

**Formal consultation response from the Chartered Institute of Payroll Professionals in
respect of: Ethnicity Pay Reporting**

**Organisation response to be submitted to: Department for Business, Energy & Industrial
Strategy (BEIS)**

Date of submission: 11 October 2019

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Dear Sirs

By Email

Introduction

The Chartered Institute of Payroll Professionals (CIPP) is grateful to have the opportunity to comment on the consultation for Ethnicity Pay Reporting. We are pleased to be able to feed into the policy and operational changes that arise from this consultation, and hope that this written response will form the basis of an ongoing relationship with the Ethnicity Pay Reporting team. The CIPP gives permission for you to include us in the list of organisations involved in the consultation exercise. Company information about the CIPP and its role in representing employers can be found at the end of this response.

Purpose of response

The CIPP policy and research team published a survey that offered the opportunity for members and the wider payroll profession to provide their views on the questions asked within the Ethnicity Pay Reporting consultation paper. The survey ran throughout December 2018 and received 69 responses.

The following commentary aims to summarise views provided to survey questions presented that will be relevant to the payroll function.

As with gender pay gap reporting, payroll and HR professionals together with their software developers will be instrumental in ensuring that affected employers comply with mandatory requirements to report ethnicity pay gaps and achieve greater transparency.

We recognise that this is the first step in developing policy in this space and that much more detail and discussion will be required before ethnicity pay transparency can be delivered.

1. What are the main benefits for employers in reporting their ethnicity pay information?

Our members are very much aware of the practical challenges that pay transparency reporting presents and remain to be convinced of the benefits to the employer in the same way that benefits could be demonstrated with gender pay gap reporting. Ethnicity declarations aren't currently collected by the majority of respondents and where they are collected they aren't (on the whole) stored within the pay system, thus increasing the burden to produce usable statistics.

It was recognised though, that this presents a possible opportunity for the employer to be able to demonstrate employer good practice and this could provide a mechanism to encourage greater equity where it doesn't currently exist.

There was however significant concern about the challenge of collecting and storing ethnicity data due to current low levels of employee engagement together with the ethnicity selection being a matter of personal employee opinion.

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2. What type of ethnicity pay information should be reported that would not place undue burdens on business but allow for meaningful action to be taken?

Whilst the majority of responses to this question (24%) favoured a single 'one pay gap' figure this is likely to link to the desire for increased simplicity together with the reduction of administrative burden.

Reporting several pay gap figures may reflect greater accuracy (assuming a solution could be found to low numbers being reported) however simplicity would be preferred and it is recognised that having a number of figures based on standard classification could result in a significant number of calculations being required.

It is recognised (11%) that the preference for pay quartile reporting would provide a more representative view of the distribution of pay differences.

28% of respondents to this question don't yet know what could be the preferred solution to this reporting challenge.

3. What supporting or contextual data (if any) should be disclosed to help ensure ethnicity reporting provides a true and fair picture?

Comments highlighted concerns about variances that will be presented as a result of geographic differences in ethnic populations.

There was concern about the complexity presented with ethnicity pay reporting, however there was a recognition of the possible value that considering age and gender may have so long as the data numbers (headcount) were significant enough to be meaningful.

