *Box 7.1: DWP/DTI PSA target*

The 2002 Spending Review announced a shared Public Service Agreement (PSA) between the Department for Work and Pensions and the Department of Trade and Industry, to “significantly reduce the difference between [ethnic minority] employment rates and the overall rate” by Spring 2006. The departments’ strategies for meeting this target are currently being prepared, and are likely to be informed by the conclusions of this report.

The Task Force’s work in delivering this PSA target should benefit from the newly-announced PSA Plus initiative. PSA Plus is a scheme aimed at improving delivery by Government. Designed to give tailored support to departments in meeting specific targets, it enables departments to benefit from the expertise of high quality teams of advisers from both the public and private sectors. The PSA Plus programme draws lessons from the work of the Office of Public Services Reform (OPSR), the Prime Minister’s Delivery Unit (PMDU) and the ongoing Civil Service reform agenda.

The role of the PSA Plus team would be to work with the core membership of the Task Force to establish key departmental responsibilities in meeting the DWP/DTI PSA target. This process would be informed by the final conclusions of the Strategy Unit report. The team should also be tasked with reviewing the case for a PSA target jointly owned by DTI, DWP and DfES for consideration in the 2004 Spending Review and with drawing up a working plan aimed specifically at:

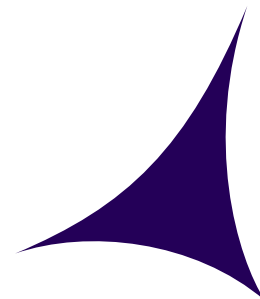
- establishing effective ways of future departmental co-ordination; and
- setting out identifiable, transparent departmental delivery targets/progress measures and how they contribute to delivery of the existing DWP/DTI PSA target.

### *Delivering change at a local level*

Although central Government sets the direction of policy, it is often local Government and local organisations that deliver it. It is therefore crucial that new structures at the centre work with organisations responsible for delivery “on the ground”.

One of the key mechanisms for ensuring local Government delivers is the voluntary local Public Service Agreement (LPSA), which has been established between individual local authorities and the Government. The aim of LPSAs is to improve key outcomes for local residents more quickly and/or to a higher level than would otherwise be the case. Local PSAs offer local authorities the opportunity to commit themselves to delivering key national and local priorities, in return for agreed operational flexibilities and grants of up to £1 million each. Local authorities will also receive Performance Reward Grants of 2.5 per cent of their budget in 2000/01 if they meet their targets. Local PSAs are being piloted in 20 areas in 2001/02 and will be rolled-out to other county councils, metropolitan districts, London boroughs and unitary authorities from 2002/03.

Different local authorities use local PSAs in different ways. For instance, Liverpool City Council has agreed a local PSA to improve the educational attainment by Somali and Yemeni pupils. Leeds has a target of



increasing the membership and use of library services by people from Black and ethnic minority groups. As the use of PSAs expands, there is potential for them to be used to

achieve objectives on ethnic minority participation and achievement in education and the labour market.

### **Box 7.2 Local Public Service Agreements**

Leeds City Council is one of a number of local authorities that have local PSA targets which impact on ethnic minorities. LPSAs aim to:

- reduce the gap in educational performance at GCSE level between ethnic minority and White pupils by a quarter by 2004; and
- increase reporting of racial harassment (by 15 per cent) and the proportion of cases in which action is taken in response to reports.

If the Council meets its target it will receive a performance reward of £1.25 million. The Council plans a range of measures to help deliver these targets.

Local PSAs are a useful mechanism for delivering change “on the ground”. As a result, departments should seek ways to use LPSAs in new and creative ways. The role of LPSAs should be reviewed by PSA Plus and Task Force members in order to inform effective delivery strategies at a local level.

Another local mechanism which will be important in implementing the conclusions in this report is the Local Strategic Partnership (LSP), set up as part of the National Strategy for Neighbourhood Renewal. LSPs are tasked to ensure that the public, private and voluntary and community sectors come together in a single overarching local co-ordination framework.

