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Rt Hon Alistair Darling MP

22nd **February 2010**

Dear Alistair

**Business Commission for Race Equality in the Workplace
Progress on taking forward the recommendations accepted by
Government and the EHRC**

In 2005 Gordon Brown, then Chancellor of the Exchequer, asked the National Employment Panel to set up a Business Commission on Race Equality in the Workplace. Their remit was to recommend policies and practical measures to increase recruitment, retention and progression for ethnic minorities in the private sector. The Commission published its final report in 2007.

I am writing in my capacity as Chair of the Ethnic Minority Employment Task Force (EMETF) to report the progress Task Force Departments have made with respect to the Business Commission's recommendations.

Significant progress has been made on delivering the Commission's recommendations and it is encouraging that, despite the pressures of the economic recession, the overall ethnic minority employment gap has closed by more than two percentage points since the Report was published. We do, however, recognise that there is much still to be done and remain vigilant in this area, seeking to respond to changing situations as they emerge, adjusting and focussing programmes to meet the needs of individuals.

Recommendation 1:

That Government adopts and publicises the long-term policy ambition of eradicating the ethnic minority employment gap within twenty-five years.

Government Response:

The Government accepts this ambition.

Progress:

DWP and other Departments remain committed to narrowing the ethnic minority employment gap. The commission actually looked at the employment gap between ethnic minorities and the white population. However, whilst accepting the thrust of the Commission's evidence and argument, it is more usual for us to compare the employment rate of ethnic minorities with that of the population as a whole. This is how the issue is normally reported. When, in 2001, the Prime Ministers Strategy Unit's reported "a gap of sixteen percentage points has remained constant for over a decade" it was measured on this basis. At the time of the Business Commission Report the gap stood at 15.4 percentage points¹, since when it has narrowed slightly to 13.2 percentage points². Contrary to expectation, the downturn has not resulted in any significant widening of this gap. In addition, we are doing more work to analyse the composition of the gap, for example to ascertain the proportion of those not in work that are in full-time education. Similarly we are working to better understand the factors that cause the gap, and the contributions made by Departments to tackling these issues. Understanding this picture better, particularly in term of gender, age, ethnic group and geography, and the barriers individuals face will enable us to concentrate our energies on the groups and issues where we can most make a difference. In particular we are keen to better target mainstream provision so that it is fully meeting the needs of any group that is identified as doing less well than the general picture would say.

Recommendation 2: That Government sets the over-arching goal of narrowing the ethnic minority employment gap to 12 percentage points by 2015 was not accepted by Government.

Recommendation 3:

That in 2015, Government measure the private sector contribution to reducing the ethnic minority employment gap against a 2008 baseline. This baseline should be established from discrimination testing commissioned by the Department for Work and Pensions and a race equality index generated from existing employer surveys.

Government Response:

The Government is looking at the practicalities as to whether we can develop a race equality index. DWP envisage that this index will be constructed from a range of existing and new survey data, including forthcoming surveys of employer practices planned in 2009 and 2010.

Progress:

Discrimination testing research findings were published on 19 October 2009. The research and the recommendations on tackling these issues were discussed at the Ethnic Minority Employment Ministerial Task Force in February 2010. Task Force supported the concept of helping employers to identify and tackle their own biases via the "5 Points for Progress" concept as

¹ Four Quarter Average to Spring 2006 comparing ethnic minorities with the general population

² Four Quarter Average to Winter 2009 comparing ethnic minorities with the general population (latest available data)

advocated by the Ethnic Minority Advisory Group (as mentioned in the White Paper "Building Britain's Future published on 15th December 2009) Research funding has also been secured and DWP started work with Oxford University in January 2010 to look at the feasibility of developing such a race equality employment index, and the discrimination testing research will be part of what they are looking at. The findings of this research are due to be published in August 2010.

Recommendation 4: that Government, through its position as the UK's major purchaser, use its leverage over, and relationships with, private sector companies to motivate the private sector to promote race equality. **And Recommendation 5:** that Government establish a public sector-wide procurement policy to use more robust pre-qualification questionnaires and contract conditions to promote race equality in the workplace. It should do this in a way that does not impose undue burdens on small companies.

Government Response:

The Government is sympathetic to the aims of the recommendations 4 and 5 and will consider how to take them forward in the light of ongoing work, the proposals in the Equality Bill, the wider equalities agenda and the legislative framework at national and EU level. Within this context the Government will report on its preferred way forward.