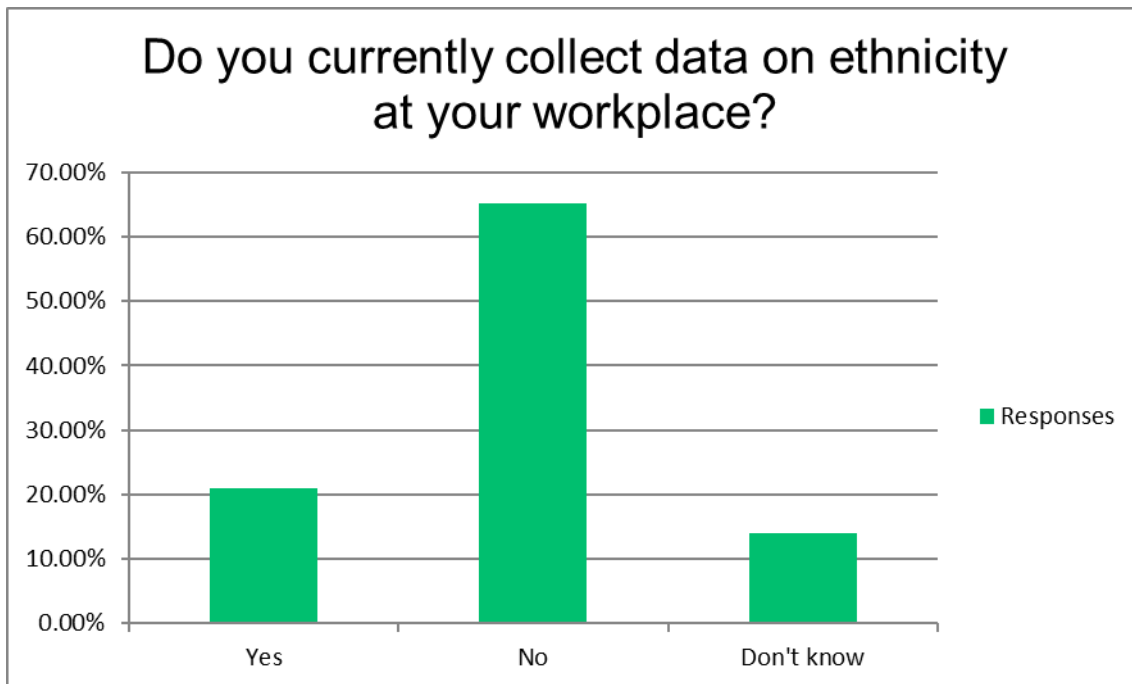
4. Should an employer that identifies disparities in their ethnicity pay in their workforce be required to publish an action plan for addressing these disparities?

70% of respondents believe that an employer should publish an action plan and recognise the valuable role it could play, however commentary also suggests that there is a strong belief that a less prescriptive approach, as adopted with gender pay gap reporting would be preferred to enable employers to 'tell their story' in a way that best suits their situation.

It is widely believed that achieving transparency with ethnicity pay reporting is not going to be easy due to all of the issues identified within the consultation paper and so by mandating an action plan there is a risk this could become a 'box ticking' exercise that does not reflect a commitment to change.

A simple accuracy declaration as required with GPG reporting would be preferred leaving the employer the freedom to select the most appropriate manner in which to narrate their experience, within their sector and their geographic location/s.

5. Do you currently collect data on ethnicity at your workplace?



44% of respondents do use standard ethnic classifications but those who responded 'yes' 67% would need to carry out further research to inform them what classification is used.

The 2011 Census: 5 standardised ONS ethnic classification was identified as being used as was HESA ethnic classification.

6. What do you think are the most effective approaches for employers to improve employee self-reporting or declaration rates?

There needs to be a mandatory obligation in order for this to be adopted by employers who currently don't collect this data.

Good communication with employees as to the reason that this data is being collected and for what purpose, together with using multiple resources for employees to complete the declaration including online and self-serve facilities.

Collecting it during the onboarding/recruitment process was seen to be the most effective time.

It was noted several times that this data isn't currently being collected and so additional time would need to be built in to allow this to begin, which will take longer with existing staff.

Allow 'prefer not to say' as an answer option.