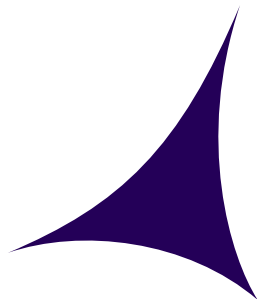
Although LSPs are still being established, it is clear that they have the potential to be a major vehicle that will impact on ethnic minorities in deprived neighbourhoods. It will be particularly important that LSPs, and the public agencies which support them, publish steps taken to encourage ethnic minority

involvement in decision-making processes. Through Local Neighbourhood Renewal Strategies (LNRS)/Community Strategies, LSPs should publish evidence to show that regeneration strategies have benefited ethnic minority communities. It will be crucial that the Task Force works with LSPs in order to improve labour market achievements for ethnic minorities and help build cohesive communities.

#### **Conclusion 28:**

*New structures and measures should be established to ensure that the conclusions of this report are implemented effectively. This should be achieved by the following four key measures:*

- Responsibility for delivery on the conclusions of this report should be given to a Ministerial Champion, the Minister for Work in the Department for Work and Pensions. The Ministerial Champion should report on progress to the Secretary of State for Work and Pensions, who should report*



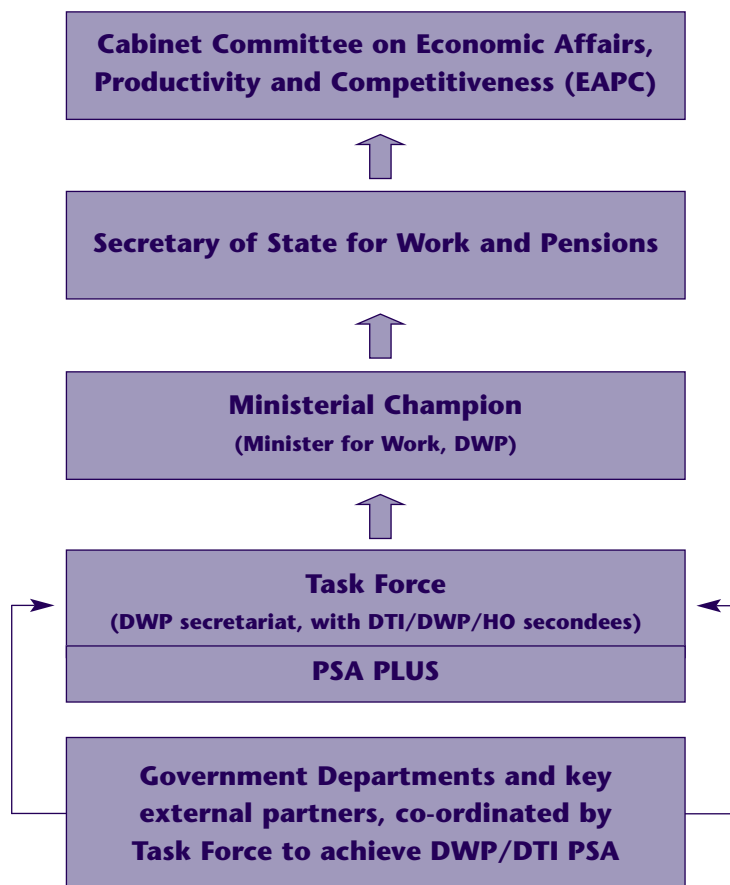
to the Cabinet Committee on Economic Affairs, Productivity and Competitiveness at regular intervals [by Q2/2003].

- ii. A Task Force should be established to take responsibility for issues relating to the labour market achievements of ethnic minorities. This should draw together relevant departments and agencies and key external stakeholders. The Task Force should be set up immediately and its effectiveness reviewed after three years. The Task Force should be chaired by the Minister for Work. The Task Force should comply with guidance on consultation and Regulatory Impact Assessment best practice [by Q2/2003].

