

MOVING ON UP?

Racial Equality and the Corporate Agenda A Study of FTSE 100 Companies

A Report for The Runnymede Trust

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INDEX

	<i>Page No</i>
1.0 EXECUTIVE SUMMARY	3
1.1 Aims Of The Research.....	3
1.2 Methodology.....	3
1.3 Key Findings.....	3
1.4 'When' There's A Will There's A Way.....	5
2.0 REPRESENTATION OF ETHNIC MINORITY PROFESSIONALS AND MANAGERS	6
2.1 Definitions of "Ethnic Minorities".....	6
2.2 Provision of Data Across FTSE 100 Companies.....	7
2.3 Representation of EM's Amongst Total Employees.....	7
2.4 Representation Across Professional Positions.....	8
2.5 Representation Across Junior And Middle Managers.....	9
2.6 Representation Across Senior Managers.....	9
2.7 Representation Amongst Directors.....	10
2.8 So, What About Supply?.....	10
3.0 THE CURRENT STATE OF RACIAL EQUALITY POLICIES AND PROCEDURES IN FTSE 100 COMPANIES	12
3.1 The Strategic Framework for Racial Equality.....	12
3.2 Recruitment.....	15
3.3 Progression And Retention.....	17
3.4 Mobility Across Europe.....	20
3.5 Integrating Into Customer And Supplier Relationships.....	22
3.6 The State of Best Practice Amongst FTSE 100 Companies.....	22
4.0 THE EXPERIENCE OF ETHNIC MINORITY EMPLOYEES IN FTSE 100 COMPANIES	25
4.1 The Strategic Framework.....	25
4.2 Recruitment.....	27
4.3 Progression.....	28
4.4 Mobility Across Europe.....	30
4.5 Conclusions.....	31
5.0 CONCLUSIONS	33
5.1 There Is A Mismatch Between The Perceptions Of Companies And Their Ethnic Minority Employees.....	33
5.2 Commonly Agreed Barriers.....	34
5.3 Our Conclusions.....	35
6.0 RECOMMENDATIONS	36
6.1 Recommendations For FTSE 100 Companies And The UK Government.....	36
6.2 EU Recommendations....	38

MOVING ON UP?

RACIAL EQUALITY AND THE CORPORATE AGENDA

A STUDY OF FTSE 100 COMPANIES

STRUCTURE OF THIS REPORT

In **Section 1.0** we have an executive summary with the key points from the research.

In **Section 2.0** of this report, we look at the representation of ethnic minority employees in the UK in the FTSE 100 companies.¹ We set this in context by looking at the supply side – for instance, the number of ethnic minorities in the graduate labour market.

In **Section 3.0**, we set out the company responses to our questionnaire grouped into different areas of best practice. This indicates the policy framework that FTSE 100 companies have or have not put in place to support the recruitment, development and retention of ethnic minority employees, and mobility across the European Union.

In **Section 4.0**, we move on to look at what happens to the policies in practice and, in particular, the views of ethnic minority managers and professionals about race equality in the FTSE 100. In a number of areas, this provides a useful contrast to how the companies view their own policies.

In **Section 5.0**, we draw some conclusions from the research and highlight the barriers that need to be removed in order to make further sustained progress.

In **Section 6.0**, we outline a number of recommendations for both FTSE 100 companies and for the European Union itself that will help re-energise and improve their practices.

NOTES

¹. These figures obviously relate just to the 27 FTSE 100 companies who were able to supply this data.

1.0 EXECUTIVE SUMMARY

1.1 Aims Of The Research

Commissioned by The Runnymede Trust with sponsorship from BP Amoco, the Cabinet Office, DfEE and the Home Office,¹ this research is designed to help companies re-energise their strategies on combating racism and discrimination in employment by looking at the experience and learning amongst FTSE 100 companies in the UK.

There are three specific aims for the research, to:

1. indicate the numbers of ethnic minority professional and managerial staff in FTSE 100 companies in the UK;
2. identify best practice in terms of the policies and systems that are in place in companies to actively promote equality of opportunity for ethnic minority employees;
3. describe the opportunities and barriers that ethnic minority professional and managerial staff experience as they progress through organisations.

1.2 Methodology

The research took place between September 1999 and January 2000. It was undertaken by Sandra Sanglin-Grant and Robin Schneider of Schneider~Ross. The Research Committee, was led by Michelynn Lafèche of the Runnymede Trust, with membership from BP Amoco.

A questionnaire was distributed to all of the FTSE 100 companies in order to gather data on their policies and the demographic profile of their employees. 55 companies responded, 40 returned the questionnaire and 15 wrote in with reasons for **not** completing the survey (which ranged from 'company reorganisation' to '*having a stated policy, agreed with the Trade Unions, of not doing any ethnic monitoring*').²

Focus groups and one-to-one discussions involving 23 ethnic minority professionals and managers from 9 of the responding companies were held in order to gain an insight into their experiences and perceptions.

1.3 Key Findings

1.3.1 Lack of ethnic minorities in senior positions

Of those companies willing and able to provide this data (27 companies employing 860,000 employees in the UK) 5.4% of employees were from ethnic minorities (versus an estimated 6.4% in the population as a whole in the UK). Representation, however, fell sharply with grade: 3.2% of junior and middle managers, 1.0% of senior managers.

¹ This research was commissioned specifically as new primary research for a Conference sponsored by the European Union, to be held on 7 February called: 'The Corporate Face in Europe'. The conference project has been undertaken by the Runnymede Trust in partnership with MPG and the City of Amsterdam.

² An additional 10 companies expressed interest in the research and promised to return the questionnaire, but for unknown reasons were unable to do so.

There are significant variations in representation between different ethnic groups, with those from Indian ethnic origin (for instance) represented more consistently across the grades and Black Caribbean's significantly under-represented at managerial and professional levels. Bangladeshis in particular appeared significantly under-represented at all levels.

1.3.2 Ethnic minority professionals & managers feel excluded by subtle, non-overt discrimination

All the responding companies believe that their policies and procedures for progression do not discriminate against ethnic minority groups, but this view is not shared by ethnic minority employees themselves.

They perceived the lack of representation at senior level as a significant and demotivating factor which feeds suspicions that a subtle, non-overt form of discrimination continues to operate.

All those involved in the focus groups and one-to-one discussions reported occasions when they had felt excluded by colleagues or not supported by their managers, and many had felt it necessary to move companies to get on. This was deemed to be easier than confronting the issues. As one put it: *"I worried how it would affect my references, would I be seen as some sort of troublemaker? But it means that I didn't get it off my chest, which I regret."*

Ethnic minority employees are anxious *not* to attract special favours (and have concerns about targets in this regard) but they do expect companies to have policies in place and to address the behavioural issues.

Interestingly, ethnic minority employees, whilst welcoming opportunities for assignments in North America (which was deemed to be more meritocratic) were much less enthusiastic about the prospects of working in European Union member states outside the UK. Because of media images of violence and hostility towards ethnic minorities, most concerns were expressed about Germany and Austria and, to a lesser extent, France.

1.3.3 Race is still not firmly on the business agenda

For many FTSE 100 companies (let alone UK plc as a whole) racial equality is not yet firmly on the business agenda.

This is reflected in the numbers who, despite long-term and plentiful guidance from the Commission for Racial Equality and others, do not monitor their staff populations by ethnicity. (Only 27 companies were able to provide this data.) The tentative approach of many organisations is best summed up by the fact that only 4 companies reported setting targets for the representation of ethnic minorities.

Even amongst the 40 companies who responded to the survey, only 60% had developed a business case for race equality and 48% had agreed a strategy for improving racial equality.

There are, however, indications of race moving up the corporate agenda and, of the 40 respondents, many indicated that policies were "under development".

1.3.4 Leadership from a few companies

A core group of 10 companies had actioned between 65% and 80% of the best practice policies mentioned in the survey, exercised consistent leadership and (not surprisingly perhaps) included many that tended to have a higher representation of ethnic minorities amongst their employees. In the one company amongst this group where ethnic minorities were significantly under-represented, they had recently increased their intake of ethnic minority graduates from 4% to 19%.

Interestingly, all 10 organisations were in the business of providing services direct to the public (including 5 financial services companies and 3 retailers) and they had all developed a business case for race equality.

1.4 'When' There's A Will There's A Way

This suggests that once organisations have seen the commercial significance of racial equality, they are prepared to invest appropriately in its development within their organisation.

The steps taken by the leading companies are simply sound strategies that would be the norm for any other business issue. The various best practice options are based on our extensive experience of policies in leading organisations in the UK and on advice from organisations such as the CRE (Commission for Racial Equality) and RFO (Race for Opportunity).

Leading companies firstly ensure that there is an appropriate infrastructure in place – with a business case, good quality data, and leadership. They then take action on the recruitment front to attract ethnic minorities with the skills they need, take steps to open up resourcing of jobs internally, and support their managers and employees by providing race awareness training. Furthermore, they ensure that race issues are integrated not only into the ways in which they recruit and retain their employees, but also into their more general business strategies and relationships with customers and other business partners.

The task for companies, therefore, is to address themselves to removing all obstacles and to harness the diversity available to them, using it to build stronger, more competitive organisations.

