

Research Report
No 177



Race Research for the Future

***Business Benefits of Race
Equality at Work***

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National Institute of Economic and Social Research

The Views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education and Employment.

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Executive summary

The study

The study aimed to provide new evidence on the business benefits of race equality actions. It was based on a literature review, case studies of 12 companies which were striving for race equality and demographic projections of the ethnic composition of the labour force.

Business benefits of race equality actions

The research found that all companies may derive business benefits from race equality actions. The benefits, which could be substantial, were:

- *improvements to staffing*, including the alleviation of recruitment shortages, improvement in the quality of staff, improved morale, reduction in turnover, easier deployment of staff;
- *improved management and employee relations*, including reduction in disputes, improved management systems and ideas;
- *improved service to customers*, including through improved understanding of cultural differences, ability to converse in the customers' first language,
- *increased sales and improved marketing* through the use of the ideas and specialised knowledge of ethnic minority staff, through compliance with customer organisations which require a race equality policy (i.e. contract compliance) and through a public image which attracts ethnic minority customers;
- *improved relations with public bodies*, affecting, for example, the granting of planning permission and the receipt of grants;
- *avoidance of tribunal costs*.

These led to increased productivity, increased sales and increased profits.

Factors affecting business benefits

The business benefits reaped depended on the actions taken, the approach to race equality and to the company context.

Specific actions affecting business benefits

The study provides numerous examples of specific actions providing benefits. For example:

- changes in recruitment procedures to provide greater access to ethnic minorities; these reduced recruitment difficulties, increased the quality of recruits and provided a more diverse workforce;
- changes in recruitment procedures leading to a workforce reflecting the ethnic composition of the customer base resulting in

better service to ethnic minority customers (through knowledge of culture and language) and increased sales;

- changes in promotion and disciplinary procedures leading to a reduction in racial tension and disputes;
- actions affecting access to promotion leading to more ethnic minority managers and better utilisation of ethnic minority staff;
- local recruitment leading to easier deployment across branches and reduced staff turnover;
- measures to ensure the specialist knowledge of ethnic minority employees is used to develop products and marketing aimed at ethnic minority customers.

The approach to race equality affecting business benefits

The study found that companies pursuing race equality within a Diversity policy were likely to maximise the business benefits derived. The diversity approach led to companies thinking more widely of the possible benefits, together with the development of channels for achieving such benefits.

Companies which expected business benefits from race equality actions appeared to enjoy more benefits. This seemed to stem from such companies designing their race equality actions to achieve those benefits, rather than business benefits being more available to them. Such companies also seemed to establish a virtuous circle, whereby a strategic approach and careful implementation led to the realisation of benefits, which reinforced the need to implement race equality actions thoroughly.

Company context: the labour force

Companies which can reap the most staffing benefits (and, conversely, suffer the greatest losses through lack of race equality) are those which have ethnically diverse labour markets. Our projections show a marginal increase in benefits, as, between 1999 and 2009, there will be:

- a rise in the ethnic minority labour force of 20 per cent compared with an increase of one per cent in the white labour force;
- an increase of 310,000 in the ethnic minority labour force, greater than the 220,000 increase in the white labour force;
- the percentage of the labour force from ethnic minorities will increase from 5.7 per cent to 6.7 per cent.

For companies recruiting locally, the changes will mainly impact on those located in areas with high ethnic minority populations and the greatest impact will be on recruiters of younger people, especially the 25-34 age group. For this group a small rise in ethnic minorities (of 17,000) will contrast with a fall in the white labour force of 1.3 million, thus increasing the percentage of the labour force from ethnic minorities from 6.5 per cent to 8.3 per cent. Demographic change will also increase the importance of race equality for those recruiting in regional and

national labour markets, particularly at higher skill levels, as the educational level of ethnic minorities is rising at a much faster rate than that of whites.

Company context: product markets

The companies which are most likely to derive sales benefits from race equality are those which sell to ethnic minorities, whether to the public or to other companies. However, other companies may benefit from a more diverse workforce, as, drawing on different cultures and experiences, it is likely to be more fertile for ideas. In addition, the number of companies requiring suppliers to have race equality policies is likely to increase.

Company context: Human Resource systems

Race equality actions require formalised procedures to reduce the possible effect of prejudice and also to reduce the likelihood of indirect discrimination. They also require good communication systems within the company. The cost of establishing such systems is much higher than the marginal cost of adjusting a system and so companies with poorly developed Human Resource systems will be confronted with higher initial costs in developing race equality actions. Unless the company takes a long-term view of the net costs and benefits, this will act as a disincentive to improving race equality.

The effectiveness of race equality

The study suggested that good race equality practice is rare. Even amongst the case studies, which were striving for race equality, examples of poor practice and lack of achievement were found. The main factors which affected effectiveness are summarised below.

Embedding race equality

The study highlighted the importance of a strategic approach to race equality: companies need to be clear about why they are implementing a policy and to tailor the policy in relation to their own needs. Otherwise it becomes an additional burden to the 'real work' within the company and is likely therefore to be poorly implemented. The identification of business benefits seemed to be the best way to get race equality actions accepted, although the personal commitment alone of senior personnel may be effective in very small companies. A diversity approach, whereby companies accept diversity (in the market and the workforce) as a situation to exploit rather than to regiment, is more likely to lead to the identification of benefits and therefore appropriate policies. A strategic approach, through prioritising action and assessing results, is also likely improve overall effectiveness, through better targeting and through visible results encouraging continued action.

Communication and the organisation of race equality action

All employees, not just managers and supervisors, affect race equality in a company. It is therefore important that it is clear to all employees a) what the policy is, b) that the policy is regarded as important by the company and c) what individual's responsibilities are and their means of redress.

Devolved companies

Difficulties of implementation increase with devolvement of Human Resource and, if possible, even devolved companies should maintain central expertise and central monitoring. In these cases, emphasis on the business case may also be a useful tool to gain the commitment of those to whom responsibility is devolved, as may be the inclusion of race equality in performance targets.

Monitoring

The importance and usefulness of effective monitoring cannot be over stressed. It assists in the identification of problems and their nature, enables strategic prioritisation of actions, provides information to demonstrate the need for action and can be used to assess and demonstrate progress. However, monitoring was at a low level of development in several of the case study companies. Factors leading to this seemed to be lack of Computerised Personnel Systems which assisted monitoring and lack of understanding of monitoring and its power.

Considerations for national policy makers

An indirect finding of the study was that race equality at work is rare and there is a major need for action to improve equality and reduce harassment. In this regard:

- Business benefits can be a major stimulus, but companies need assistance to identify benefits; however, this approach is unlikely to be effective in companies with poor Human Resource systems and lacking a strategic outlook.
- The importance of legal sanctions should not be underestimated as an impetus to race equality and action to increase the likelihood of the identification of transgressors would strengthen this impetus.
- Companies need assistance, including on developing a strategic approach, communication, developing specific actions and on monitoring;
- The way that assistance is given, publicised and co-ordinated across government departments and quangos may need to be further developed.