- iii. The roles of key departments in meeting the DWP PSA target should be established by a PSA Plus team including representatives of the proposed Task Force. The team should review the case for a joint DTI/DWP/DfES PSA target for consideration in the 2004 Spending Review [by Q2/2004].

- iv. Progress reports on the conclusions of the Strategy Unit report should be made public every 12 months and, after three years, a full review should be undertaken on the effectiveness of the Task Force in implementing these conclusions [by Q3/2005].

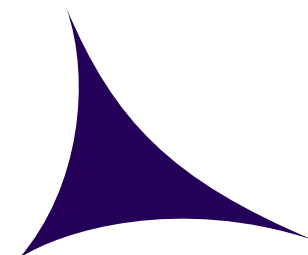
**Figure 7.1: A Structure to Deliver the Vision**

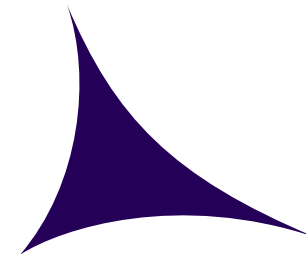


## Implementation: conclusions, responsibility and timing

The report's conclusions will be implemented by the Government according to the following time-table.

Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 1: BUILDING EMPLOYABILITY</b>		
<b>1</b>	59	DfES has already implemented, and will continue to implement, a series of policies which are directly and indirectly targeted at closing the attainment gap between low-achieving ethnic minority groups and the White average. These policies include Excellence in Cities, Extended, Specialist and Beacon Schools, Sure Start, the whole of the Standards agenda, and DfES' ethnic minority achievement strategy. If despite these programmes, new data sources reveal persisting and disproportionate attainment gaps between ethnic groups, DfES should factor ethnicity into education floor targets.	DfES	Q3/2005
<b>2</b>	60	Where differential achievement between ethnic minority groups is of serious concern, Ofsted should identify this as a weakness of the school in its summary report to parents.	DfES and Ofsted	Q3/2004
<b>3</b>	62	DfES funding arrangements should be reviewed to ensure that: (i) funding through the Ethnic Minorities Achievement Grant is linked to pupil need not simply ethnicity; and (ii) funding systems are flexible enough to help LEAs and individual school through periods of high pupil turnover.	DfES	(i) Q2/2004 (ii) Q3/2005
<b>4</b>	67	DfES should carry out a review of schools' use of information on best practice methods of raising ethnic minority educational attainment, focusing particularly on the lowest achieving LEAs with a view to improving access to guidance and advice.	DfES	Q2/2004

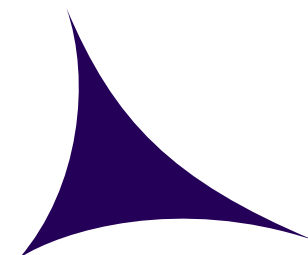


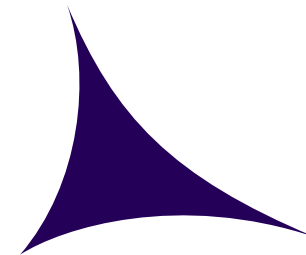


Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 1: BUILDING EMPLOYABILITY (continued)</b>		
<b>5</b>	68	<p>DfES should ensure that all LEAs with significant low attainment problems for particular ethnic minority groups have parental engagement processes that take ethnic specific factors into account. Actions should include:</p> <ul style="list-style-type: none"> <li>(i) helping teachers and schools to identify ethnically related drivers of disengagement;</li> <li>(ii) using methods of engagement which are tailored to specific employment, religious and cultural needs; and</li> <li>(iii) encouraging schools to monitor and analyse parental engagement by ethnicity, to see if some ethnic minority communities are consistently disengaged.</li> </ul>	DfES	Q4/2003
<b>6</b>	71	DfES should draw up a communications strategy to inform, advise and support ethnic minority parents about opportunities for greater parental choice in school selection.	DfES	Q2/2005
<b>7</b>	73	<p>DfES should conduct research to answer several key questions of central relevance to the attainment of different ethnic groups in the education system and in the labour market:</p> <ul style="list-style-type: none"> <li>(i) What problems do new migrant pupils face when they enter the education system? What impacts do those migrant pupils have on schools and existing pupils?</li> <li>(ii) What skill sets do ethnic minority graduates have? Do they have a mismatch of subjects, skills or “soft” skills that makes them less successful in the labour market?</li> <li>(iii) To what extent do different ethnic minority parents know the basic structure of the education system and how to “work” it, through an understanding of school interaction, league tables, school assessments, streaming and so on?</li> </ul>	DfES	Q3/2004