2.0 REPRESENTATION OF ETHNIC MINORITY PROFESSIONALS AND MANAGERS

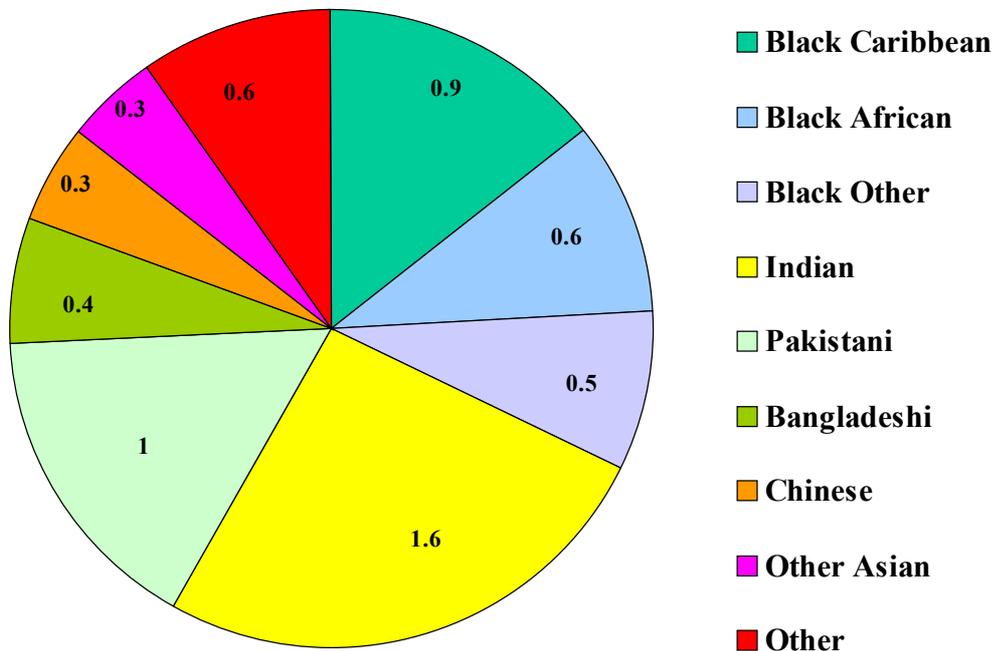
2.1 Definitions Of "Ethnic Minorities"

For the many organisations that are globalising their business (for instance, where they have significant presence in China, Africa, and the Indian Sub-Continent) some of the ethnic groupings that constitute a "minority" in the UK do, of course, form the majority of the population. This is a complicating factor when these organisations look at the make-up of their workforce on a global basis (as they increasingly do, particularly at more senior levels).

In our experience, however, each nation (or region) will have particular ethnic groups who are "under-represented" in employment (particularly in senior and professional positions) and therefore it is crucial that the truly global multinationals upgrade their methods for defining these groups.

Given that this research focuses on race in the UK, we have used here the categories adopted in the last UK census (which mirrors the approach used by most UK companies and facilitates comparison with the UK labour market). The "ethnic minority" groupings are: Black Caribbean, Black African, Black Other, Indian, Pakistani, Bangladeshi, Chinese and Other Asian.

All Ethnic Minority Groups in UK Population in 1997



Source: Office for National Statistics Summer 99

2.2 Provision Of Data Across FTSE 100 Companies

The first point to make is that the data here is very incomplete. From the 40 surveys returned, only 27 companies were actually able to provide employee statistics broken down by ethnicity (and even then, there were on average 4.3% of employees whose ethnicity was “unknown”). Moreover, not all of these organisations were then able to break the data down by levels in the organisation.

This in itself tells something of a story and indicates some of the sensitivities involved in focusing on race in general and in gathering data on ethnicity in particular.

Thus, whilst Government legislation and tribunals have been encouraging organisations to monitor the composition of their workforces for over 20 years, many companies, even amongst the FTSE 100 (who are likely to be in the vanguard) have not taken this fundamental first step.

2.3 Representation Of Ethnic Minorities Amongst Total Employees

Of the 27 companies that could provide a breakdown of their employee statistics by ethnicity, ethnic minorities represent 5.4% (46,788) of total employees (859,734).

Total Employees	White	Ethnicity Unknown	Total Ethnic Minorities
859,734	775,957 (90.3%)	36,989 (4.3%)	46,788 (5.4%)

Clearly, the numbers varied significantly between companies – depending on location and (to an extent) industry sector (retailers having noticeably higher representation). Of the 27 companies, many (12) had ethnic minority representation in the 2.6% - 5.0% range.

	0 – 2.5%	2.6 – 5.0%	5.1 – 7.5%	7.6 – 10%	10% +
Number of companies	6	12	3	4	2

The representation across the different ethnic minority groupings was as follows:

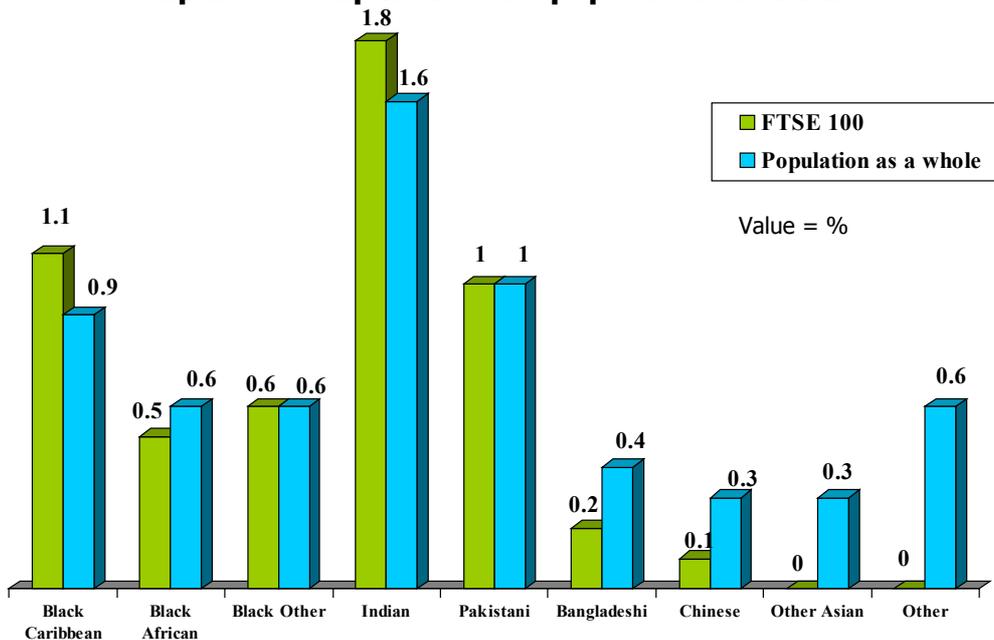
Black Caribbean	Black African	Black Other	Indian	Pakistani	Bangladeshi	Chinese
9,583 (1.1%)	4,654 (0.5%)	5,567 (0.6%)	15,792 (1.8%)	8,674 (1.0%)	1,420 (0.2%)	1,098 (0.1%)

As is well known, different ethnic minority groups have very different experiences in the labour market and this is reflected, for instance, in the differential unemployment rates: Unemployment stands at 13% (ILO figures) among black and Asian workers – 2% higher than a decade ago. Unemployment among white people, however, has dropped to 6% (the

same as in 1990). This is reflected in the charts below showing the uneven representation of ethnic minorities in professional and managerial grades³.

Therefore, it is important to recognise the diversity that exists across the ethnic minority communities. There are undoubtedly common factors that impact on all ethnic minorities. There are other factors too that, at their crudest, mean that some groups end up being more “excluded” and disadvantaged than others. (For instance, the figure here for the Bangladeshi representation is markedly lower than their representation in the UK population as a whole.)

Representation of Ethnic Minorities in FTSE 100 companies compared to the population as a whole



It is perhaps also important to note that the total figure for those whose “ethnicity is unknown” was itself on average 4.3% and in one organisation actually as high as 31%. Clearly, this is something organisations need to reduce in order to improve their data.

2.4 Representation Across Professional Positions

For the purpose of this research we defined professionals as “non people-managers who are in higher grades than clerical/admin staff”. The 16 companies that were able to analyse their employee profiles in this way identified 39,220 professionals.

Total Professionals	White	Ethnicity Unknown	Total Ethnic Minorities
39,220	31,748 (80.9%)	6,387 (16.3%)	1,085 (2.8%)

³ “The management/supervisory gap between black and white employees has widened over recent years, increasing from 4.6% in 1992 to 5.7% in 1999. At the beginning of the decade 30 % of white employees were managers or supervisors, compared to 25.4% of black employees. By 1999 the proportion of black employees in such positions fell to 24.7%, while the equivalent for white employees had increased to 30.4%”, Extract from ‘Qualifying for Racism’ TUC Report, January 2000.

Again, there are clearly different levels of representation across the ethnic minority communities, with significantly higher representation from the Indian community – who make up over half of all professional ethnic minorities in our respondent companies. The number of Indians in professional positions is broadly consistent with their representation in these companies as a whole (1.6% v 1.8%) and also the Chinese figures (albeit for small numbers). The representation for all other ethnic minority communities is significantly lower (particularly for the Black Caribbean group: 0.2% v 1.1%).

Black Caribbean	Black African	Black Other	Indian	Pakistani	Bangladeshi	Chinese
95 (0.2%)	59 (0.2%)	137 (0.3%)	622 (1.6%)	103 (0.3%)	7 (0% ⁴)	62 (0.2%)

2.5 Representation Across Junior And Middle Managers

These managers were defined as “junior and middle managers that have people reporting to them”. Whilst the representation of ethnic minorities here is slightly higher than amongst professionals, it is still significantly lower than the figures for employees as a whole (3.2% v 5.4%):

Total Junior & Middle Managers	White	Ethnicity Unknown	Total Ethnic Minorities
82,369	76,225 (92.5%)	3,507 (4.3%)	2,637 (3.2%)

Again, the picture varies across different ethnic minority communities, with Indians and Chinese being the only groups who are broadly in line with their representation in the wider employee population:

Black Caribbean	Black African	Black Other	Indian	Pakistani	Bangladeshi	Chinese
474 (0.6%)	181 (0.2%)	333 (0.4%)	1,319 (1.6%)	161 (0.2%)	27 (0% ⁵)	142 (0.2%)

2.6 Representation Across Senior Managers

Senior managers, for the purpose of this research, were defined as “heads of department/division/function”.

The pyramid which represents the number of ethnic minorities across the grades in companies has a particularly thin “peak”. Whilst ethnic minorities in these companies represent 5.4% of employees as a whole, 3.2% of junior and middle managers, they constitute only 1% of senior managers.