1 Introduction

1.1 Introduction

More than 20 years after the implementation of the Race Relations Act, ethnic minorities still suffer discrimination in the labour market. People from ethnic minorities do not achieve such high job levels as whites and, for some of the main ethnic minority groups, the probability of unemployment is more than double that of whites (Modood, 1997b). These differences cannot be explained in terms of differences in personal characteristics (such as qualifications¹) or location (e.g. concentration in areas of high unemployment) (Modood, 1997b) and it must be concluded that discrimination (direct, indirect and institutionalised) continues to reduce the employment opportunities of ethnic minorities. The role of inadvertent racism has been more widely recognised recently due to the findings of the Macpherson Inquiry into the murder of Stephen Lawrence and the Metropolitan Police Service, which, amongst its conclusions stated that:

'It is incumbent upon every institution to examine their policies and the outcome of their policies and practices to guard against disadvantaging any section of our communities' (Macpherson, 1999, Para 46.27)

The Race Relations Act of 1976 aimed to eliminate discrimination in employment through legal redress. The Act prompted employers to introduce equal opportunities policies and, in the 1980s, the number of organisations with policies rose substantially. Much of the growth was due to employers' need to protect themselves from potentially expensive discrimination cases, although a growing recognition of the moral case against racism and discrimination played its part, particularly in the public sector. However, the effectiveness of the policies introduced has been widely criticised. Some of the criticisms have been directed at the act itself (Jenkins, 1986), others stem from a dissonance between policy and practice (Virdee and Grint, 1994; Beishon *et al*, 1995) and others from the nature of practices (Jenkins and Solomos, 1987).

By the 1990s, Government employment policy (in respect of employers' activities) had moved from regulation towards a more voluntarist approach, based on the idea that the pursuit of certain social objectives assisted profitability, i.e. business benefits could be derived from policies to support social objectives. Much emphasis was placed on making employers aware of these benefits. Quangos and other organisations followed suit. The Commission for Racial Equality (CRE) made the case in *Racial Equality Means Business*, which,

¹ Indeed, the qualifications of some ethnic minority groups equals or exceeds that of whites.

as well as detailing action employers should take, listed the business benefits to be derived (CRE, 1995):

- using people's talents to the full
- ensuring that selection decisions and policies are based on objective criteria, and not on unlawful discrimination, prejudice and unfair assumption
- becoming an 'employer of choice'
- getting closer to customers and understanding their needs
- operating internationally with success
- sustaining a healthy society
- making the company more attractive to investors
- making the company more attractive to customers and clients
- avoiding the costs of discrimination

The next year, the Confederation of British Industry (CBI) published 'A *winning strategy - the business case for equal opportunities*'. The business benefits identified differed slightly from those of the CRE, *viz.*

- access to diverse and more highly skilled labour
- improved selection and promotion decisions
- reduced staff turnover and absence costs
- increased labour flexibility
- avoiding costs of discrimination claims
- performance gains (enhancement of teamwork; better problem-solving and decision-making; improved employee relations, morale and work environment)
- improved community, consumer and investor relations
- stimulation of new business ideas and markets.

Research has shown the business case to be an important impetus to the introduction of race equality actions, with most companies introducing policies expecting to reap benefits through improved human resources and an enhanced image (Welsh *et al*, 1994; Jewson *et al*, 1995; Jewson *et al*, 1992; Goldstone and Levy, 1996)². The downside of the reliance on business benefits driving race equality is encapsulated by an employer quoted by Jewson *et al* (1992):

'Until we can see there is a business payoff, and provided that we are not challenged, unless we are not conforming with the law, I don't think we're going to set this as a particularly priority area for us'.

² Other important driving forces are anti-discrimination legislation, fear of (or actual) discrimination cases, racist incidents and individual commitment to race equality by a key individual.

The approach of 'minimum compliance with the law' unless compensating business benefits are identified may explain the slow progress towards race equality. Jewson *et al* (1995) also quote a retail company which considered that its lack of achievement in race equality compared with gender equality was, in part, due to the lack of visible business benefits of the former but not the latter, whilst a number of companies said they concentrated on gender equality because of the high proportion of female staff and that therefore gender had the more pressing business case. Beishon *et al* (1995) showed that the effective implementation of race equality measures was not cost free. They identified the importance of the policy being communicated, staff being trained in procedures, procedures being enforced and outcomes being monitored. Policies are therefore unlikely to be effective except in companies with a strong commitment to equality unless compensating benefits have been identified or sanctions are feared. Despite a number of studies showing the business benefits of race equality actions, the poor implementation of policies suggests that these benefits are not widely acknowledged.

1.2 Aims and approach of the study

Against this background, the Department for Education and Employment commissioned a study to examine the evidence on the net benefits to companies of race equality actions and to produce case study evidence of the ways in which companies might realise net benefits.

The approach was four pronged:

- to review the current literature concerning the business benefits of action for race equality;
- to supply reliable projections of the growing ethnic minority labour force in Britain;
- to explore further the business benefits of race equality actions through new case studies;
- to provide practical examples of good practice for employers based on the findings from the research.

This report covers the first three of the above and describing actions to promote race equality at work. The good practice examples are published separately.

The review of previous literature identified a range of business benefits (see Chapter 2). However, the empirical evidence on the achievement of business benefits is, in most cases, not very robust. This is not surprising, given the difficulty of assessing the effect of a single policy within an organisation. However, the importance of a more robust proof of business benefits is demonstrated by the scepticism about benefits of employers who have not implemented race equality actions (Goldstone and Levy, 1996).

The problem with the evidence on benefits is twofold. Firstly, there is a paucity of information on many of the potential benefits. Secondly, there are problems with the quality of the evidence. The evidence reviewed shows that employers who have instigated race equality actions believed them to have business benefits. However, other than the econometric evidence reviewed by Dex (1986), there is little hard evidence that employers' beliefs were correct. This is not to suggest that these employers are wrong, but that the evidence needs to be more objective to convince other employers of the benefits of introducing race equality actions. The studies also lack quantification, including estimation of the costs of race equality actions as well as the benefits.

This research aimed to address the objectiveness of the evidence through demonstrating the increasing importance of ethnic minorities in the labour market and through new case study research of business benefits. The labour market projections (Chapter 3) show that the ethnic minority labour force will increase by 20 per cent in the next decade, compared with an increase of one per cent in the white labour force, and thus highlights the loss of human resources for employers which do not tap into this increasing source of labour. The case studies aimed to provide more objective evidence through examining not only benefits but costs, through quantification where possible, and through interviewing a wide range of employees (from Directors, line managers to shopfloor workers) to identify costs and benefits. This approach is more robust than relying on a single respondent within a company (especially where such a respondent has an interest in the implementation of race equality actions).