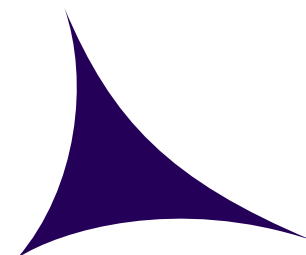
Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 1: BUILDING EMPLOYABILITY (continued)</b>		
<b>7</b>	73	(continued)  (iv) What is the demand for English language tuition amongst adults, and where is it found? Are the forms being offered helping people find work? (v) Are there still signs of ethnic minority pupils being placed in lower sets than their prior attainment would suggest was just? (vi) What can analysis of value-added data show about differential ethnic attainment levels within schools? DfES Q3/2004	DfES	Q3/2004
		<b>OBJECTIVE 2: CONNECTING PEOPLE WITH WORK</b>		
<b>8</b>	78	A Jobcentre Plus Action Plan to improve performance for ethnic minorities should be developed to incorporate best practice lessons from existing outreach and area based initiatives.	DWP	Q1/2004
<b>9</b>	79	DWP should review the Jobcentre Plus target points system, both to ensure that it gives incentives to place people into sustainable employment and to determine its capacity for increasing the number of job entries for ethnic minorities.	DWP	Q3/2003
<b>10</b>	81	DWP should use the evaluation of the current round of New Deal "Tailored Pathway" pilots to review the effect of increased programme flexibility and greater Personal Adviser discretion in delivering better job outcomes for ethnic minorities. The findings of this review should be used to inform future Jobcentre Plus strategy.	DWP	Q4/2003
<b>11</b>	83	Pilots were announced in SR2002 to extend the Employment Zone approach to New Deal for Young People "returners". Evaluations of these pilots should incorporate ethnic monitoring of clients in order to determine whether parity of outcomes is achieved between ethnic minorities and Whites. If parity is achieved, consideration should be given to rolling out the Employment Zone model to "first time" New Deal clients aged 18-24.	DWP and HMT	Q2/2003

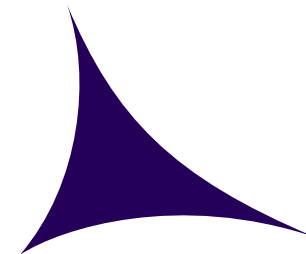




Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 2: CONNECTING PEOPLE WITH WORK (continued)</b>		
<b>12</b>	89	DWP should, in 60 priority districts (the 30 areas with high concentrations of ethnic minorities and the 30 areas with high unemployment rates), encourage Jobcentre Plus offices to develop employment interventions in partnership with social housing providers.	DWP	Q4/2003
<b>13</b>	90	The Office of the Deputy Prime Minister should begin to roll-out the Housing and Employment Mobility Service to promote inter-regional mobility, ensuring that ethnic minority Registered Social Landlords are not excluded.	ODPM	Q2/2003
<b>14</b>	93	DfES, working with Inland Revenue, should carry out analysis to find out the degree to which low levels of formal childcare use are a result of cultural preferences, financial constraints, accessibility and information issues, family size or other factors. The information should be used to consider whether policy changes are needed. Over the same period, measures should also be taken to raise awareness of the childcare element of the Working Tax Credit amongst ethnic minorities.	DfES and Inland Revenue	Q1/2004
<b>15</b>	96	The Small Business Service (SBS) should adopt a range of measures to increase the effectiveness of its support to businesses, including: (i) developing a strategy to enable each Business Link operator to draw on data on its ethnic minority business customer base. This database should not be limited just to those businesses that have received “significant assistance”, and should be established at a national level. (ii) a strategy to deliver focused and tailored information on its services to ethnic minority entrepreneurs, and, with Business Link operators, forge closer working relations with those institutions that evidence has shown are utilised by ethnic minority entrepreneurs; and		