⁴ This percentage is less than 0.05%

⁵ This percentage is less than 0.05%

Total Senior Managers	White	Ethnicity Unknown	Total Ethnic Minorities
14,899	14,038 (94.2%)	706 (4.7%)	155 (1.0%)

The figures once more differ between ethnic minority groups, with Indians again having a higher representation but now significantly reduced from their representation in lower grades.

Black Caribbean	Black African	Black Other	Indian	Pakistani	Bangladeshi	Chinese
11 (0.1%)	3 (0% ⁶)	2 (0% ⁷)	99 (0.7%)	23 (0.2%)	13 (0.1%)	4 (0% ⁸)

2.7 Representation Amongst Directors

This low level of representation amongst senior managers reaches its natural conclusion in the almost total lack of Executive Directors from ethnic minority communities. From among the 22 organisations who provided this data, only 3 of the 129 Executive Directors were from ethnic minority communities (2 Pakistanis and 1 Chinese).

There was, however, slightly higher representation amongst the 101 Non-Executive Board members (in 19 organisations) 5 (4.5%) of whom 4 were Indians and 1 Chinese.

Whilst one company has two Directors who are from ethnic minority communities from the US, it is perhaps worth pointing out that from amongst the FTSE 100 companies that were able to supply this data, there was not one Executive or Non-Executive Director from the Black Caribbean, Black African or Black Other communities in the UK.

2.8 So What About Supply?

45% of responding companies indicated that they either “didn’t know” or “neither agreed nor disagreed” that “there is a sufficient number of well-qualified people from ethnic minority communities in the labour pool to provide candidates with the potential to progress through to professional and senior management jobs”.

The focus of this research is on ethnic minority professionals and managers – so the key supply statistics are associated with the university population.

What we find, in fact, is that ethnic minorities are not under, but over-represented in higher education - representing 12%⁹ of students (although this does differ between ethnic groups – with Black Caribbean men and women and Bangladeshi and Pakistani women being under-represented).

It is observable that, with the exception of Chinese and Other Asian students, a larger proportion of ethnic minority students are studying at the “new” (post 1992) universities.

^{6, 7, 8} This percentage is less than 0.05%

⁹ HESA, 1997

What is also the case is that there is not only a high representation of ethnic minorities in the student population but, disappointingly, that they are also over-represented amongst graduates who are unemployed.

Among white graduates the rate of unemployment is at 7%, but across many ethnic minority graduates it is distinctly higher:

Black African	19%
Pakistani	14%
Black Caribbean	13%
Bangladeshi	13%
Black Other	13%

Source: Labour Force Survey, average, Spring to Winter 1998/9, Great Britain

What this data suggests, of course, is that the lack of ethnic minorities in professional and managerial positions, reported above, is not a problem of supply. This sort of differential (graduates from many ethnic minority communities twice as likely as their white counterparts to be unemployed) suggests that either companies are not taking sufficient steps to attract applications from ethnic minorities, or that their recruitment processes are flawed and have the impact of discriminating against particular ethnic minority groups.

3.0 THE CURRENT STATE OF RACIAL EQUALITY POLICIES AND PROCEDURES IN FTSE 100 COMPANIES

One of the purposes of this research was to increase our awareness of the best practice that exists across the FTSE 100 companies. Accordingly, in this section of the report we cover the company responses to the questionnaire items that dealt with best practice issues. This gives us a picture of the policies and initiatives that respondent companies have sought to put in place or are in the process of developing.

We have divided this best practice into five main themes:

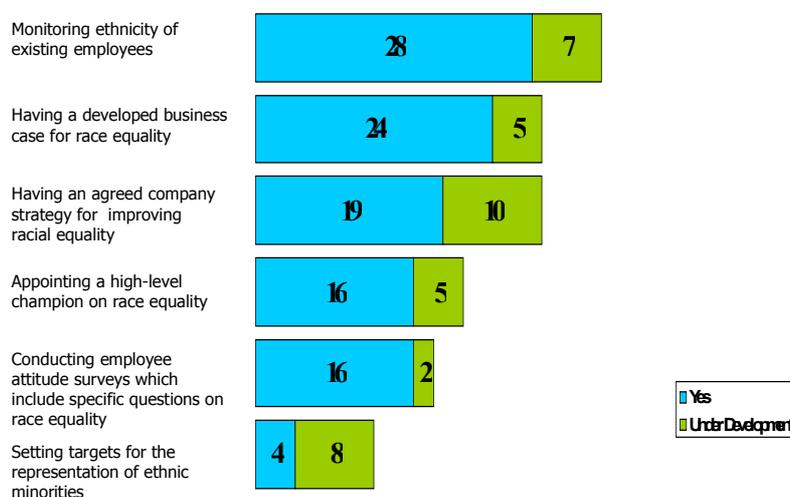
1. **the strategic framework for racial equality** – the sorts of things that need to be in place for there to be sustained organisational focus on race issues;
2. **recruitment** – actions that are helping companies attract ethnic minority applicants;
3. **progression and retention** – actions that companies are taking in order to develop an “inclusive” culture and to ensure that their progression policies are open and merit-based;
4. **mobility across Europe** – steps companies are taking to ensure opportunities across their European locations are open to Black and Asian employees.
5. **Integration into customer and supplier relationships** – actions that companies are taking to identify and realise the potential represented by ethnic minority customers and suppliers

In addition, we have concluded this section of the report with a summary of the state of best practice in the FTSE 100.

3.1 The Strategic Framework For Racial Equality

The following are “core” elements of any serious attempt to make progress on race equality issues. At heart, they are about managing this issue with the sort of determination and rigour that is commonplace for other issues that are considered important for the health of the business. Of the 40 questionnaire respondents, the various factors were rated as follows:

Strategic Framework for Racial Equality



It is worth noting here that it was those companies with most of the elements of the strategic framework in place who proved to be in the core group of leading companies as far as best practice in general was concerned. (In other words, they were the companies who went on to integrate racial equality into their systems and processes – for instance regarding recruitment and progression). The others that have most of the strategic framework in place are those companies where race appears to be moving up the business agenda and that are starting to put their strategies in place but where particular policies may still lag behind the new energy and commitment.

3.1.1 Monitoring ethnicity of existing employees

Monitoring helps identify areas of under-representation and provides vital data to inform recruitment and promotion strategies. Gathering this sort of data is a natural starting point and given the guidance that has been available from the CRE and others for over 20 years, it is perhaps surprising that any FTSE 100 companies do not monitor the ethnic origin of their employees. In fact, 12 of our 40 respondents do not monitor ethnicity (of whom 7 indicated this was “under development”) and it is likely that this data is not available in the FTSE 100 companies who did not respond to the survey - some companies decided not to complete this survey specifically because they do not monitor on the basis of ethnicity. As one company responded, *“Since we do not classify members of staff by race, we are unable to provide the data for your questionnaire.”*

Indeed, even amongst the 27 survey respondents who were able to provide this data there remain difficulties – for instance, using consistent definitions of ethnicity (particularly where two organisations have recently merged) and the number of employees who have not responded to surveys and are therefore reported as “ethnicity unknown”. In addition, as mentioned in Section Two, only some of the 27 companies were able to break the data down by grade.

It is to be hoped that very many more companies start to see the value of this data - as one company commented:

“A recent change in management has recognised the need to introduce/improve our diversity at work procedures and ethnic minority monitoring. The company is aware there is a lack of data and is in the process of putting together an action plan... We are also implementing a new HR system which will assist us to develop, analyse and monitor statistics and policies.”

3.1.2 Having a race equality business case

Whilst some leaders are prepared themselves to act purely on the basis of it being the “right” thing to do, this sort of commitment is relatively unusual in our experience. Not surprisingly, therefore, being clear about how racial equality relates to the bottom line can in itself be a tremendous spur to developing an action plan on racial equality. Indeed, without it, there is likely to be resistance and scepticism amongst line managers, who struggle to make the connection between racial equality and the pressures they are under to achieve company performance.

Nearly two thirds of respondents (24) say they have developed a business case for race equality with 5 saying that this is being developed. These 29 companies (72.5% of our respondents) provide the vast majority of the examples of the initiatives in place and show

the sort of steps that can be taken once an organisation has convinced itself there is a commercial benefit to be gained. All the core group of leading companies have a race equality business case.

The 11 respondent companies who do not have a business case are, not surprisingly, the companies who also have least of the other best practice policies in place.

3.1.3 Building a race equality strategy

Just under half of respondents (19) have an agreed company strategy for improving race equality.

"During 1999 Barclays formed an Executive Equality and Diversity Steering Group to develop Barclays strategy for integrating Equality and Diversity into all business planning and management processes. A Race Action Group, comprising business managers and ethnic minority staff has developed a practical framework for action as part of a 'tool kit' to support business units."

Barclays Bank plc

"We have an Executive EO Steering Group with active champions on a range of EO issues, including ethnic minority matters. We monitor at all levels in the company and across a range of activities/policies i.e. appraisal ratings. We are currently developing cultural awareness training. We evaluate the success of our activities through staff survey etc and monitor these by ethnic group. We have recently undertaken a comprehensive awareness programme of which ethnic minority positive action played a major part. Regional ethnic minority working parties have been set up"

Halifax plc

A quarter of respondents (10) indicate that a strategy is being developed. For instance, a couple of organisations stated:

"We need to expend as much time and energy in addressing these issues as we are on 'women's' issues. Greater focus will be provided next year. Questionnaires such as this prick the consciences of many of us."

"Our senior management team have fundamentally restructured the company.... After which we will focus on trimming our company into a high growth diverse, global entity. This will more actively embrace the ethnic issues [that] so far we have failed to tackle vigorously"

3.1.4 Leadership from the top

Central to implementing a strategy on racial equality and determining the sorts of behaviours that are, or are not, acceptable within an organisation is to have visible leadership from the top.

Eleven companies (27.5%) are signed up to the CRE Leadership Challenge with another seven (17.5%) saying this is being developed.