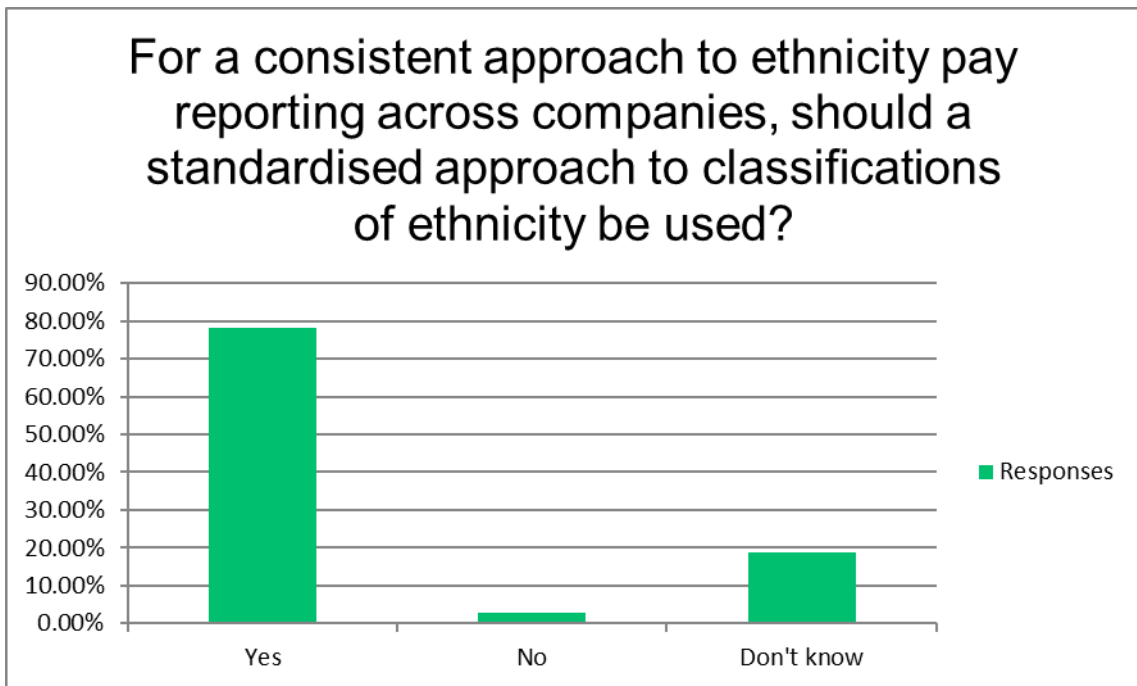
7. How should self-reporting or non-disclosure rates be reflected in the information reported by employers?

Keep as simple as possible, reporting in an annual statement the number of employees who have elected not to disclose by including ‘not to say’ as an answer option together with the number who haven’t engaged – whilst explaining steps taken to collect data.

This will in the short term reduce effectiveness of figures reported but in itself could provide a starting point of ethnicity pay transparency with which the employer can build on in subsequent years.

This was not a challenge faced by employers with gender pay gap reporting and so any new policy delivery will need to build in ample time that recognises that for the majority of employers this data isn’t currently collected and will need to begin before the first reporting year.

8. For a consistent approach to ethnicity pay reporting across companies, should a standardised approach to classifications of ethnicity be used? What would be the costs to your organisation?



Costs will vary enormously – a more detailed survey will be useful when a firm proposal is known.