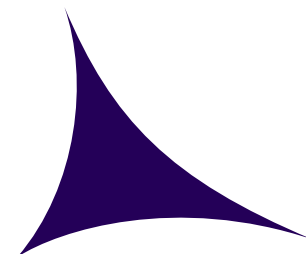
Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 2: CONNECTING PEOPLE WITH WORK (continued)</b>		
<b>15</b>	96	(continued) (iii) consistent with its commitment to help ethnic minority entrepreneurs overcome any specific barriers to entrepreneurship, each Business Link operator should set year on year improvement targets to improve the proportion of ethnic minority businesses served until it reflects the business composition of the areas which each Business Link operator serves, and the proportion of ethnic minorities within that area.	DTI and SBS	(i) Q3/2003 (ii) Q4/2003
<b>16</b>	97	DTI and NRU should report on a regular basis on how funds aimed at promoting economic growth and supporting businesses in deprived neighbourhoods are benefiting ethnic minority communities. This information should feed into future strategies designed to benefit ethnic minority communities.	DTI and NRU	Q4/2003
		<b>OBJECTIVE 3: EQUAL OPPORTUNITIES IN THE WORKPLACE</b>		
<b>17</b>	111	In order to provide better information, support and guidance to employers: (i) ACAS should double the size of, and publicise the support it offers through, RREAS. Consideration should also be given to further expansion of RREAS; (ii) Field Account Managers and Vacancy Filling Managers in Jobcentre Plus should be proactive in delivering information, raising awareness about the importance of race equality and promoting the support services available to the employers with whom they work; (iii) the CRE should disseminate best practice in the implementation of the 2000 Race Relations (Amendment) Act to the private and voluntary sectors; and (iv) the Small Business Service (SBS) should raise awareness among small business owners of the importance of race equality policies and practices by incorporating the issue into all aspects of the guidance that they provide to small businesses.	DTI, ACAS, DWP, and SBS	(i) Q1/2004 (ii) Q1/2004 (iii) Q1/2005 (iv) Q1/2004
<b>18</b>	111	DTI and DWP should conduct an independent review of how the information and support mechanisms available to employers about race equality can be strengthened as well as the extent to which, once strengthened, they meet the needs and influence the practices of employers.	DTI and DWP	Q2/2006

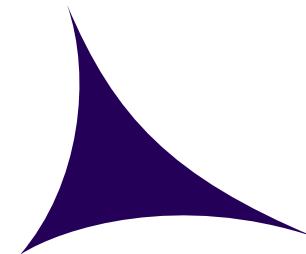




Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 3: EQUAL OPPORTUNITIES IN THE WORKPLACE (continued)</b>		
<b>19</b>	112	The CRE should update its Code of Practice in Employment, consulting widely amongst all relevant stakeholders, to ensure that it accurately reflects existing race relations legislation and that it is known extensively by, is accessible to and is able to meet the needs of employers.	Home Office and CRE	Q1/2004
<b>20</b>	113	The CRE should examine the options for more high profile award and recognition schemes to encourage employers to offer equality of opportunity to ethnic minorities.	Home Office and CRE	Q4/2003
<b>21</b>	114	In order to raise levels of labour market achievement, DWP and NEP should examine the feasibility of Job Opportunity Compacts in the five cities with the largest concentrations of ethnic minorities. The objective of the Compacts should be to engage employers in developing a strategy and action plan for increasing recruitment and retention rates in each of the key sectors, and for ensuring that local education and training provision is relevant to labour market demands.	DWP and NEP	Q3/2003
<b>22</b>	115	In order to ensure that patterns and trends in Employment Tribunal cases are properly noted and addressed, DTI should: (i) collect and publish data on repeat offences by specific employers in cases of racial discrimination that have been upheld; and (ii) mandate the Presidents of Tribunals to monitor racial discrimination cases (including cases that have been abandoned and dismissed) and report findings to the Secretary of State at DTI. This should take the form of an annual report and, in response to key issues that are highlighted, should seek an action plan from relevant departments.	DTI	(i) Q2/2004 (ii) Q4/2004
<b>23</b>	117	DTI should carry out a review of the most effective means to tackle systemic racial discrimination among employers. Part of this review should examine the case for adapting the powers of Employment Tribunals to make wider recommendations to effect change both for the complainant and the work environment more broadly.	DTI	Q4/2004