Whilst this sort of role model behaviour is clearly required from all the Directors, organisations recognise the value of appointing a champion at this level who can really give

this issue sustained attention and priority. Sixteen companies (40% of respondents) report that they have appointed a high level champion on race equality. Another five companies say that this is being developed.

3.1.5 Conducting employee attitude surveys

Clearly, many organisations recognise that gathering data on the profile of their employees helps them understand better what issues they might have with regard to racial equality. Leading organisations are increasingly recognising that this representation data is necessary but not sufficient – it needs to be supported by robust data regarding employee perceptions.

40% of respondents (16 companies) include questions regarding racial equality in their attitude surveys. A further 2 organisations are considering it.

Analysis of these sorts of questions by ethnicity can be very revealing and enable organisations to set, and review progress against, challenging goals for the improvement in staff perceptions.

3.1.6 Setting targets for the representation of ethnic minorities

Whilst many of the respondent companies monitor the ethnicity of their employees, most do not go on to set targets for the representation of ethnic minority employees.

Interestingly, this question provoked many of the strongest comments in the company responses:

"The company] consciously avoids operating a quota system in regard to ethnic minorities, because it is our belief that individuals should be allowed to progress on the basis of merit, irrespective of race, gender, sex, religion, age or physical disability. To introduce quotas could potentially create a positive discrimination mindset with the danger of arousing prejudice where none currently exists."

Targets (or "aspirations" as they are sometimes called) are not only consistent with a merit-based approach but also necessary for it. They are a way of challenging the otherwise natural tendency for organisations to "clone" by choosing the "comfortable" candidate.

Only one in ten respondents (4) say they have set targets for the representation of ethnic minorities with a further 8 (20%) indicating that this is being developed. (In this light, it is interesting that the Government has taken the lead here by establishing and publicising targets - in the Modernising Government White Paper - for ethnic minority representation in the Senior Civil Service.) More particularly, this item produced a strong negative reaction: 27 companies (67.5%) reporting that they do not set targets and that this is not under consideration.

3.2 Recruitment

Moving beyond the strategic framework, companies obviously need to have specific policies in place to make progress.

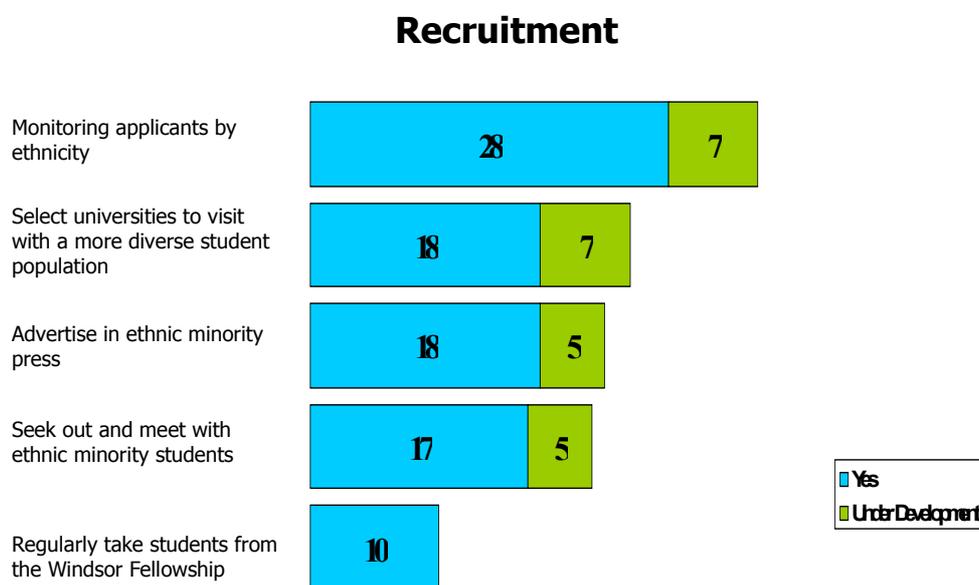
One important policy area is to do with the processes for recruitment. If an organisation does not attract a diverse range of applicants in the first place then, however good its

development, reward and retention policies might be, it will not actually be very diverse. One company commented:

"Further progress is perhaps inhibited by lack of good people from different racial backgrounds presenting themselves to the industry for employment opportunities."

It is perhaps because companies have tended to regard racial equality as a "supply" issue that they have done more on recruitment than other policy areas.

Because this research focuses primarily on ethnic minorities in managerial and professional positions, there is an emphasis in the recruitment policies below on the graduate recruitment process.



3.2.1 Monitoring applicants by ethnicity

Most responding organisations have introduced monitoring on the basis of ethnicity – 28 of our respondents (70%) have it in place already and a further 7 (17.5%) are developing such monitoring.

This has to be a sensible starting point – knowing whether it is, or is not, reaching a diverse labour market ought to inform all the other recruitment policies and processes.

3.2.2 Seeking out universities that reflect a more diverse student population

18 companies (45%) seek out universities with a more diverse student population and a further 7 report that this is "under development". Together with the move towards using the Internet as a vehicle for facilitating applications, there has undoubtedly been an opening up of the graduate recruitment process in many companies.

3.2.3 Advertise in the ethnic minority press

To increase the pool of applicants companies are also encouraged to advertise external vacancies in the ethnic minority press as well as in the mainstream press. 18 (45%) of respondents say they do so, with a further 5 indicating that this is being developed.

3.2.4 Proactively seek out and meet with ethnic minority students

17 of the FTSE 100 respondents seek out and meet with ethnic minority students (42%) with a further 5 saying that this is being developed.

"Encouraging development of links with local communities to encourage applications and change perceptions of our organisation".

The Boots Company

"We have a process in place with Project FullEmploy to provide us with candidates for a range of retail positions across our chains."

Dixons Stores Group

"We regularly attend careers fairs aimed at ethnic minorities, for example, we were a principal sponsor of the African and Caribbean Finance Forum's first ever careers fair. We are involved in a number of employment projects such as Project FullEmploy".

HSBC Bank plc

3.2.5 Regularly take Windsor Fellowship students

The Windsor Fellowship is a specific example of a positive action initiative that companies can take. The Fellowship offers companies the chance to be proactive in offering ethnic minority students vacation placements for up to a year to help them gain work experience. 10 companies (25%) say they take advantage of this scheme.

Some companies have developed their own versions:

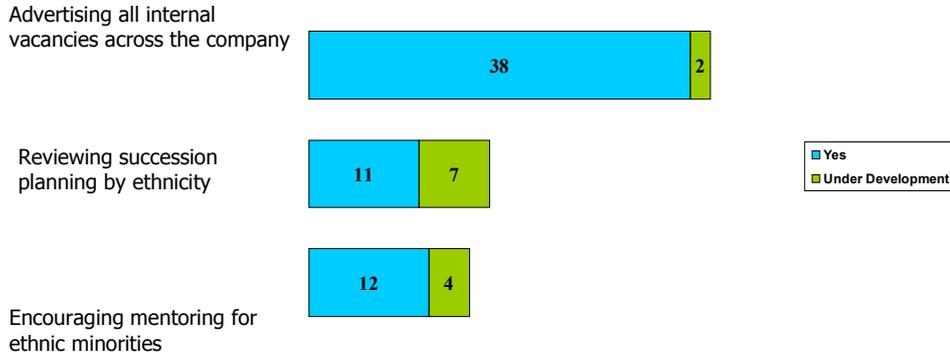
"The HSBC Bank Fellowship Programme offers work experience placements to penultimate year undergraduates from an ethnic minority. Approximately 50 places are offered per year".

3.3 Progression And Retention

It is obviously one thing to recruit ethnic minority employees, it is another to find ways of creating a working culture that is inclusive and allows people to progress on merit. We have separated this into two "clusters" of issues: (1) those policies surrounding progression and (2) the steps companies are taking to develop an "inclusive" culture.

A particularly challenging area for most companies in which to demonstrate fairness is around promotions – who gets on is always an emotive issue. Leading organisations are increasingly recognising the need for openness and transparency. Development is increasingly "self-development", as employees are being encouraged to take more and more responsibility for their own development. This best flourishes, of course, when **all** employees feel they have access to opportunities to progress within their organisation.

Progression

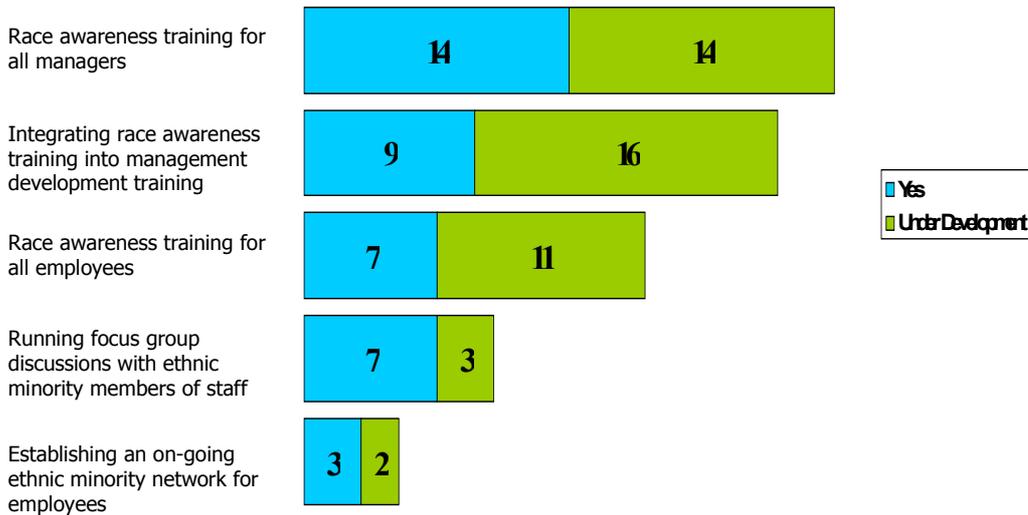


Steps companies are taking include:

Progression and development policies are obviously important, but in a culture where people who are “different” feel “excluded”, most ethnic minority employees will be precluded from succeeding. What is needed are attempts to understand the full range of employee needs, to encourage managers to see diversity (and difference) as a source of creativity and innovation which should be deliberately harnessed for the corporate good.