1.3 The case studies

The case studies had two purposes: to identify business benefits of race equality actions and to provide exemplars of good practice to encourage employers to improve race equality at work. Twelve case studies were to be conducted in companies with effective race equality policies. As characteristics were likely to affect business benefits, the case studies were to be drawn from a range of industries, sizes and labour markets. Moreover, we wished to ensure that the set of case studies included some which were not already well-known for good race equality actions and were not all seen as blue-chip.

Difficulties identifying an appropriate range of companies with good race equality practices led us to extend the criteria to include companies which were trying to address race equality. Thus, whilst some of the case studies have excellent policies and implement these very well, others provide examples of earlier stages in the development of race equality actions. The extension of the criteria for inclusion had the unforeseen benefit of identifying the types of problems which can occur when race equality actions need to be improved, i.e. the costs which are incurred through a lack of race equality. The problem of finding only twelve

companies with different characteristics (and not all already well-known for race equality actions) made it difficult not to conclude that, in companies in general, the level of activity as regards race equality was low and it was accorded little priority, although a large scale study would be required to confirm this.

Each case study was based on documentary evidence (e.g. policy and practice statements, handbooks) and on discussions with managers, Human Resources and Equal Opportunities specialists and other employees in order to identify race equality practices, their effectiveness and their effects on the business. A total of 126 people were interviewed across the 12 case studies. Interviews were conducted between August 1998 and March 1999.

Case study companies were given the option of anonymity. This was chosen by three companies chose anonymity, for a range of reasons, including rapid change in race equality activities between the study fieldwork and report publication. In the report, these companies are referred to as 'a small engineering company', 'a retail company' and 'a financial services company'.

Table 1.1 gives a brief description of the characteristics of the case study companies. Further details of the companies and the research method are given in Appendix 1 and Appendix 3.

Table 1.1 The case study companies

	industry	location
under 200 employees		
The Mayday Group	temp agency	London
Small engineering company	metal goods	Slough
200 to 2500 employees		
Grain d'Or ^a	food manufacturing	London
Sun Microsystems	computers	concentrated in London and the SE
Pork Farms Bowyers ^a	food manufacturing	Nottingham
over 2500 employees		
Asda	retail	nationwide; Leeds HO
Retail Company	retail	nationwide
BT	telecommunications	nationwide; London HO
Financial Services Company	financial services	branches nationwide
Lloyds TSB	financial services	national: London HO
Robert McBride	chemicals	locations in the NW and Yorkshire
Sainsbury's	retail	nationwide; London HO

^a Grain d'Or and Pork Farms Bowyers are subsidiary companies of Northern Foods. Their level of autonomy allowed them to be treated as separate companies.

1.4 Layout of the report

The remainder of the report is as follows. The next chapter discusses the evidence on business benefits from previous studies. One of the underlying themes of the business case is the human resource cost of failing to utilise all sections of the labour force. In the future, these costs will increase, as the ethnic minority labour force is growing and Chapter 3 presents projections of the size and nature of the change.

The following four chapters are based on the case study companies and describe the ways the case study companies were tackling race equality. Chapter 4 describes the framework for race equality actions: the approaches which may be taken, implementation strategies and organisational structure. These have a strong influence on effectiveness. Chapter 5 details specific actions which affect race equality (whether identified as race equality actions or not). Chapter 6 discusses the effectiveness of different approaches and actions. Chapter 7 describes the business benefits which may be achieved and some of the costs due to lack of race equality. These four chapters provide extensive detail on the case study companies' activities, including those indirectly related to race equality. This was necessary to provide examples of how race equality might be tackled in diverse circumstances and because race equality is affected by a wide range of Human Resource practices, not only those identified as race equality actions. The final chapter brings together the three strands of the research to draw conclusions about progressing race equality at work.

2 Business benefits: evidence from previous research

2.1 Introduction

The empirical evidence on the business benefits of race equality actions is sparse, relying on a small number of qualitative studies and small-scale quantitative studies. One of the latter, a study of large businesses and subsidiaries by the CRE provides an overview of the nature and incidence of benefits (CRE, 1995c). Eighty per cent of large businesses identified some business benefit from their race equality actions³. Most common were benefits related to human resourcing: higher calibre of staff (47 per cent), broader-based skills and experience (40 per cent) and availability of skilled staff (39 per cent). In addition, 25 per cent reported improved morale and nine per cent lower staff turnover. Increased 'goodwill' was a benefit encountered by many, 43 per cent. Eighteen per cent also mentioned more ethnic minority customers. This overview is enhanced by Goldstone and Levy (1996) who examined 'unexpected benefits' of race equality actions amongst a small number of companies which considered their actions to be at least fairly effective. Four in ten had experienced unexpected benefits: about one on ten each had found an improvement in company image, raised morale and a more positive attitude⁴. The rest of this section discusses the nature of benefits in more detail and brings together the evidence on their existence.

2.2 Business benefits: human resourcing

One of the most commonly quoted benefits of race equality actions is the enhancement of recruitment, increasing both the quantity and quality of applicants and, hence, improving the quality of the workforce, productivity and profitability. In her review of economic research on discrimination, Dex (1986) concluded that, in most circumstances, discrimination increased employer costs, due to restriction of the labour supply. This would seem an obvious benefit: for an individual employer, any form of discrimination reduces the pool of labour. Indeed, in labour markets where discrimination is present, companies which do not discriminate benefit not only from the wider pool of recruits due to willingness to consider ethnic minority applicants, but also from a pool has been artificially enhanced through other employers' discrimination. This enhancement is clearly seen in the higher rates of unemployment and lower occupational achievement

³ Note the survey was of only 168 large businesses of whom about 60 per cent responded to a question about the business benefits of their race equality actions.

⁴ Note that this only reports on unexpected benefits: other companies which had expected these benefits are excluded from the data.

(for any level of qualifications) for many minority ethnic groups (Modood, 1997b; Dickens, 1994).

Qualitative research provides further evidence of the recruitment benefits. Recruitment and labour benefits have been reported by the Midland Bank, John Laing, Tate and Lyle and WH Smith, with the latter seeing race equality actions as a way of securing the best pool of talent (CRE, undated b, undated c, undated d). In a study of ethnic monitoring, employers described how a high profile, good race equality image attracted high calibre applicants who might never have considered their company (Jewson *et al*, 1992). Reported benefits have extended beyond expanding the recruitment of ethnic minorities. Welsh *et al* (1994) found examples of employers who's positive race equality actions had not only eased recruitment difficulties but had led to an overall increase in the quality of its workforce. Other case studies showed that organisations which had improved their recruitment procedures (making them more objective and appropriate to the job) for race equality reasons, had found that the calibre of their recruits (whether ethnic minority or ethnic majority), and hence their workforce, had risen (CRE, 1989). As well as providing benefits through easing recruitment, in some cases race equality recruitment actions can be less costly than more traditional recruitment methods. For example, Littlewoods, as part of its race equality actions, recruited for a new store by notifying 500 local organisations of the vacancies. Not only did it recruit high calibre staff, but it also found the process was cheaper than advertising in the local press (Labour Research, 1997).