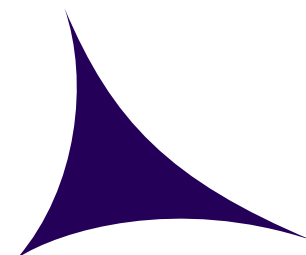
Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 3: EQUAL OPPORTUNITIES IN THE WORKPLACE (continued)</b>		
<b>24</b>	118	DWP and DTI should develop a research programme to improve understanding of the nature, causes and extent of racial discrimination and harassment in the labour market. In the light of this improved understanding, the research programme should assess potentially promising future approaches to tackling racial discrimination and harassment in the labour market.	DWP and DTI	Q4/2003
<b>25</b>	119	The CRE should examine ways to make greater use of its general enquiry powers to gather evidence of underlying patterns of discrimination and disadvantage, and to engage relevant stakeholders on appropriate action plans in response. It should implement action points as part of a strategic review of its overall enforcement and promotional powers and specific levers of influence.	Home Office and CRE	Q4/2003
<b>26</b>	126	<p>In order for public authorities to feel confident in using public procurement to promote race equality, comprehensive and clear guidance on race equality issues in public procurement is now required. The Home Office, in consultation with OGC and ODPM, should consider how this can best be achieved, in the light of the existing work being undertaken by the Sustainable Procurement Group and the CRE. The guidance should:</p> <ul style="list-style-type: none"> <li>(i) explain what is and is not permissible at each stage of the procurement process, including sanctions available for failing to meet relevant race equality contract provisions;</li> <li>(ii) exercise use of the full extent of UK and EU law;</li> <li>(iii) explicitly encourage public authorities to use this scope; and</li> <li>(iv) include several model approaches that authorities can adopt.</li> </ul> <p>The guidance should be disseminated to relevant public authorities and potential tenderers through organisations such as the LGA, CBI and CRE.</p>	The Home Office, CRE OGC, and ODPM	Q2/2004





Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 3: EQUAL OPPORTUNITIES IN THE WORKPLACE (continued)</b>		
27	127	<p>(i) The Home Office, in consultation with the CRE, should commission research to determine whether awareness campaigns are an effective instrument for changing negative attitudes about individuals from different ethnic backgrounds.</p> <p>(ii) This research should include an examination on how to design, implement and assess such campaigns. The results of the research should be published and disseminated to a wide range of key stakeholders, including local authorities and private sector firms. In accordance with the findings of the research, the CRE as a principal user-group should design, implement and assess an awareness campaign.</p>	Home Office and CRE	<p>(i) Q4/2003</p> <p>(ii) Q2/2004</p>
		<b>OBJECTIVE 4: DELIVERING CHANGE</b>		
28	137	<p>New structures and measures should be established to ensure that the conclusions of this report are implemented effectively. This should be achieved by the following four key measures:</p> <p>(i) Responsibility for delivery on the conclusions of this report should be given to a Ministerial Champion, the Minister for Work in the Department for Work and Pensions. The Ministerial Champion should report on progress to the Secretary of State for Work and Pensions, who should report to the Cabinet Committee on Economic Affairs, Productivity and Competitiveness at regular intervals.</p> <p>(ii) A Task Force should be established to take responsibility for issues relating to the labour market achievements of ethnic minorities. This should draw together relevant departments and agencies and key external stakeholders. The Task Force should be set up immediately and its effectiveness reviewed after three years. The Task Force should be chaired by the Minister for Work. The Task Force should comply with guidance on consultation and Regulatory Impact Assessment best practice.</p>	DWP	<p>(i) Q2/2003</p> <p>(ii) Q2/2003</p> <p>(iii) Q3/2004</p> <p>(iv) Q3/2005</p>