In this regard, actions companies are taking indicate:

Retention



3.3.1 Open resourcing

Encouragingly, nearly all survey respondents (38 companies, 95%) report that they advertise all internal vacancies across the company with the remaining two indicating that this is being developed. This demonstrates a strong trend across leading organisations, although as will be apparent from Section 4.0 of this report, what actually happens in practice (and what is perceived to occur) may be rather different from the formal policy.

3.3.2 Reviewing succession planning by ethnicity

Organisations clearly recognise that the development of highly talented successors at Board level is critical to their future, and often develop processes such as succession planning to support this.

This will obviously have the impact of “excluding” those who are not deemed to have “high potential” and therefore are not party to the process. For this reason, it is increasingly recognised that organisations should review succession planning processes to ensure that they do not discriminate unfairly on the basis (for instance) of ethnicity.

Only just over a quarter of companies (27%, 11 organisations) review succession planning by ethnicity, with another seven (17.5%) indicating that this is being developed.

***"We recognise there is no room for complacency and we are working hard to improve representation at senior levels within the company."
British Telecommunications plc***

"We have annual organisational capability reviews of all business units, and all functions – we review the status of ethnic minorities, succession plans, ratios "

Marconi plc

3.3.3 Mentoring

Knowing the “rules of the game”, understanding how to influence people and make a difference, having someone with long experience with whom one can chew these things over - all these things can make or break an individual’s career. Mentoring is one way organisations have of enabling this sort of support.

Just under a third (30%) say they encourage mentoring for ethnic minorities, with another 4 (10%) indicating that this is being developed.

***"We have recently launched a career development programme for ethnic minority managers and a careers support scheme for senior ethnic minority managers".
Lloyds TSB Bank plc***

3.3.4 Race awareness training

Many of the leading organisations recognise that it is vital to work on organisational culture.

"The main issue is integrating behaviours into company culture to accept and embrace diversity."

The Boots Company

Not surprisingly, therefore, race awareness training – helping people understand and get in touch with their own prejudices and blind spots around race - is an increasing feature of organisations' action plans.

Race awareness training often starts with managers – who obviously have a particularly important role in shaping the day-to-day working environment. Just over a third (14 companies, 35%) run it for all managers, while just over another third (35%) say it is being developed. Less than a quarter (9 companies, 22%), however, integrate race awareness training into management development training – there is a possibility therefore that it remains very much an “adjunct” and is not seen as an integral part of being a good manager. This may change, a further 40% (16 companies) indicate that this “under development”.

Obviously, managers have an important role, but are not the only ones who shape organisational culture. Only seven companies (17.5%) run race awareness training for all employees. Another eleven (27.5%) report that this is being developed.

3.3.5 Seeking input from ethnic minority employees

Once organisations recognise the importance of race equality to their business, they take steps to ensure they have robust mechanisms for getting input from their ethnic minority employees.

“Research is undertaken and an action plan put in place to address concerns of ethnic minority staff.”

Lloyds TSB

This remains, however, something that only a few organisations are doing. Only seven (17%) run focus group discussions with ethnic minority staff. Three (7%) indicate that this is being developed. Again, only three companies have taken the further step to establish an ongoing ethnic minority network for employees (another 2 indicate that this is being developed). Those who have done so, and BT have a particularly successful network, have found it invaluable in giving a profile to race equality and developing and reviewing strategies.

Given the small number of companies undertaking these sorts of actions, it should not be so surprising that there is such a gap between the perceptions of ethnic minority staff and their employers (see Section 3 of this report). The danger, of course, is that this leads to organisational complacency and ethnic minority employees who feel increasingly cynical and frustrated about the prospects for improvement. At its worst this can create a situation that is ripe for tribunals or, more frequently, it leads employees to leave in order to try to find an organisation that will properly value and respect their skills.

3.4 Mobility Across Europe

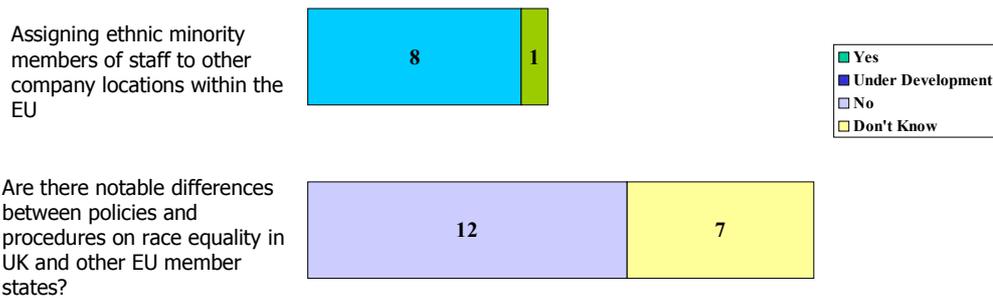
One of the themes of this study is to look at the prospects for British ethnic minorities to work in subsidiaries of their companies in other European Union countries.

This is particularly important as companies seek to be competitive across national boundaries and therefore opportunities to work abroad are an increasingly important part of

career development. If ethnic minorities are excluded from these assignments, or exclude themselves, they are less likely to make it to the top of their organisations.

From our survey we found that of the 20 responding companies who were able to provide us with numbers of employees in Europe:

Mobility in Europe



3.4.1 Monitoring of foreign assignments by ethnicity

Eight of these companies (40%) say they assign ethnic minority members of staff to other company locations within the European Union (outside the UK), while nine (45%) say they do not. One company says this is being developed.

These low numbers may be to do with the lack of candidates (and in Section 4 we report on some of the reservations that ethnic minority employees themselves held) or may be to do with the fact that companies have not really started to think about this issue from the perspective of race equality.

3.4.2 Consistency of policies and procedures on race across locations

60% of responding companies state they have employees in the EU outside the UK and reported that there were no notable differences between their policies and procedures on race equality in their UK operations and their operations in other EU member states. This reflects an understandable insistence on getting consistent values across operations in different countries.

The degree to which subsidiaries actually take actions in line with a set of generic values will no doubt vary according to many local considerations.

Revealingly, just over a third - (35%) didn't know whether or not there are consistent policies and practices on race across all of their European locations. As one reported "we have no monitoring or reporting mechanisms for capturing European practice". This ties in with organisations being unable to provide ethnic minority employee statistics on a pan-EU basis.

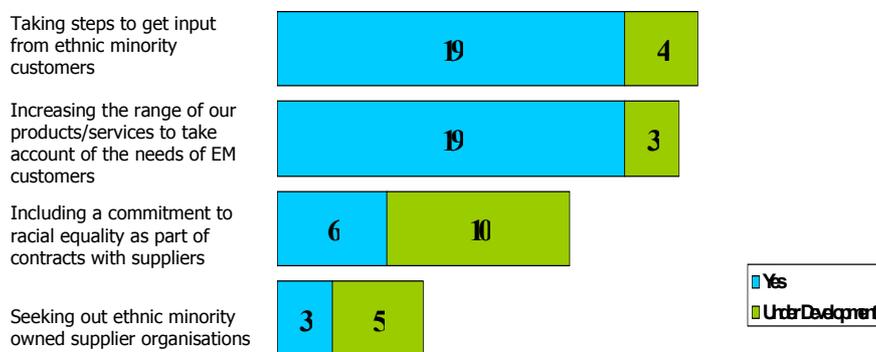
3.5 Integrating Into Customer And Supplier Relationships

If race equality remains an issue that is confined to the HR or External Affairs function then this is an indicator that the company has not yet fully realised the business significance (and breadth) of issues involved.

Not surprisingly perhaps, organisations with a direct interface with the consumer (retailers, financial service organisations, telecommunications) have been quicker to see the commercial significance of embracing diversity. For some, this has acted as a powerful lever for change within their organisation.

We found:

Integration into Customer and Supplier Relationships



3.5.1 Customer relationships

About half of our respondents (19 companies, 47%) are taking steps to get input from ethnic minority customers, with four companies (10%) indicating that this is being developed. The same percentage (47%) are increasing their range of products/services to take account of the needs of ethnic minority customers, with three (7%) saying this is being developed.

It is not surprising that those companies who are taking steps to get input from ethnic minority customers also feature strongly amongst the leaders of best practice.

3.5.2 Supplier relationships

Only six companies (15%) include a commitment to racial equality as part of contracts with suppliers, with another ten indicating that is being developed. Only three (7.5%) seek out ethnic minority owned supplier organisations, with five saying this is being developed.

3.6 The State Of Best Practice Amongst FTSE 100 Companies

It is clear from this research that policies and procedures on racial equality vary tremendously from company to company within the FTSE 100 and clearly we do not know the position of those companies that chose not to respond to the survey.

3.6.1 A core group of leaders are taking purposeful action

What is clear is that there is a core group of leading companies who are establishing a new benchmark for best practice. This is not to suggest that they believe that they have “solved” the problem – indeed, many of these companies added comments to their surveys to express the view that they recognised that much still needed to be done, this rigour contrasting markedly with the signs of complacency elsewhere.

All these organisations had actioned between 65% and 80% of the best practice items. Clearly, it is not enough to have policies in place on paper – getting them lived across the organisation is the real challenge – but at least having the policies means improvement should be achievable and, indeed, planned for. In this regard, it is interesting to report Lloyds TSB’s doubling of their intake of ethnic minority graduates (to 19%).

Outside this core group of companies there are clearly others where race equality is moving up the business agenda. Indeed, all 40 organisations that took the time to complete the research survey are indicating that it is an issue that they are prepared to put some time into.