However, in some circumstances race equality actions may not lead to recruitment benefits. For example, in situations of labour surplus, limiting the supply of potential recruits through discrimination may not reduce the quality and ease of recruitment (although it may harm the company in other ways). Indeed, activities which decrease the number of applicants may be positively beneficial, reducing the administrative costs of selection. It is only in tight labour markets that clear recruitment benefits exist. Thus business benefits are more likely to be reaped for higher skilled jobs (where shortages may be encountered at any stage of the economic cycle) and, for lower skilled jobs, at times of economic boom. There is supporting empirical evidence for this: from her review of previous economic research, Dex (1986) concluded that discrimination might have no costs for the employer during recession. However, the evidence related to staffing numbers and costs and did not capture other possible costs, such as costs due to the effect of discrimination on morale and disputes and hence productivity or on custom.

The benefits of non-discrimination will also be affected by the ethnic composition of the labour market. For locally recruited jobs, this will vary across the country with business benefits being greater in areas of high ethnic minority concentration. For nationally recruited jobs, the benefits will depend on the national composition of those appropriately qualified for the job. The high

participation rate of young people from ethnic minorities in higher education (Modood, 1997a) means that the recruitment returns to race equality actions will increase in occupations demanding higher education qualifications particularly. The importance of the labour market in which a company operates was highlighted by an employer in the study by Jewson *et al* (1995). This company, a retailer, had focused on gender equality rather than race equality because women were seen as an inadequately tapped pool, whereas the company was less certain that benefits would be derived from race equality actions.

As well as recruitment, race equality actions may affect retention (and development) of staff, thus affecting recruitment and training costs. Littlewoods found that the introduction of a new approach to recruitment (advertising vacancies through local organisations) resulted not only in a higher proportion of ethnic minority recruits but also in much lower turnover of these recruits (Labour Research, 1997). In case studies, Welsh *et al*, (1994) found that in-service training, as a positive action measure, could reduce staff turnover, by raising individual's expectations of promotion prospects. Where race equality actions affect morale, this may also improve retention. This is one of the benefits claimed by the EOC for gender equality (see Dickens, 1994), but there is no empirical evidence on this as regards race equality actions. Nor is there evidence on whether race equality activities which allow for needs which impact differently across ethnic groups (for example, leave arrangements to allow visits to relatives abroad and arrangements to allow for religious practices) impact on retention, although in relation to gender equality evidence exists on the effect of parallel actions to assist mothers to combine paid employment and childcare (Metcalf, 1990).

2.3 Business benefits: morale and productivity

The EOC (1986) claimed that employers had found that equal opportunities policies enhanced productivity through improving the morale and general atmosphere at work. Race equality actions may influence morale in a number of ways. Jewson *et al* (1992) found that some employers believed that new promotion procedures which were perceived to be fair and meritocratic had enabled employees to be fully committed to their jobs. Race equality actions have been suggested to affect morale through reducing resentment amongst ethnic minority employees that they were not receiving fair treatment (CRE, 1989) and through making employees more proud of their company (Goldstone and Levy, 1996). Conversely, allowing racial harassment results in poor morale and productivity for those being harassed (CRE, 1995b; Virdee, 1997). On a more general level, Welsh *et al* (1994) found in their case study research that management experienced a boost in morale from providing opportunities for the whole community and for the greater social good.

Other morale and productivity benefits might be expected from race equality actions. The CRE (1995) claim that discrimination cases increase absenteeism and it might be supposed that a discriminatory atmosphere has a similar effect. The CRE have also argued that an ethnically diverse workforce will be more receptive to new ideas and solutions (CRE, undated a). However, we were unable to find empirical evidence of any of these benefits.

2.4 Business benefits: industrial relations and communications

Race equality actions may also reduce costs through reducing industrial action. Dickens (1994) points out that *'Where disadvantaged groups (and/or those claiming to represent them) channel demands for social justice into industrial action (actual or potential), EO action may be institute in a search for better industrial relations'*. A reduction in industrial disputes was found by Pearn, Kandola, Downs in one of their case study organisations (CRE, 1989). Prior to the introduction of race equality actions, the company had experienced both race-related and other disputes and grievances. Improved communications and procedures had reduced disputes and grievances generally, whilst greater confidence by ethnic minority employees in their treatment had reduced race-related disputes and grievances. John Laing considered that the race equality actions it had introduced at one of its sites had improved industrial relations (CRE, undated c).

2.5 Business benefits: improving sales

The CRE have argued that an ethnically diverse workforce is better able to recognise the needs of an ethnically diverse customer base, both in the UK and abroad (CRE, undated a). Case study examples support this. For example, a retail company believed that the increase in ethnic minority staff in their stores had led to an increase in ethnic minority customers (CRE, 1989) and the BBC saw a workforce representative of the community (and hence ethnically diverse) enabled it to produce appropriately diverse broadcasting (Industrial Relations Review and Report, 1990). Similar arguments have been advanced by WH Smith and British Gas (CRE, undated b, undated d). Welsh *et al* (1994) examined a retail company which considered that the increase in ethnic minority staff in one of its stores, following positive action measures, had encouraged people to shop in their outlet. In the public sector, some local authorities believed that an increase in ethnic minority staff had improved services to ethnic minority residents, both through greater awareness of needs and through residents feeling more comfortable with council officials (CRE, 1989; Welsh *et al*, 1994). With the continuing growth of the ethnic minority population as a proportion of the whole population, reaching ethnic minority customers will become increasingly important for those producing consumer goods and services (EOR 1995).

As well as providing a service more appropriate to its diverse customer base, sales may increase if customers have a preference for companies with a good race equality. Some organisations may insist that their suppliers have fair employment practices. This approach was taken by some local authorities until the Local Government Act (1988) forced local authorities to award contracts on the basis of commercial considerations only (Dickens, 1994). However, local authorities may still seek information in relation to equal opportunities. Contract demands on the ethnic mix of the workforce affected implementation of race equality actions for John Laing (CRE, undated c). Welsh *et al* (1994) also found a construction company which considered that positive action had given it a competitive advantage with customers who valued fair employment practices.