Progress:

The Equality Bill is now nearing the end of its passage through Parliament - the Bill contains an order making power allowing Ministers to introduce specific duties on the procurement activities of public authorities that are also contracting authorities. A public consultation on the proposed for specific duties was held last year and closed on 30 September 2009. The Government Equalities Office (GEO) issued a policy statement, *Equality Bill: Making it work, Policy proposals for specific duties*, setting out the Government's response to the consultation, including the proposed specific duties, on 25th January 2010. The policy statement announced that Government will be pursuing three specific duties in relation to public procurement. These proposals include requirements on those authorities that would be subject to the duties, to:

- Set out in their equality objectives, how they will ensure that equality factors are considered as part of their procurement activities;
- Consider the use of equality-related award criteria where they relate to the subject matter of the contract and are proportionate; and
- Consider incorporating equality-related contract conditions where they relate to the performance of the contract and are proportionate.

OGC also issued a publication, *Make Equality Count*, in December 2008. This document provides practical advice to help public procurers understand what the existing public sector equalities duties mean. As outlined in the *Policy through Procurement Plan* (published on 11th January), OGC are currently updating and building on 'Make Equality Count' to develop an 'Equality Toolkit' to provide more detailed advice to public procurers in a more accessible format. This will be produced in phases and a first draft is now on the OGC website for feedback from stakeholders.

The Ethnic Minority Advisory Group (EMAG) provided a report to the Ethnic Minority Employment task Force (EMETF) on how public procurement might be improved and become a beacon of excellence for the private sector to emulate. As EMETF Chair I have written to all Government Departments urging them to look at using the powers they have effectively and am offering a joint Office of Government Commerce /Government Equalities Office/DWP workshop on the public sector duties (2nd February).

I will be in a better position towards the end of the financial year to ascertain what progress colleagues have made in other Departments, and any additional steps we need to take, as I have asked them to update me before the end of March 2010.

Recommendation 6: that Government develops and endorses publicly approved standards by which companies may demonstrate that their HR practices promote race equality.

Government Response:

It is important that this recommendation is seen in the context of the wider equalities agenda. This is set out in "Framework for a Fairer Future the Equality Bill" that outlined the Government's commitment to investigate the development of a flexible kite-mark that is proportionate and takes into account the needs of small businesses.

Progress:

The Government Equalities Office (GEO) is working with the Equalities and Human Rights Commission (EHRC) on this issue and has had discussions with the Office of Government Commerce, Communities and Local Government, Business, Innovation and Skills and Office of Disability Issues, on the most appropriate way forward. GEO and EHRC have also engaged individual businesses, business organisations, current equality standard providers and others at a series of roundtables held in spring and November 2009. GEO and EHRC will now develop a National Equality Framework - a voluntary improvement model that will enable business to benchmark their current equality credentials.

Recommendation 8: that Government assesses, in 2012, whether the private sector has made enough progress in promoting race equality to support the goal of reducing the ethnic minority gap to twelve percentage points by 2015; reports its findings publicly; and, if it finds insufficient progress has been made, brings in legislation that obliges private sector employers to promote workplace race equality. Legislation should recognise the distinctive circumstances of small companies

Government Response:

The Government will monitor progress towards closing the ethnic minority employment gap but does not believe that setting a target date to impose a proscribed set of measures is the right way to stimulate meaningful and effective changes in business practice. A range of measures will be considered to help bring about greater changes should that prove necessary.

Progress:

The Gap has closed by 2.2 percentage points since the Commission reported despite the economic downturn and the Ethnic Minority Employment Task Force is keeping the situation under review. It is hoped that the more expansive positive action provisions included in the Equality Bill will enable those pro-active employers who wish to tackle issues such as the ethnic minority employment gap to be able to take a broader range of interventions in order to recruit people from targeted protected characteristics including racial and ethnic minorities.

Recommendation 9:

That the DWP develops a centre of expertise to help city-level employment and skills bodies promote race equality. In the first instance it should work with Birmingham, Bradford, Glasgow, Greater Manchester, Leeds, London and Sheffield.

Government Response:

It will be for the Ethnic Minority Employment Task Force to decide on how or if the work to be extended in the light of the experience in City Strategy areas.