Rec.	Page	Action	Lead Responsibility	Date
		<b>OBJECTIVE 4: DELIVERING CHANGE (continued)</b>		
<b>28</b>	137	<p>(continued)</p> <p>(iii) The roles of key departments in meeting the DWP PSA target should be established by a PSA Plus team including representatives of the proposed Task Force. The team should review the case for a joint DTI/DWP/DfES PSA target for consideration in the 2004 Spending Review.</p> <p>(iv) Progress reports on the conclusions of the Strategy Unit report should be made public every 12 months and, after three years, a full review should be undertaken on the effectiveness of the Task Force in implementing these conclusions.</p>		





## ANNEX 1: THE ROLE OF THE STRATEGY UNIT

The Strategy Unit was created by a merger of the Performance and Innovation Unit, the Prime Minister's Forward Strategy Unit and part of the Policy Studies Directorate of the Centre for Management and Policy Studies. The unit performs a range of functions, including long-term strategic reviews of major areas of policy, studies of cross-cutting policy issues, strategic audits and joint work with departments to promote strategic thinking and improve policy-making across Whitehall.

The Unit's Director is Geoff Mulgan and it reports directly to the Prime Minister through the Cabinet Secretary.

Comprehensive information about the other Strategy Unit projects can be found on the Strategy Unit's web-site at [www.strategy.gov.uk](http://www.strategy.gov.uk).

## ANNEX 2: THE PROJECT TEAM, SPONSOR MINISTER AND ADVISORY GROUP

This report was prepared by a multi-disciplinary team guided by a Sponsor Minister and an Advisory Group with Government and non-Government representation.

### *The Team*

The project team comprised:

Vicki Bakhshi – seconded from  
*The Financial Times*

Zamila Bunglawala – Strategy Unit staff

Thomas Ellis – from Accenture

Anu Nayar – from Cap Gemini

Tony Pilch – Strategy Unit staff

Alison Richardson – Strategy Unit staff

Shamit Saggar (team leader) – seconded  
from Queen Mary, University of London

Tom Steinberg – from the Institute of  
Economic Affairs

Valerie Willer – seconded from the Lord  
Chancellor's Department

Additional assistance was provided by  
Kevin Mochrie, Joanne Drean, Ruth Shinoda,  
Pierre Cuneo and Mia Rosenblatt in the  
Strategy Unit. The project team was  
supported by Trudy Harwood.

### *The Sponsor Minister*

The work of all Strategy Unit teams is  
overseen by a Sponsor Minister, in this case  
Barbara Roche MP, Minister of State in the  
Office of the Deputy Prime Minister.

### *The Advisory Group*

The team was assisted by the experience and  
guidance of its Advisory Group. The group,  
chaired by the Sponsor Minister, met on four  
occasions to consider the Scoping Note,  
Project Management Plan, Interim Analytical  
Report and policy options. The group  
comprised:

### **Strategy Unit**

Geoff Mulgan – Director

Stephen Aldridge – Deputy Director and  
Chief Economist

### **No.10 Policy Directorate**

Justin Russell

Mike Emmerich

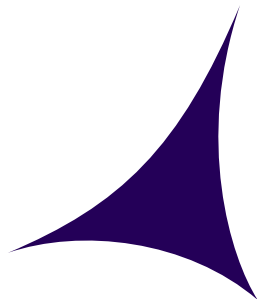
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Natalie Acton