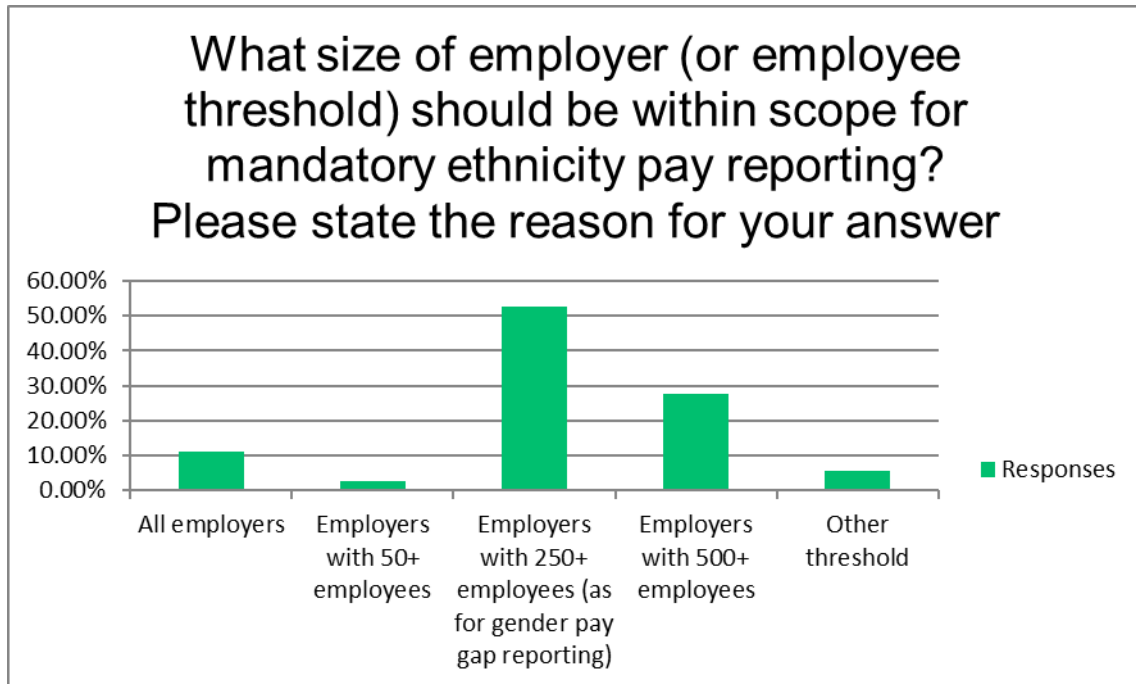
9. Please outline steps that should be taken to preserve confidentiality of individuals.

At this early stage there was broad support for the restrictions applied within the Civil Service workforce statistics. However this could have the result of organisations at the smaller end of the reporting size range never reporting accurate results – which in turn would place greater challenge on the narratives needed in order to move towards providing transparency.

Confidentiality is of particular concern in geographical regions with low ethnic working populations.

Publishing more examples of best practice using employer case studies from those currently reporting on ethnicity could provide a wider range of examples over and above the Civil Service example.

10. What size of employer (or employee threshold) should be within scope for mandatory ethnicity pay reporting?



Additional representative comments

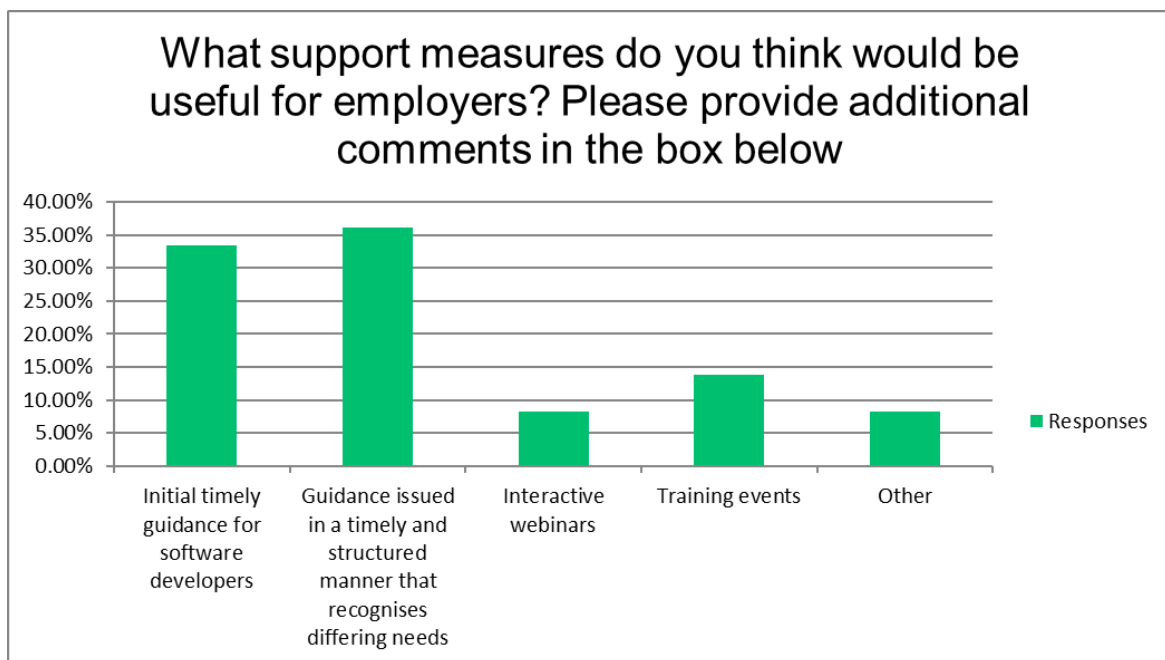
“... to have a 5-employee threshold for inclusion of an ethnic group, as suggested in the previous question, including employers with less than 500 employees might result in there being insufficient people in many of the ethnic groups for them to be included in the reporting.”