For companies operating in international markets, sales may improve through race equality actions by enhancing the understanding of other cultures and improving the workforce's language facility. The London Research Centre (1997) and the CRE advance this as a business reason for developing an ethnically diverse workforce and this is one of the reasons British Gas (which operates in 43 countries) operates race equality actions (EOR, 1995). We were unable to find further evidence of benefits. However, this argument has the danger of creating ghettos for ethnic minorities where their language or cultural knowledge is useful, leaving employment in the rest of the company untouched. It also may encourage discriminatory practices whereby certain ethnic groups are assumed neither to have the appropriate cultural knowledge nor to be able to learn these.

2.6 Business benefits: image

Improved image may result in business benefits through increasing sales, enhancing recruitment and improving morale, as described above (CRE, 1989). However, companies may be concerned about their image for other, less specific reasons. The CRE (undated c, undated d) provides examples of companies (Midland Bank, John Laing, Tate and Lyle and British Gas) which stated that race equality actions had benefited them through improving their acceptance by the local community. In some cases, image was improved through internal race equality actions, in others, through greater involvement in the local community (CRE, 1989). However, we were unable to find evidence of the business benefits of such acceptance.

2.7 Business benefits: avoiding the diverse costs of discrimination cases

The costs of a discrimination case against a company can be substantial, particularly where the case highlights unlawful discrimination endemic within the system requiring rapid change, for example, in pay systems. Direct costs (legal fees and compensation payments) may also be large, particularly with the

abolition of the ceiling on compensation payments. Indirect costs in terms of management time morale and publicity can also be substantial. Although the costs of discrimination cases have not been assessed directly, research has shown that some companies have considered the costs to be great enough to introduce race equality actions and avoid such costs (CRE, undated b; Goldstone and Levy, 1996).

2.8 Business benefits: improved systems and administration

Dickens (1994) argues that the implementation of equal opportunities may itself enhance the professionalism of an organisation's approach to human resource management more widely and, particularly, the professionalism of its personnel professionals. Drawing on Young (1987), she argues that, as equal opportunity approaches accord with the general personnel management approach, their implementation increase psychological rewards to personnel professionals and enhance their general standing and command of resources. Jewson *et al* (1992) makes a related point that the introduction of ethnic monitoring may result in the introduction of other, beneficial, monitoring systems. The only empirical evidence in support of this is given Pearn, Kandola, Downs which found that in some organisations the introduction of race equality actions had led to an overhaul and consequent improvement in communications processes and the efficiency of recruitment procedures (reducing the period for recruitment) (CRE, 1989).

3 Population projections

3.1 Introduction

At present, one in every 18 people in the labour market is a member of an ethnic minority group. Within the next ten years, this proportion is expected to rise to one in 15. Employers with policies and procedures that discriminate against ethnic minorities, whether intentionally or otherwise, are therefore cutting themselves off from the talents and energies of a substantial and ever-increasing section of the potential labour force. This chapter looks in detail at shifts in the changing ethnic composition of the labour force over the next decade, with the aim of highlighting the major dimensions of change.

The relative size of the ethnic minority labour force depends not only on the relative size of the ethnic minority population but also on the economic activity rates of each ethnic group, which differ markedly. The relative importance of the ethnic minority workforce is also dependent on its quality as well as size. Therefore the chapter is split into three main parts. The first two concentrate on numerical projections, the third discusses the issue of quality. In Section 3.2, the size of the ethnic minority population of working age⁵ and its structure by age and gender is projected over the next ten years. In Section 3.3, these projections are taken and the relevant age, gender and ethnic group economic activity rate applied to estimate how many people will be economically active⁶, i.e. the size and structure of the labour force, rather than the population of working age, is estimated. (Readers with less interest in the basis for the projections might wish to skip Section 3.2 and turn directly to the labour force (rather than population) projections of Section 3.3). Section 3.4 then describes the increasing quality of the ethnic minority labour force. Together, these sections show how individuals from ethnic minority groups will become an increasingly important source of labour and skills for employers over the next decade and beyond. For readers who wish to read the main findings only, a summary is provided in Section 3.5.

On a technical note, population change was estimated by "ageing-on" the population of Britain as measured in the 1991 Census, adjusting in each year for births, deaths and the net result of international migration. The economic activity rates used were calculated from the Labour Force Survey for each main ethnic group by age and gender. Due to sample size problems for some ethnic minority groups and to adjust seasonal differences in participation rates, economic activity

⁵ The working age population is defined here as men between the ages of 16 and 64 and women between the ages of 16 and 59.

⁶ The economically active population is here defined as all those of working age who are either working or actively seeking work.

rates were averaged over four quarters (Summer 1997 – Spring 1998). A full description of the methodology is given in Appendix 2.

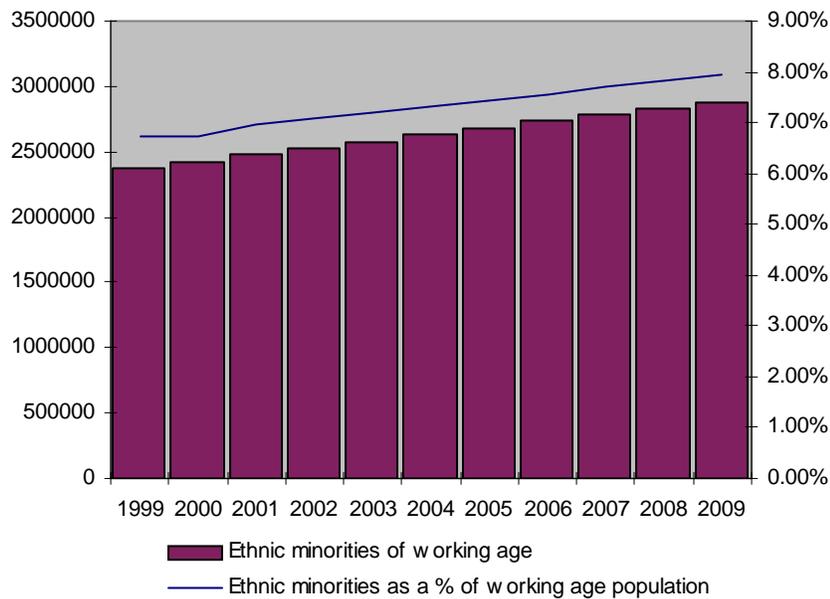
3.2 Projected change in the working age population of Britain

This section presents the findings of the projections of the population of working age. The methodology is presented in Appendix 2.

Projections for the total population

Currently, there are an estimated 2.4 million people from ethnic minorities of working age in Britain and 32.9 million whites (Figure 3.1). In the next ten years, the ethnic minority population of working age is projected to increase by 510,000 (or 21 percent) compared with a white increase of only 460,000 (or one percent). This will result in the ethnic minority share of the working age population of Britain increasing from 6.7 per cent (1 in 15) to 7.9 per cent (1 in 12.5) by 2009.

Figure 3.1 Growth in the ethnic minority population of working age, 1999-2009



Projections by age

The principal reason for this growth is that the ethnic minority population currently has a younger age profile than the equivalent white population, with more young people reaching working age and fewer older people reaching retirement age than in the white population⁷ (Figures 3.2 and 3.3).