A number of the responding companies indicated that policies were “under development”, for instance:

- ◆ 40% indicated that they were integrating race awareness training into management development programmes;
- ◆ 35% that they were developing race awareness training for all managers (and 27.5% for all employees);
- ◆ 25% that they were considering including a commitment to racial equality as part of the contracts with suppliers;
- ◆ 17.5% that they were going to select which universities to visit as part of their campus recruitment in order to reflect a more diverse student population.

In this regard, it may be hoped that BP Amoco typifies an increasingly robust approach to the issue of race amongst at least some of the most prestigious UK companies:

“I want to get us to the point where whenever Fortune Magazine runs a feature on successful women or minorities their cover picture includes a face from BP Amoco” Sir John Browne

3.6.2 Still not a priority for many

It is abundantly clear, however, that for many FTSE 100 companies race equality is simply not a priority. Even amongst those who took the time to respond to the survey, over 50% had less than half of the best practice items in place (with 8 companies having less than a quarter). It is highly likely that this also describes the situation of the other FTSE 100 companies who did not complete the survey.

It is probable that there is a connection here with the lack of data (whether it be the breakdown of employees by ethnicity or the perception of ethnic minority employees or customers). There is complacency because many companies are operating in a vacuum and are simply not taking steps to find out whether there are any problems (let alone opportunities). They therefore feel able to state that their policies and procedures do not

discriminate unfairly and as many as 95% of the responding companies felt able to report that “ethnic minority staff are readily accepted and respected in our organisation”.

3.6.3 Some significant policy gaps

The most obvious gaps are associated with this lack of data. 75% of respondents do not run ethnic minority employee focus groups, 50% don't even ask employees questions about race equality in their attitude surveys. 45% (16 out of 35) of the respondent companies who supply services or goods to consumers (rather than business to business) do not specifically seek input from ethnic minority customers. 30% of the respondents don't even follow current legal guidance and monitor the ethnicity of their employees.

Without this data, it is perhaps not so surprising that 40% of our respondent companies do not have a business case for race equality. (It is interesting that there are a few companies who have very patchy data yet have a business case – an assumption might be that in these organisations they have embraced the need for change on the basis that it is simply the “right thing to do”).

The other very significant gap is that 87.5% of the responding companies do not currently set targets for the representation of ethnic minorities in their organisations. To some extent, this may well reflect how far this is not yet seen as a mainstream issue, requiring the same sort of management disciplines as any other business challenge. It prompts the question that for those who report that they have developed a race equality strategy, how are they measuring progress?

In addition, some companies certainly confused setting targets (aspirations for improvement) with having quotas (numbers that have to be achieved, perhaps at the expense of merit)⁴

There are also indications that some companies may be using the diversity agenda (everyone is different, we are each unique) not as a way of setting an overall, and inclusive, context for change but as a way of avoiding getting into “single issues” such as race.

Finally, there is the issue of mobility across Europe. The fact that some companies are unclear about how their policies and procedures differ between their different European locations points to a whole area that has scarcely been considered by companies. As we shall see in the next section of the report, ethnic minority professionals and managers have very real concerns about how they (and their families) may be treated in various European countries and presently may well rule themselves out of contention for these assignments.

⁴ In the UK, targets are legal, while quotas are not. Quotas are used in the US and other countries where candidates are selected on the basis of the group they belong to fill a quota, rather than on merit, which is the basis for targets in the UK. A target is an aspiration or desire to improve representation but always based on merit principles.

4.0 THE EXPERIENCE OF ETHNIC MINORITY EMPLOYEES IN FTSE 100 COMPANIES

We report here on the actual experience of ethnic minority employees in each of the best practice areas identified in the previous section:

- ◆ **The Strategic Framework for Racial Equality**
- ◆ **Recruitment**
- ◆ **Progression and retention**
- ◆ **Mobility across Europe**

This input is via feedback from ethnic minority professionals and managers themselves⁵ from the focus group and one-to-one discussions about what they consider to be some of the continuing barriers. Although the numbers who participated were small, their experiences were highly consistent with findings from our work with leading companies and public institutions.

Input from the survey from the companies themselves also allows us to compare and contrast ethnic minority perceptions with company perceptions in these four main areas.

4.1 The Strategic Framework

We look now at many of the elements that go to make up an overall framework for racial equality as described under best practice in Section 1.0. This time, however, we get a sense from ethnic minority professionals and managers on how well they think their companies are performing (which of course is sometimes different from the policy intent).

4.1.1 Leadership from the top

Ethnic minority professionals and managers were less convinced of true leadership from the top. While some acknowledged that there are white managers who are 'willing to give a helping hand', there was a significant feeling among most people that they were lacking leaders at the top of their organisations who were willing to tackle racial equality.

"We need to be represented by people who have the experience of being an ethnic minority because otherwise the message gets diluted"

Employees from one company, for example, were quite impressed with their current CEO's leadership stance on diversity, which they saw as encompassing a broad range of people, not just ethnic minorities. However, they were less convinced that the CEO's team or the next layers down of management were taking diversity seriously.

⁵ It is worth noting here that the vast majority of the ethnic minority professionals and managers who participated in this research were extremely highly qualified, most with at least one degree, if not two or three. Among the interviewees, for example, there were:

- ◆ two with first degrees
- ◆ three with MBAs (one studying for it at night school)
- ◆ one with a Masters
- ◆ one with a PHD

"We need acceptance from the next layer down to the foot soldiers – not just words"

"The Board and senior management seem to take at face value that we are meeting the targets, so we are an EO employer, but they're not looking below the surface"

This scepticism, unsurprisingly, was partly attributable to the lack of representation of ethnic minority managers at senior and middle management levels, and therefore, the lack of role models. This made the professionals and managers rather sceptical about the seriousness of their companies' commitments to racial equality.

"Recruitment of ethnic minorities is NOT enough, there should be fair representation of ethnic minorities at Managerial and Senior Management levels, with targets to show progress".

Lack of representation was mentioned by everyone at some point as a major barrier to progress. Where there were role models, people felt that they seemed to be Non-UK managers from the United States coming into senior grades, staying for a short period of time and then moving on.

"There's poor representation in (company) from top to bottom – apart from caterers and cleaners – you wonder why?"

"I believe our organisation should be able to point to a shining example of achievement by a minority member of staff".

4.1.2 Setting targets for the representation of ethnic minorities

A great area of concern among ethnic minority professionals and managers was that targets might be seen as positive discrimination. They were very anxious for it to be known that they were not seeking special favours, only to be given the same opportunities as everyone else to progress.

"You want to base everything on merit – you don't want to be seen to be asking too many questions"

This was an interesting finding, given the worry and confusion (shown in Section 2.0) from companies too about being seen to be setting quotas (as opposed to targets) and therefore potentially accused of positively discriminating.

The worry among ethnic minorities interviewed about being seen to be asking too many questions, also seems to lead to a great reluctance among the majority to challenge inequalities – which is always more difficult anyway when dealing with covert discrimination. Two individuals had had serious grievances, but did not feel supported by their managers in taking them forward.

"You know your limits and how far you can go, because it's never been done before – it goes on file and will be used against you"

"If you challenged something wrong it would be the end of your career"

Typically, the more subtle ways that ethnic minorities described of being excluded, i.e. jokes, cliques going off for drinks together, appear to have been left unchallenged.

"No one overtly does anything, but people make jokes that there aren't enough white faces around. If you say there are problems around race, you will be classified as a problem person and it will work against you".

"You're never told you're not part of the old boys' network, but you're not invited to things socially like the cricket club or the drinks after work".

"White colleagues seem to think harder about how to deal with you – they'll say, 'Have a nice Christmas – or whatever you do'. There's a lack of understanding so they overcompensate. There are others, though, who under-compensate – they challenge you to see if you got the job on merit – they test you on technical knowledge when they wouldn't other colleagues".

4.1.3 The business case

The feeling among ethnic minority managers and professionals that their companies had not made the link between the business case and people (i.e. employees, customers and the broader community) as a key enabler to greater profitability.

"If profit is a main driver, you need to devote the time to people issues, including race".

"We have high profile, high earning ethnic minority customers who expect to see people like themselves"

Therefore the link between racial equality and the business case was not being made. Some had even encountered a derogatory attitude towards smaller, ethnic minority customers, with less concern about providing quality products to them.

4.2 Recruitment

One of the arguments that companies often use to explain the lack of ethnic minorities recruited into their organisations at entry level is that 'they don't apply', or that there are not enough well qualified applicants from ethnic minorities. Clearly evidence would suggest that there is a mixture of mythology and reality in this notion. As one ethnic minority manager remarked:

"I don't agree that there aren't enough qualified ethnic minorities, but there may be some truth in the fact that they don't apply – even when you do apply you don't get past first base".

Some ethnic minority professionals and managers felt that there had been progress in terms of recruitment in terms of numbers.

"They're good at employing technicians from diverse backgrounds but they tend to stay there"

Others felt, however, that the recruitment processes themselves needed to be fairer as they seemed to be eliminating good ethnic minority candidates at first base.

"The selection process for undergraduates is not fair and honest – I participated in a scheme to help managers practice selection processes – I saw partial behaviour, explaining away answers from ethnic minorities as 'quirky' – you couldn't trust their objectivity so how can you expect people to be selected fairly".

"You have to look at the screening process – who are they using – favoured agencies that do not select from ethnic minority communities".

4.3 Progression

At the heart of equality issues ultimately is how people from minority groups feel able to and are seen to progress through the organisation. With such a low percentage of senior managers who are from an ethnic minority among our survey sample (only 1%) and only 3 Executive Board Members and 5 non-Executives, there is still a long way to go in terms of getting a diversity of backgrounds at the top of organisations.

Despite being very able and successful people in their own right who seem to have seen opportunities and seized them, almost all of the ethnic minorities in our study felt that they had had to work harder than their white counterparts to get on, and were chagrined to see that often white peers with fewer qualifications were promoted faster and given exposure to the 'right' experiences earlier than they were.