“If it is to be a mandatory requirement it should be in line with gender pay gap reporting.”

“Since there are a lot of categories [depending on standardisation method chosen] then the threshold should be high.”

“All or nothing approach is the only way to obtain true data”

11. What support measures do you think would be useful for employers?



Learning from the delivery of gender pay gap reporting - every step of the roll out process should be more structured and better promoted.

More accurate information needs to be shared at a much earlier stage.

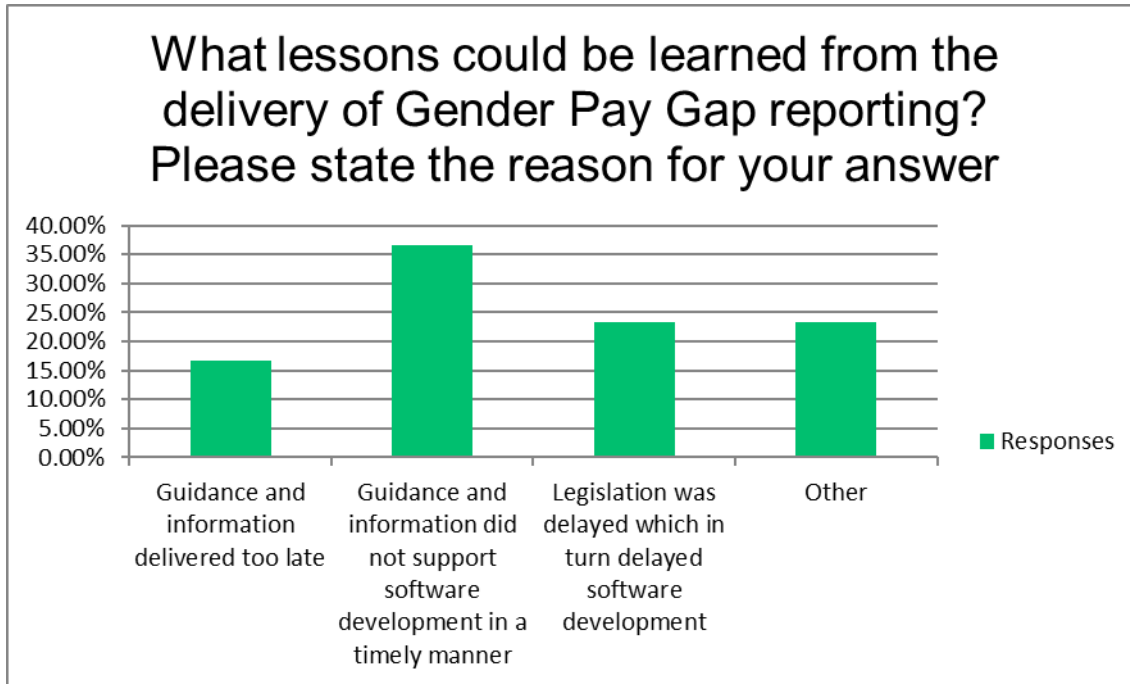
BEIS will need to set out a clear and achievable timetable and deliver it.