⁷ Net migration into Britain between 1999 and 2009 will also play its part in increasing the size of the ethnic minority population relative to the white population, but the overall projected effect is small when compared with the impact of ageing.

Figure 3.2: Age profile of the white population of working age, 1999 and 2009

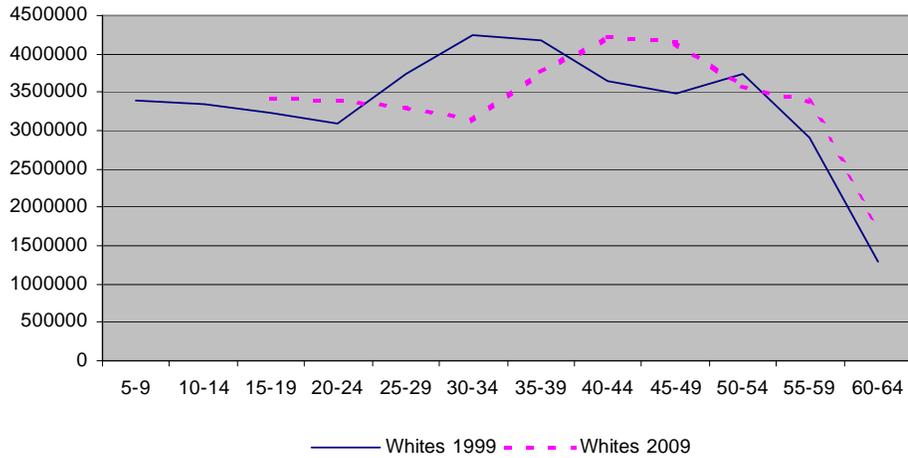
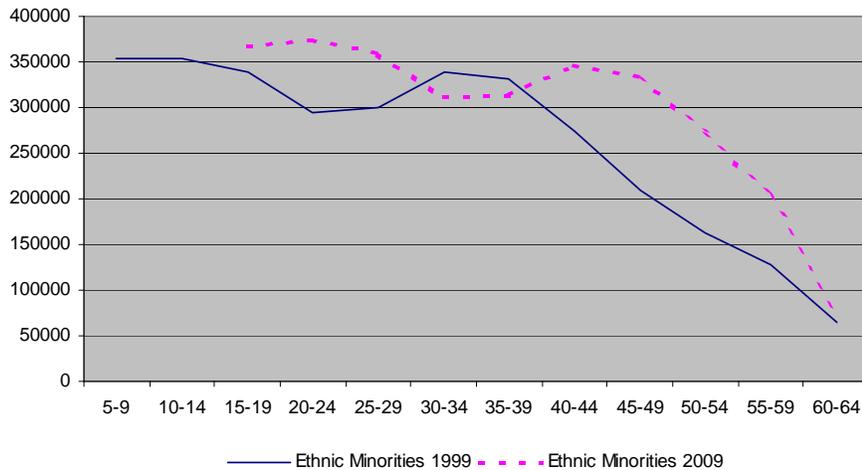


Figure 3.3 Age profile of the ethnic minority population of working age, 1999 and 2009



The highest growth rates among ethnic minorities over the ten-year period are within the 45-59/64 age range. The number of ethnic minorities in this age group is projected to increase by 57 per cent, from 560,000 to 880,000 by 2009 (Table 3.1). In comparison, the number of whites aged between 45 and 59/64 is projected to increase by only 12 per cent, from 11.4 million to 12.8 million (Table 3.2). The ethnic minority population is projected to grow at a faster rate than the white population within each of the four age bands presented in Tables 3.1 and 3.2. However, the 25-34 age range is also particularly notable since the white population is projected to decrease in size (falling by 19 per cent from 8.0 million to 6.4 million), whilst the number of ethnic minorities is projected to increase (rising by five per cent from 640,000 to 670,000).

Table 3.1 Growth in the ethnic minority population of working age by age group, 1999, 2004 and 2009

	1999	2004	2009	% change 1999-2009
16-24	564,828	640,185	670,083	19
25-34	639,551	611,604	671,337	5
35-44	606,423	677,837	658,252	9
45-59/64	561,863	700,939	880,677	57
All of working age	2,372,666	2,630,565	2,880,350	21

Table 3.2 Growth in the white population of working age by age group, 1999, 2004 and 2009

	1999	2004	2009	% change 1999-2009
16-24	5,695,265	5,955,150	6,156,485	8
25-34	7,985,115	6,876,164	6,431,878	-19
35-44	7,828,739	8,419,546	7,990,022	2
45-59/64	11,409,639	12,056,008	12,796,274	12
All of working age	32,918,797	33,306,867	33,374,659	1

Projections by ethnic minority group

The largest absolute increase will be in Pakistanis of working age, increasing by 105,000 over ten years, or about one fifth of the total increase in ethnic minorities (Table 3.3). After Pakistanis, the ethnic group with the next largest absolute growth is the category termed 'Other', which comprises a variety of different sub-groups including North Africans, Arabs and those from mixed ethnic backgrounds who did not record themselves as Black Other. This group is projected to increase by almost 90,000 people. Following this group come Indians, projected to increase by 77,000. Next is Black Other, with an increase of 68,000. This category mostly comprises people of Caribbean family origin who perceive themselves as British, but who are not 'white' (Berthoud et al, 1997, p.14). When it is placed together with the specific 'Black Caribbean' group, which is projected to rise by 17,000, the overall growth in absolute terms is expected to be in the order of 85,000 people between 1999 and 2009. The other groups contributing substantially to the increase are Black Africans (55,000), Bangladeshis (41,000) and Other Asian (35,000).

Table 3.3 Growth in the population of working age by ethnic group, 1999, 2004 and 2009

	1999	2004	2009	increase 1999-2009
White	32,918,797	33,306,867	33,374,659	455,862
Black Caribbean	363,642	368,011	380,651	17,009
Black African	196,839	223,702	252,243	55,404
Black Other	129,226	161,285	197,259	68,033
Indian	650,727	695,537	727,499	76,772
Pakistani	362,232	461,566	466,958	104,726
Bangladeshi	119,725	140,171	161,077	41,352

Chinese	141,615	152,729	160,853	19,238
Other Asian	188,429	208,827	223,787	35,358
Other	220,230	263,736	310,023	89,793
All ethnic minorities	2,372,666	2,630,565	2,880,350	507,684

In summary, projections of the development of the working age population of Britain suggest that there will be a significant increase in the number of ethnic minorities of working age in the coming decade. Furthermore, this growth will outstrip that seen among the white population, resulting in an increase in the proportion of working age people who belong to ethnic minority groups.