"There's one rule for one person and one rule for another – it shouldn't be that way"

"You get the impression you have to be in a certain group to get certain experiences – they're not interested in career development"

"I've had to work harder, longer hours and do more innovative things to make my presence felt, but it has only marginally helped me"

"You don't feel explicit/overt discrimination, but you have to work extra hard to get on and you have to fight harder"

Not surprisingly, virtually everyone among the ethnic minority professionals and managers who participated in our survey was concerned about their own and others' prospects to progress within their companies. Among the one-to-one interviewees, almost all felt that they could have progressed further in their careers by now.

"There's not one high flying black senior manager in the UK"

This was also in some instances coupled with a low expectation of ever being able to get up to senior levels:

"Promotions for ethnic minorities are very poor"

"If I want to progress to Director level, it would not be easy. I would encounter 'Does his face fit'? Can he do the job? Will he stay? Is he a risk?"

Two strong factors for success identified by ethnic minority professionals and managers were networking and mentoring. There was a feeling that the old boy network still operates and that it's not what you know, but who you know that applies in order to get on.

"You're not told early enough how important networking is to your career".

"There's no formal or informal support system for supporting ethnic minority managers"

"The process for getting on should be more transparent"

Some had had the benefit of good, white mentors, who had coached them without regard to race.

"Personally I was lucky enough to be mentored by a Business Unit Director who was white and came up the hard way"

"You need to have a high level mentor to advise you – if a mentor is good, he can raise issues you face as an ethnic minority".

4.3.1 Respecting difference

One of the ways in which minority groups record their level of satisfaction with working for a company is how well respected they feel as employees. Some ethnic minority professionals and managers felt that things had improved in terms of how they are treated and that they were respected in their current roles.

"I feel I have established a rapport with my white peers".

"I'm in a company that measures real tangibles – whatever your background you can succeed".

There were, however, those who related experiences of having to cope with issues of lack of respect on their way up the career ladder.

"I had a white manager who said to me with open hostility: 'You've slipped through too many nets and I'm going to do something about it' – there was a complete lack of respect from peers and seniors"

A clear message that came out of talking to ethnic minorities in the focus groups and one-to-one discussions is that they feel they are not experiencing overt discrimination or racism. However, everyone pointed to something subtle in operation that expressed itself in particular behaviours or in being excluded from the 'in-groups'.

"You tend to be ignored, so you have to fight a little harder to be the initiator of conversations and I've heard: 'Let's go for a Chinky' outside earshot."

"There's very little to go on, but a lot of prohibitions are put in your way, like differing pay scales for the same job, or being watched in ways that say they've been there slightly longer."

4.3.2 Retention

Ethnic minority professionals and managers felt that many of their ethnic minority colleagues and friends had left their companies because of a perceived lack of opportunities for progression. Among those who participated in this research, they too spoke of instances where, in order to get on, they had either had to leave the organisation or the department because of feeling blocked by a particular line manager.

"When I wanted to move to another area in my department, I was not supported by my Line Manager even though there were lots of vacancies all around – I had to apply for something outside in another Business Unit and then got the job I wanted."

"I decided to leave my last job with a bank because the Director made the decision about a promotion I was eligible for on the basis of years of service rather than on ability to do the job – and appointed someone on that basis. I left rather than challenge the decision through a tribunal because of the stigma attached to it. I worried how it would affect my references, would I be seen as some sort of troublemaker? But it means that I didn't get it off my chest, which I regret."

"One of my colleagues had the same grade point average year after year despite increased responsibility, so he left".

4.4 Mobility Across Europe

Another aspect of this study is about looking at the possibilities for ethnic minorities to play a part in Europe, specifically in subsidiaries or company locations in European Union member states.

As companies globalise, the chance to progress to more senior grades is often linked to mobility across borders. We aimed to see not only how company policies and procedures might favour or inhibit ethnic minorities from accessing opportunities with their company's European branches, but also whether particular member states are more appealing than others as places to reside. With British citizenship, there should theoretically be no barriers to living and working in other European Union member states.

Ethnic minority professionals and managers who participated in the research by and large welcomed the opportunity to live and work abroad. However, interest in the European Union was lukewarm with the EU generally being regarded as an irrelevance for ethnic minorities from the UK.

This was explained by reference to some of the negative images from the media portraying attacks on immigrants in different parts of Europe, particularly Germany, Austria and, to some extent, France.

"You see people being burnt down, football players being taunted and Turkish workers being targeted."

Few of these images were from direct experience, mostly being gleaned from the media and from ethnic minority friends, although one or two could mention personal experiences of victimisation because of race (in Germany and Belgium). Nor was language particularly seen as an inhibitor, although a few were concerned about climate.

There was also a perception that there would be less legal protection in other European member states, which (in some countries) would be the case. Although some had enjoyed positive experiences going around Europe as business travellers, they felt that this put them in a special and more protected position.

A far stronger preference was expressed for a move to the US or Canada.

"It's more merit based"

"My perception is that there are fewer obstacles working in American firms – they're less biased."

"There's better diversity in the States than here"

Sadly, some ethnic minorities felt that those types of opportunities would be unavailable to them.

"Opportunities like that are not available to me – only to a certain few. I see opportunities like that and phone up for them, but am told not to bother to apply, even though I have the qualifications"

4.5 Conclusions

A lot of the anecdotal evidence from the ethnic minority professionals and managers who participated in this survey accords with much of the experience we hear elsewhere among our clients.

On the positive side, there are signs of change for the better which appear to be impacting positively on some ethnic minorities - such as positive experiences of being mentored, or feeling that the company culture is merit based.

For too many, however, there remains the experience of the 'subtle' discrimination that takes a form of exclusion that is hard to define, but is certainly experienced. Ethnic minorities know it is there.

This is most obviously supported by the lack of representation of ethnic minorities at senior grades in their organisations. Even those who are successful, and of course, those who participated in the research had made good progress in their own organisations, felt that they could have gone much further and faster. They reported seeing white colleagues, often with fewer qualifications, overtaking them.

They perceive that their organisations are, on the whole, complacent:

"It's taken on trust that policies are being well implemented"

It is from the anecdotal evidence that we learn of the untapped supply of ethnic minorities who may not even bother to apply because they do not feel they even have a chance. Equally, we learn of those who do join companies but get frustrated and leave because they do not see prospects to progress any further – this amounts to an expensive loss of talent, given the amount of time and effort that goes into recruitment.

In terms of mobility it is revealing (if not perhaps surprising) that the majority of ethnic minority professionals and managers felt much more attracted to North America than to other EU states. Germany and Austria were consistently named as hostile places to go to – and to some extent France - because of images from the media and, to some extent, the experiences of friends.

The Stephen Lawrence Inquiry has focused attention on the whole notion of institutional racism in the UK. In the feedback from the ethnic minority professionals and managers in this study, we hear echoes of the messages that Sir William MacPherson was trying to convey: assumptions and ways of operating, which have the impact of excluding, or marginalising the contribution of, black and asian employees, have become so much part of the organisational fabric that companies are simply unaware of the problems.

5.0 CONCLUSIONS

5.1 There Is A Mismatch Between The Perceptions Of Companies And Their Ethnic Minority Employees

Our responding companies have considerable faith in many of their policies and procedures and the impact they are having. This is reflected in the high percentage of companies that agreed with the following statements:

Statement	Agree %
◆ Promotions in our organisations are entirely based on merit	97.5
◆ Ethnic minority staff are readily accepted and respected in our organisation	95
◆ The policies and procedures we have for recruitment do not discriminate against ethnic minority groups	92.5
◆ There is a real commitment from the top to improve the company's performance on race equality issues	75

What is particularly startling, given the few organisations who actually take any steps to get feedback from ethnic minority employees, is the certainty of the responses to the first three statements.

Clearly this certainty is not shared by the ethnic minority professionals and managers involved in this research. Given that these are people who were volunteered by their companies and are conspicuously succeeding in their careers, these feelings are likely to be even stronger amongst ethnic minority employees as a whole.

The feedback from employees does not suggest that "merit" is not an important factor in decisions, but that what companies mean by "merit" is often highly culturally conditioned – in a way that frequently has the impact of excluding people who are different. Succeeding in an organisation can frequently depend on knowing (and playing to) the "unwritten rules". The ways in which people are approached, the ways in which proposals are phrased can make all the difference to success.

The best example of this could be succession planning. All too often, companies assume that the skills and talents they need in the future will be similar to those that have helped them succeed in the past. Many definitions of high potential are predicated exactly on this hypothesis – based on the competencies demonstrated by those currently at the top of the organisation. All too frequently, "merit" is defined by how things have always been done in the past rather than guided by the needs of the future. Women and ethnic minorities who succeed may just be those who are most adept at "fitting in".

This means, of course, that there can be a real lack of challenge to the "status quo" and companies are therefore losing out on one of the real commercial benefits of increasing diversity – an increase in new and different ideas leading to increased creativity and innovation.

5.2 Commonly Agreed Barriers

Where there was strong agreement between companies and their ethnic minority employees was on the barriers to progress.

Companies were asked to rank a number of factors that they consider inhibit progress on race equality issues in their organisations - out of a list of thirteen factors, the following emerged as the top four (ranked as high to medium):

Lack of awareness of problems	30 (74%)
Perception that it's not an issue for business	26 (64%)
Lack of time	24 (51%)
Lack of line management support	19 (47%)

As one company put it:

"There are many, many issues competing for the attention of our organisation."

There seems to be strong agreement that **"lack of awareness of problems"** is a key barrier. This is, of course, highly consistent with the findings in Section 2.0 about the number of companies that are not taking steps to find out what the issues are and the number who have yet to develop a business case.

It also accurately reflects the feelings of the ethnic minority professionals and managers involved in this research. From their experiences, they doubt whether many managers are really aware of the problems and because of this have doubts about the extent of organisational commitment.

We would highlight this issue of lack of meaningful data because it leads on to so many other challenges. It makes communication with and positive enrolment of hard-pressed line managers in the change process needlessly difficult. Without data, the majority will perceive that "this is not an issue for business".

This lack of data also means that any policy actions or strategies are, at best, "shots in the dark" – they might or might not be meeting real needs.