Many employers don't currently collect ethnicity data and so a much longer time line for policy delivery will be needed i.e. an extra year (as a minimum) will be needed for employers to begin to collect this data before they could then consider providing a report. This wasn't a challenge presented with the delivery of gender pay gap reporting.

As a first step and before reporting requirements are considered should employers need to be mandated to collect this data?

In addition to asking questions posed within the consultation paper, we also asked members for their thoughts on what lessons could be learned from the delivery of mandatory gender pay gap reporting.

The following is a useful reminder of many of the practical challenges met by our members ‘at the coalface’ and others in the payroll, HR and software professions as they sought to deliver gender pay gap reporting:



Comments

“There needs to be recognition by HM Government that organisations try to automate reporting wherever possible, so lead time for software development must be included as a prerequisite to any new legislative changes in future.”

“Unlike GPG reporting there will be a need to collect information from long serving employees which was not previously collected.”

“Guidance and information was not clear and still leaves large areas which can be misinterpreted.”

“Plenty of time to get it set up.”

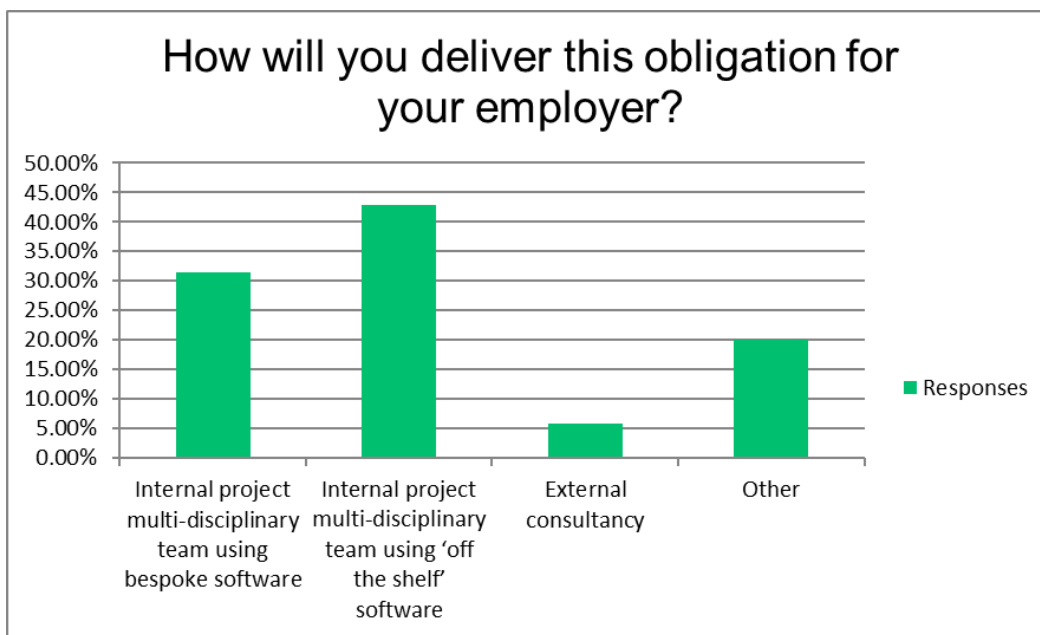
“There was a lot of confusion regarding which pay elements to include/exclude.”

“Guidance was unclear at times.”

“Confusion over who to include, and what kind of bonuses/commission etc. made it hard to get the right data in the report on our first attempt. We ended up repeating it and calculating the bonuses differently.”