3.3 Projected change in the economically active population of Britain

This section describes the projected increase in the ethnic minority labour force (as opposed to the working age population, i.e. those economically active of working age) over the next ten years. It also discusses factors which may result in a higher increase than that projected and how the increases may differ in their effect geographically.

Labour force projections based on current economic activity rates

Changes in the labour force were estimated by applying current economic activity rates (by ethnicity, age and gender) to the working age population projections reported in the previous section (see Appendix 2 for a full description of the methodology). Table 3.4 gives economic activity rates by age, sex and ethnic group averaged over a 12 month period (Summer 1997 to Spring 1998)⁸. Due to sample size restrictions, Black Caribbeans have been grouped with the Black African and Black Other groups, Pakistanis have been grouped with Bangladeshis and Chinese with Other Asian.

⁸ Economic activity rates for some ethnic minority groups vary substantially between different quarters of the Labour Force Survey, due to a combination of sampling error and seasonal variation in the economic activity rate. In an attempt to account for these factors, economic activity rates have here been calculated by taking an annual average over four quarters of the Labour Force Survey, using a procedure recommended by the ONS (Sly, 1998). However, due to the structure of the LFS, these averages are necessarily calculated using semi-overlapping samples. It should be noted that it is difficult to estimate the extent to which this method reduces the confidence intervals surrounding figures obtained from a single quarter of the Survey.

Table 3.4 Estimated economic activity rates by age, sex and ethnic group

	<i>percentage</i>					
	White	Black	Indian	Pakistani/ Bangladesh i	Chinese/ Other Asian	Other
Men						
16-24	78	64	57	51	40	55
25-34	94	88	96	92	83	87
35-44	93	88	94	81	83	85
45-64	78	73	72	55	818	77
Women						
16-24	70	57	55	38	47	49
25-34	75	69	69	28	55	658
35-44	77	75	70	21	57	63
45-59	70	66	49	21	63	70

Source: Labour Force Survey, Summer 1997 to Spring 1998 (four quarter average).

Economic activity rates clearly differ greatly by ethnicity, as well as by age and sex. Rates of economic activity are generally highest among whites. However, the rates of whites are often similar to those of one or more ethnic groups: particularly to those of Indian men and Black women. For men, the greatest differences are in the 16-24 age group, when ethnic minorities have a much lower rate of economic activity than whites. At this age, ethnic minorities are more likely to be in full-time education than are whites (Modood, 1997a). For women, there is greater diversity in participation rates, with rates amongst whites consistently higher and rates amongst Pakistani and Bangladeshi women consistently low.

Using the above economic activity rates, the projections suggest that the population of economically active ethnic minorities will increase from 1.6 million in 1999 to 1.8 million in 2004 and 1.9 million in 2009 (Table 3.5). This represents a total increase of 310,000 people, or 20 per cent, over the ten-year period⁹. In contrast, the size of the economically active white population is estimated to increase from 26.1 million in 1999 to 27.2 million in 2004, but is projected to then drop back slightly to 26.4 million in 2009 (Table 3.6). This represents an overall increase of just 220,000 people, or one per cent. These changes will result in the percentage of the labour

⁹ Since the multiplier being used is constant over the period 1999-2009, the proportionate growth in the economically active population within each cell of Table 3 (e.g. white males aged 16-24) will necessarily match the proportionate growth in the equivalent working age population. However, at higher levels of aggregation, the two growth rates may differ as a result of changes in composition within the aggregated group along one of the dimensions of Table 3. For example, shifts in the relative prominence of different ethnic groups between 1999 and 2009 may cause the population of all economically active ethnic minorities aged 16-24 to grow at a faster/slower rate than the equivalent working age population over this period since each group has a different activity rate.

force who are from ethnic minorities increasing from 5.7 per cent, or 1 person in every 18, in 1999 to 6.7 per cent, or one in every 15.

Table 3.5 Growth in the economically active ethnic minority population of working age by age group, 1999, 2004 and 2009

	1999	2004	2009	change 1999-2009
16-24	294,875	392,532	352,710	57,835
25-34	475,047	450,658	491,880	16,833
35-44	452,267	505,506	484,890	32,623
45-59/64	353,045	440,000	558,072	205,027
All of working age	1,575,233	1,788,696	1,887,552	312,319

Table 3.6 Growth in the economically active white population of working age by age group, 1999, 2004 and 2009¹⁰

	1999	2004	2009	change 1999-2009
16-24	4,245,625	5,204,988	4,588,588	342,963
25-34	6,766,222	5,830,201	5,453,551	-1,312,671
35-44	6,669,828	7,176,438	6,812,665	142,837
45-59/64	8,464,794	8,945,521	9,507,667	1,042,873
All of working age	26,146,469	27,157,147	26,362,471	216,002

Labour force projections by age

The absolute increase in ethnic minorities in the labour force is highest in the 45-59/64 age group, rising by 210,000. However, this only increases the ethnic minority share of the labour force in this age range from 4.0 per cent to 5.5 per cent, owing to the substantial rise in the white labour force of 1.0 million. A more significant change occurs in the lower prime age group (aged 25-34). Although the rise in ethnic minorities is only 17,000 in this group, this contrasts with a fall in the white labour force of 1.3 million. The result is an increase in the share of ethnic minorities in the labour force from 6.5 per cent to 8.3 per cent. The next highest shift is in the youngest age group, where the increase in ethnic minorities in the labour force is 58,000 and of whites 343,000, resulting in the share of ethnic minorities rising from 6.5 per cent to 7.1 per cent.

Labour force projections by ethnic group

All groups of ethnic minorities are projected to increase substantially between 1999 and 2009, with the largest absolute increase occurring in the 'Black' group (Black Caribbean, Black African and Black Other), which is projected to rise by

¹⁰ Among whites, each age group shows the same proportionate growth in the economically active population as was seen in the working age population (compare Table 3.2 and Table 3.6) since, within each cell of Table 3.6, rates of economic activity only vary by gender, and substantial changes in the male:female ratio of the population are unlikely to occur over time.

92,000 (18 per cent) (Table 3.7). This accounts for 29 per cent of the projected increase in ethnic minorities in the labour force. The next highest absolute increase is in the Pakistani/Bangladeshi labour force, projected to rise by 74,000 (31 per cent) over this period. The ethnic group which is projected to see the largest proportionate increase in size over the next decade is that termed 'Other'¹¹. The number of economically active individuals of working age in this group is projected to grow by 39 per cent (59,000). The absolute increase for Indians and for Chinese/Other Asian groups is lower at 48,000 and 39,000 respectively (10 per cent and 18 per cent respectively). The increase amongst whites, as reported above, outweighs that of any individual ethnic minority group at 216,000.