A further barrier, shared by many companies and employees, is **the fear of straying into "positive" or "reverse" discrimination**. This is reflected in the number of companies that are resistant even to monitoring the composition of their employees by ethnicity and is certainly behind the reluctance by many to set targets for representation.

Similarly, at a personal level, no-one wants to feel that they are a "token" – that they have reached their position because of their ethnicity rather than their innate talents. For this reason, many ethnic minority employees are also very wary of their companies setting targets for improving representation.

The corporate apprehensiveness regarding positive discrimination seems to have become for many a paralysing factor. It is almost as if taking action of any kind which directly addresses issues to do with race is ruled out on this basis.

5.3 Our Conclusions

From this research we would draw the following conclusions:

- ◆ For many FTSE 100 companies, let alone UK plc as a whole, racial equality is not firmly on the business agenda. Ethnic minorities continue to experience disadvantage in terms of access to opportunities, feeling that unspoken, hidden barriers are operating against them.
- ◆ Progression for ethnic minorities continues to be a real stumbling block as demonstrated by the very low representation at higher grades in companies. This also acts as a demotivating factor for ethnic minorities, faced with a lack of British role models in senior management grades.
- ◆ Many companies simply do not have the data – neither employee statistics broken down by ethnicity nor the views and feelings of their ethnic minority staff or customers – and therefore remain unaware of both the problems and the opportunities.
- ◆ This leads inevitably to a lack of focus, and rigour – there is a danger that racial equality becomes something of a “motherhood” – an issue for HR and External Affairs perhaps, but not for line managers.
- ◆ This thinking is exacerbated by a fear, shared by both companies and ethnic minority employees, of positive discrimination. In some cases this seems to have led some companies to avoid any actions specifically focused on race.
- ◆ There is hesitancy in the UK, but even less of a focus on the pan-European aspects. Companies do not appear to have given any special consideration to this aspect of their policies. Ethnic minority professionals and managers themselves hold very negative perceptions of some European countries - particularly, Germany, Austria and, to some extent, France.
- ◆ On the other hand, where companies have taken the time to examine the commercial benefits, they have indeed been able to make significant progress. A small number of our respondents amongst the FTSE 100 are blazing a trail for racial equality. There is another small group where racial equality policies and procedures are under development.
- ◆ In essence, the sorts of steps these leading companies are taking are not particularly surprising, nor very costly – what is lacking in so many companies is a sense of urgency and a realisation that the current state is not good enough.
- ◆ In the public sector the Stephen Lawrence inquiry has provided a clarion call for action; in the private sector it is perhaps going to be the commercial benefits that accrue to those companies who take the lead, that is going to add weight to the “principaled” arguments.

6.0 RECOMMENDATIONS

These 17 recommendations take the conclusions in the previous section of this report as their starting point and are naturally focused on overcoming the barriers identified by the research.

6.1 Recommendations For FTSE 100 Companies And The UK Government

6.1.1 Recommendations for business

In the main, these recommendations are for actions that companies should take. Clearly, it will be important for each company to consider its own position, and the following are recommendations that will enable each company to develop its own approach:

1. Appoint a Board Level Champion, Leading a Diverse Team, to Develop a Strategic Framework for Action on racial equality – as outlined in Section 3.0 of this report, there are a set of actions that companies need to have in place in order to be able to manage this issue with determination – setting a vision, gathering data, demonstrating leadership, having clarity about the desired direction and strategies for getting there.

This is where there needs to be clarity about how a focus on race fits with the overall umbrella of work on diversity (and, a term that some companies are increasingly using, “inclusion”);

2. Gather Data on Both Employee Representation and Attitudes – companies need to monitor the profile of employees and to seek internal, and external, input so that they are not trying to develop a strategy in a vacuum. It also ought to mean that some companies become rather less complacent about their progress. It will also be important to highlight the different experiences in different ethnic minority groups, so that companies can appropriately target their actions;

3. Use This Data to Build a Business Case – on the basis of the data that they gather, and their stance on the sort of organisation they wish to be (in the eyes of employees, customers, business partners and members of the public) companies need to develop clarity about whether, and if so why, race is an issue for their business;

4. Set Improvement Goals – with clarity around the vision and its business case, companies should follow through with some clear, measurable improvement goals. Clearly, the content of the goals will depend on the particular issues and drivers in each company, but we recommend that goals are set for improvement in **both** representation and perceptions. By including appropriate questions in attitude surveys, companies are finding that they can quantify existing perceptions and set numerical goals for their improvement.

With clear goals in place, it then becomes possible to hold managers accountable for progress;

5. Demonstrate and Communicate Commitment at all levels of the management chain – both within the company and externally. Clearly, there is a critical role here for business leaders, but it will be important that this is shared as widely as possible down through the management chain, in fact to wherever anyone is leading a team. Ensuring

managerial behaviours are in line with stated values is an essential part of building the understanding that these so-called “soft”, people issues actually matter;

6. In this regard, all CEOs should actively consider signing up to the CRE’s Leadership Challenge. The value of this high profile campaign is that it asks for personal commitment from individual leaders from all sectors to demonstrate that they are taking action on racial equality within their organisations;

7. Invest in Cultural Change – cultures don’t change by accident. For instance, interventions such as race awareness training can play a vital part in giving employees insights into the problems and enable them to start to think about how they might adjust their own behaviours. At a minimum all managers should have the opportunity to go through this sort of experience;

8. Take Action to Address Problems and Opportunities – alongside these strategic plans, as the data is gathered, companies need to address problems and opportunities by putting in place any elements of the best practice framework (outlined in Section 2) which are relevant and that they do not currently have in place;

9. Monitor the ethnicity of assignees and work with managers in these locations to put in place appropriate policies. Specifically, we would recommend that all companies with locations in the EU outside the UK undertake this activity. Clearly it would be entirely inappropriate to assume that UK practice will be applicable across Europe - it will be vital to take account of the local context in each country (and even region within a country);

10. Companies should seriously consider joining Race For Opportunity. As a way of benchmarking and keeping up with future developments in best practice. If all the FTSE 100 companies were indeed to follow this sort of process they would be setting a very clear lead for the rest of British industry;

6.1.2 Recommendations for the UK Government

These are actions that the UK government could take to foster an appropriate environment for companies to take the sorts of steps outlined above.

11. Ask the three Commissions (CRE, EOC and DRC) to put together a joint guidance document on diversity and work on single issues (ie, race, gender, disability) – plainly, there are still some fundamental confusions about positive discrimination. Some guidance, with examples of innovative practice from leading organisations would be very helpful, (including on their websites);

12. Continue and communicate its work on diversity and equality in the Civil Service – in a number of ways, the Civil Service is taking a lead on issues where there is some hesitancy in the private sector. A significant example of this is the targets that have been set for the representation of ethnic minorities in the Senior Civil Service. The Civil Service needs to establish perception targets to run alongside these representation targets, and will then provide a very valuable model from which companies will undoubtedly be able to learn;

6.2 EU Recommendations

Clearly, the EU has a vital role to play in setting the context for work in member states and within companies. Indeed, it was announced at the end of last year (November 1999) that Directives had been proposed in order to give effect to Article 13 of the Amsterdam Treaty, and there is an action plan to combat discrimination which has a strong focus on race discrimination.

Accordingly, the first recommendation is really concerned with action by member states in the Council of Ministers, but the others are steps that can be taken by the European Commission to support and encourage action within companies, or to position itself as a model employer in this regard.

13. Members states adopt the anti-discrimination legislation proposed by the European Commission. It is now up to member states to review the proposed legislation and give their approval so that European anti-discrimination legislation can take effect. This will give ethnic minorities the safety net of the law no matter where they are in the EU;

14. Publicise and recognise cases of good practice through an award scheme - the EU has already published a number of Compendiums of good practice and this sort of work can play a valuable role in spreading learning and encouraging action. However, there is clearly an appetite for more of this sort of data and publishing success stories could in itself counter-balance some of the negative perceptions held about certain EU countries by ethnic minorities in the UK.

Moreover, by having an award scheme, the Commission could encourage action across all member states and build a portfolio of examples in each country. Also, by linking the criteria for any award scheme to, say, the action plan to combat discrimination it would re-inforce its significance;

15. Fund research to expand the pool of company data across Europe – a useful follow on from this research into the UK FTSE 100 companies would be to see if there is any correlation between the core group of companies identified here with superior financial performance. This would, of course, be an excellent way of demonstrating the business case;

16. Fund appropriate research to inform future action plans and any directives – just as companies do not see the problems or opportunities unless they have the data, so the same is true at a more macro level for the EU as a whole.

This research has concentrated on large companies based in the UK. There is clearly scope to extend this sort of research, looking at the recruitment, retention and advancement for ethnic minorities in all member states.

In addition, there is an issue that in itself needs specific and early research. There are obviously great differences across member states about what is or is not allowed in terms of monitoring. Whilst any changes to these legal constraints would lie with member states, the Commission could usefully support research into which groups are in fact considered "ethnic minorities" in the different states and the different ways in which monitoring takes place. This could then inform a code of practice that would offer a number of suitable alternatives;

17. The Commission itself should take steps to become more ethnically diverse.

Of course, the Commission is itself an employer and could usefully take up any of the steps recommended above for the FTSE 100 companies. Indeed, taking a positive position on race equality will be an important symbolic step – demonstrating the importance with which the Commission regards these issues.

This sort of initiative will be a useful spur to look at its rather cumbersome recruitment processes by ensuring that there is greater transparency and that there is no inadvertent discrimination against particular ethnic groups.

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The Runnymede Trust

Founded in 1968, Runnymede is the foremost UK-based independent think-tank on race relations, ethnicity and cultural diversity. Runnymede's core mandate is to inform policy formulation and influence legislation to bring about a successful multi-ethnic Britain. We provide information, research and advice to promote the value of diversity to the UK policy community and to the private and the voluntary sectors, both in the UK and the rest of Europe.

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