“... the late delivery, all information and legislation was [delivered] too late for a number of software providers and companies required to report. Delaying legislation meant many courses run by various companies could not provide the accurate information, as it was still in draft format until after the reporting dates.”

We also asked members what thoughts they might have (at this early stage) as to how they might be able to deliver this reporting obligation should it come to fruition?



Comments

“Our customers will use our software and analytics tools (I represent a software developer).”

“Hope payroll system can be adapted to deliver?”

“Internal project using manual paper based process to collect information, manually entered into employee spreadsheets from payroll software.”

“I will have to draw the information together from separate reports?”

“Not sure, we have just started on how we will be gathering the information via self service?”

“Our payroll software included the gender pay update, I would expect them to do the same for Ethnic pay reporting.”

“Information is held in our payroll and HR software, so, assuming that this aligns with gender pay gap reporting, this can be extracted without additional support.”

“Payroll Officers and the Manager will produce all of this.”

Conclusion and recommendations

From an administrative burden perspective comparability with the methodology applied for gender pay gap would be preferred by our members. However, our members are pragmatic and recognise that this will not achieve the same results because of the different challenges presented by ethnicity classifications.

There must be value achieved through the efforts of the software developers, payroll and HR professionals and so we recognise different methodology will be required.

If government consider that the time is right to deliver another reporting obligation on employers, in the name of transparency, significant time and structured planning will be needed. Rushed delivery will not achieve accurate outcomes.

Lessons need to be learned from the roll out of gender pay gap reporting with government engaging in greater detail with all affected stakeholders as they continue to consult.

Employers pay processes vary in size and complexity enormously and with the added challenges for gathering accurate ethnicity data, as identified within the consultation paper, will add further layers of complexity. We see this consultation as the start of a conversation and not the end of it and look forward to being involved in further discussions.

Should you require clarification of any of the points that have been made in this response, please do not hesitate to contact me or another member of the Policy team.

Yours faithfully

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Company Information

The Chartered Institute of Payroll Professionals (CIPP) was established as an official industry body in 1985 when the Institute of British Payroll Managers (IBPM) was formed. In 1998, the IBPM merged with the Association of Pensions and Superannuation Administrators (APSA) to form the Institute of Payroll and Pensions Management (CIPPM), which became the Institute of Payroll Professionals in September 2006 and was granted Chartered Status in November 2010. The CIPP is the Chartered Institute for payroll professionals in the UK and currently has in excess of 10,000 members enjoying a range of benefits. In addition, the CIPP is the UK's leading provider of education for payroll, and has established the friends of automatic enrolment which is responsible for bringing together and educating all of those responsible for implementing automatic enrolment for pensions.

The mission statement of the CIPP is:

Leading payroll and pension professionals through education, membership and recognition

Representation

The views of the Chartered Institute are sought and valued by Government departments and other organisations, as witnessed by its representation on bodies ranging from HMRC, and other external Employer Consultation Groups. The Institute, through its Policy team headed up by Helen Hargreaves, has been responding to consultation documents and attending consultation meetings for more than 19 years.

As a result of this sustained effort, we have created sound working relationships with the DWP, HMRC, BEIS and other Government departments.

The Chartered Institute operates an Advisory Service staffed by professionals able to provide accurate and authoritative advice on a wide range of topics. It also runs national forums which allow members direct contact with representatives from HMRC and other relevant bodies and also provides a forum for members to input and feedback on the CIPP's policies.

Education

The Institute validates and controls a wide range of professional qualifications in both the payroll and public sector pensions sectors, from Foundation Degree level to Masters level. IPP Education, a wholly owned subsidiary of the CIPP, delivers the qualifications and provides tutors at officially recognised standards. IPP Education also runs a comprehensive range of short training courses throughout the UK.

Events

The CIPP also runs a series of conferences throughout the year, culminating in the Annual Payroll Conference and Exhibition.

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