Progress:

The City Strategy Learning Network has been in place since September 2007, promoting the sharing of good practice between the City Strategy Pathfinders. Whilst Leeds and Bradford is not a City Strategy Pathfinders, Leeds City Region (which also encompasses other nearby boroughs) as an area with a large ethnic minority population have also joined the group

DWP has worked closely with the Local Government Associations *Improvement and Development Agency* to produce an ethnic minority employment 'How to' guide, available to all local authorities (LAs) on line. To ensure LA awareness of the guide, DWP is also running, with Government Regional Offices, a series of regional workshops for local authorities. This builds on the Houghton Review of Worklessness. The Chair of DWP's Ethnic Minority Advisory Group was a member of the Review team with specific responsibility to investigate how well LAs were co-operating in sharing learning in using the Working Neighbourhoods Fund. Local authorities are now being asked to undertake work to ensure that diversity and equality forms part of the work they will lead on to produce Worklessness Assessments to inform their local targets and actions to tackle worklessness and produce a Work and Skills Plan.

Recommendation 10:

That local employment and skills programmes have workplace equality objectives and performance indicators. The Ethnic Minority Employment Task Force should review these objectives and indicators to ensure that they are sufficiently robust and challenging, and should monitor performance against them.

Government Response:

The Government accepts this recommendation, initially for the City Strategy and Jobcentre Plus. The Government will also work to include effective equality objectives within contracted employment and skills programmes and highlight these intentions to contractors.

Progress:

All new DWP Contracted Employment Provision includes equality and diversity requirements in the contract terms and conditions and as previously mentioned we are working with others across Government to consider how we can embed similar practices. The performance management framework for Jobcentre Plus also awards extra points for performance achieved in areas with poor labour market conditions, and these disadvantaged areas are where the majority of ethnic minority customers live. This award of points is designed specifically to encourage prioritisation of services to those who live in these areas.

Work is also underway within DWP and Jobcentre Plus to enable the measurement of parity of outcomes for ethnic minority customers accessing services and provision. This has been dependent upon getting in place updated IT systems and processes that will enable managers to use reports that will be produced as performance management tools. This will be supported in Jobcentre Plus from April 2010 when their "Diversity Score Card" is available and in use. In DWP analytical data from a new IT based referral system for contracted employment provision should come on stream on 2010/2011. In due course this system will become the standard for the operation of contracted employment provision.

Recommendations 12:

That the organisations charged with eradicating the ethnic minority employment gap be directly accountable for doing so to the Chancellor of the Exchequer. **And, Recommendation 13:** that Government develops, with business, media experts, and appropriate city-level employment and skills bodies, a strategy to communicate its race equality goals, the required business action, and the support available.

Government Response:

The Government largely supports these recommendations and has agreed that the Ethnic Minority Employment Task Force should continue to be the organisation that drives delivery on increasing ethnic minority employment. Annual progress will be reported to the Chancellor.

Progress:

This letter forms our progress report. To ensure greater awareness of progress I intend to publish this letter on the Ethnic Minority Employment Task Force website and ask the Department of Communities and Local Government to circulate via its "Cohesion" website.

Recommendations 7 and 11 were for the Equalities and Human Rights Commission to take forward and as such I will leave them to update you on their progress on these separately.

As was said in the letter accepting some of the recommendations, there are a number of direct links between the Government's response and steps being taken more widely through the Equality Bill that is still progressing through the House. I feel that in the light of this, and the difficult economic circumstances that we are now emerging from, very good progress has been made, though there is also clearly still work to do.

Bearing this in mind, I will ask the Ministerial Task Force to continue to lead the work on further reducing the ethnic minority employment gap. We will be supported by EMAG.

I also intend to refresh the membership of the EMAG to ensure that it is an even stronger voice of the community and, having looked at public sector procurement, I am equally keen to see what more we can do to help employers recognise and tackle any biases. I also want to take steps to ensure that people from ethnic minority backgrounds gain employment opportunities from the monies spent on major area based initiatives such as the 2012 Olympics.

I am copying this letter to Ministers and officials in Departments with responsibility for the recommendations.

Yours etc.



Rt Hon Jim Knight MP
Chair, Ethnic Minority Employment Task Force

Cc

Ian Pearson MP, Her Majesty's Treasury

Michael Foster MP, Government Equalities Office

Shahid Malik MP, Department for Communities and local Government

Lord Young of Norwood Green, Department for Business, Innovation and Skills

Alan Christie, Equalities and Human Rights Commission