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Jeremy Kinsman

Helen Amundsen

**Commission for Racial Equality**

Gurbux Singh

Seamus Taylor

**Confederation of British Industry (CBI)**

Susan Anderson

Graham Morton

**Department for Education and Skills**

Will Cavendish

**Department for International  
Development**

Suma Chakrabarti

**Department for Work and Pensions**

Simon Judge

**Department of Trade and Industry**

Chris Dee

Cathy Rees

**HM Treasury**

Duncan Melville

**HSBC**

Anne Watts

Jiten Patel

**Home Office**

Nick Pearce

**Institute for Public Policy Research**

Sarah Spencer

**National Centre for Social Research**

Norman Glass

**National Employment Panel**

Cay Stratton

**Neighbourhood Renewal Unit**

Joe Montgomery

Madeleine Rudd

Raj Patel

**Trades Union Congress and  
Communication Workers Union**

Sir Tony Young

**Other**

Gerard Lemos - Lemos and Crane

## ANNEX 3: DEFINITIONS

Listed below are terms commonly used in relation to ethnic minorities and the labour market. Since these terms are open to different interpretations, it is helpful to establish a shared understanding as a basis for this report.

**Bonding social capital** - Bonding social capital links members of a given social group with each other.

**Bridging social capital** - Bridging social capital consists of networks that link the members of a given social group with the wider society.

**Community cohesion** - Community cohesion is described by a recent Home Office report as “a shared sense of belonging based on common goals and core social values, respect for difference (ethnic, cultural and religious) and acceptance of the reciprocal rights and obligations of community members working together for the common good.”

**Direct discrimination** – Direct discrimination describes a situation in which one person is treated less favourably than another is, has been or would be treated in a comparable situation on grounds of racial or ethnic origin.

**Ethnic minorities** - The term “ethnic minority” is used to denote people of South Asian, Black African and Black Caribbean origin. Its use as a broad “umbrella” label is deliberate, to signify reference to a wide variety of ethnic minority groups. Where greater precision is required with reference to specific component groups within the ethnic minority population, allowances and departures from this term are made in the text. There is, inevitably, considerable debate and disagreement on the question of race, ethnicity and nomenclature. No specific political or sociological inference should be drawn from the use of related terminology in this report.

**Ethnic penalty** - Net differences in achievement are often referred to as “ethnic penalties”. Some scholars use the term to emphasise the importance of discrimination in explaining persisting net differences in labour market achievement and others to refer to “all the sources of disadvantage that might lead an ethnic group to fare less well in the labour market than do similarly qualified Whites”.

**Gross differences** - Gross differences refer to differences in labour market achievements (in terms of unemployment risks, earnings, attainment and self-employment) between ethnic minorities and the White population of Britain. Gross differences are those evident before the effects of variables such as education, generation and gender have been accounted for. An ethnic minority group may appear to be doing as well as their White counterparts when one looks at the gross differences, but significant ethnic disadvantages may emerge when one turns to net differences and takes account of age, education and other relevant characteristics.

**Human capital** - Human capital encompasses the sum of skills, knowledge, experience and educational qualifications that a person possesses.

**Indirect discrimination** – Indirect discrimination describes a situation where an apparently (race) neutral provision, criterion or practice would put persons of a racial or ethnic origin at a particular disadvantage compared with other persons, unless that provision, criterion or practice is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary.

**Institutional racism** - A term often used in relation to indirect discrimination. It is a form of indirect discrimination and was defined in the Macpherson Report on the death of Stephen Lawrence as “the collective failure of an organisation to provide an appropriate and professional service to people because of their colour, culture or ethnic origin”.

**Residual** - The portion of the gross difference that is not explained by regression analysis is referred to as the net difference in labour market achievement, or as the residual. These net differences or residuals signal a persisting disadvantage among ethnic minorities in the labour market. The residuals or persisting disadvantage vary across ethnic groups because the explanation for these variables also varies across ethnic group.

**White** – As with the term “ethnic minority”, the generic label “White” should be used with some caution. The existence of distinctive ethnic groups within the “White” category is gradually being acknowledged: notably, in the 2001 Census of Population people of Irish descent are recognised as a separate ethnic group.

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