Table 3.7 Growth in the economically active population of working age by ethnic group, 1999, 2004 and 2009

	1999	2004	2009	change 1999-2009
White	26,146,469	27,157,147	26,362,471	216,002
Black	509,362	566,928	600,998	91,636
Indian	459,907	502,337	508,059	48,152
Pakistani/Bangladeshi	238,843	291,821	313,028	74,185
Chinese/Other Asian	217,210	244,116	256,531	39,321
Other	149,910	183,494	208,935	59,025
All ethnic minorities	1,575,233	1,788,696	1,887,552	312,319

The projections: an underestimate?

Our projections of the economically active population are based on the assumption that rates of economic activity will remain the same over the period 1999 – 2009. However, this assumption is unlikely to hold in practice¹². It is therefore useful to consider the main factors which may bring about differential changes in the economic activity of ethnic groups in the coming years and their implications for our projections.

Increased labour market participation among women

Female economic activity rates vary widely by ethnic group, with Pakistani/Bangladeshi women having the lowest rates of all by far (Table 3.4). The low activity rates of Pakistani/Bangladeshi women are due, in large part, to the presence of cultural norms which encourage married women from this group to spend their time looking after the home (Metcalf, Modood and Virdee, 1997, p.37). However, as the proportion of Pakistanis and Bangladeshis born in Britain increases, one might expect the cultural norms of this group to gradually change, resulting in an increase women's participation in the labour market.

¹¹ This category comprises North Africans, Arabs and those of mixed origin who did not classify themselves as Black.

¹² Official projections are made of future changes in aggregate rates of economic activity (Ellison *et al*, 1997), but these take no account of ethnicity.

The increasing level of education among Pakistani and Bangladeshi women will reinforce this trend. Pakistani/Bangladeshi women between the ages of 16 and 19 are currently at least as likely to participate in full-time higher education as their white counterparts, whilst those aged between 20 and 24 are actually more likely to do so (Table 3.8). Economic activity among Pakistani or Bangladeshi women with A-levels or degrees is just as high as it is among whites (Modood, 1997b, p87). As a result one would expect that, as the ageing process raises the level of education among older groups of Pakistani and Bangladeshi women, the economic activity rate of this group as a whole will increase. Within the ten-year time span of our projections, the greatest impact is likely to be seen among the 25-34 age group.

Table 3.8 Participation in full-time higher education, by ethnic group

	<i>percentage</i>	
	White	Pakistani/Bangladeshi
16-19 year-olds in full-time education	56	54
20-24 year-olds in full-time education	12	19

Source: PSI Fourth National Survey of Ethnic Minorities (Modood, 1997a, Table 3.10).

The economic cycle

By way of contrast, evidence suggests that the economic activity rates of ethnic minorities may be more adversely affected by downturns in the economic cycle than the economic activity rates of whites (Sly *et al*, 1997, p.297). To the extent that ethnic minorities' activity rates are more affected by the economic cycles of the coming decade than those of whites, a future economic downturn could act to restrict some of the projected growth in the economically active population of ethnic minorities shown in the previous tables.

Over the period between 1984 and 1996, the degree of variation between the economic activity rate of ethnic minorities as a whole and that of whites tended to be small (Sly *et al*). This suggests that such effects are unlikely to eradicate much of the difference between the overall projected growth rates of the ethnic minority and white populations. However, this aggregate picture may mask significant effects among particular ethnic groups, in that economic downturns may impact upon the activity rates of some ethnic groups more than others. Past research has been unable to investigate this issue because of the small samples of ethnic minorities available within surveys such as the LFS. Nevertheless, given that the activity rates of different ethnic groups are far from uniform, these rates may well react differently to changes in the economic climate over time.

Geographical variations

National projections provide only a partial picture of the labour market changes employers will face, as employers will also be affected by the way the changes affect their local and regional labour markets. With the resources available, the study was unable to provide projections below national level, owing to the

complexity of estimating ethnic minority migration within Britain (particularly for younger people). However, it is possible to draw some conclusions about the local effects of some of the above changes.

The changes in the ethnic minority labour force will be concentrated in the parts of the country with existing high concentrations of ethnic minority population. Ethnic minorities are mainly concentrated in major conurbations. Regions with above average ethnic minority populations are listed in Table 3.9. Selected towns will have higher concentrations than their regions and it is these towns and regions that the largest changes in the labour force will be felt.

Table 3.9 Regions with ethnic minority populations above the national average

	<i>percentage of the population from ethnic minorities</i>
Inner London	26
Outer London	17
West Midlands	15
West Yorkshire	8
Greater Manchester	6

Source: Dorsett, 1998, based on 1991 Census data.

To gain an idea of the scale of the change, let us take a hypothetical example of an area with 26 per cent of its working age population from ethnic minorities. If the ethnic minorities in this area were similar (in age and ethnicity) to ethnic minorities in Britain, then about 22 per cent of the labour force (the economically active) would be from ethnic minorities. (This is slightly smaller than the percentage of working age from ethnic minorities, due to a differences in participation rates.) By 2009, the number of people from ethnic minorities in the labour force would increase by 20 per cent and, because of differences in the age profile, the number of whites would increase by only one per cent. Despite this large difference in growth rates, the proportion of the labour force from ethnic minorities would only rise to 25 per cent (i.e. only a rise of three percentage points).

3.4 Changes in the quality of the labour force

The increasing importance of the ethnic minorities in the labour force stems not only from numerical growth, but also from an increase in education levels.

In general, the younger generation, whether ethnic majority or minority, are more highly qualified than their older counterparts. This 'education gap' (the difference in education levels between younger and older people) is greater among ethnic minorities than for whites and that this gap is more pronounced at a younger age (Table 3.9). The proportion of whites with, or studying for, degree-level qualifications stands at just under one fifth in all but the oldest age group (45-

59/64), where it falls to around one tenth. Among the ethnic minority population, the gap occurs earlier and is also wider. The proportion of ethnic minorities with, or studying for, a degree is over one quarter (26 per cent) amongst the youngest age group (16-24) and stands at 23 per cent among those aged 25-34. It then falls considerably, however, to 18 per cent among 35-44 year olds and 12 per cent within the oldest age group (45-59/64).

Younger ethnic minorities are also more highly educated than their white counterparts: amongst the 16-24 age group 26 per cent of ethnic minority people have, or are studying for, a degree compared with 19 per cent of whites.

These two factors, the wider education gap and the higher educational level have major implications for the future workforce. As the current working age population ages, an increasing percentage of the highly qualified labour force will come from ethnic minorities – not only because of their growth in the labour market but also because of their higher level of education compared to whites. Ethnic minorities will provide a disproportionately greater percentage of highly educated workers than will whites. Thus, with the growing need for higher level skills, the importance of ethnic minorities in the labour force will grow more than numerical projections alone suggest¹³.

¹³ Small sample sizes in the Labour Force Survey precluded the disaggregation of Table 3.3, and hence the actual projections of the economically active population, by qualification level.

Table 3.9 Highest qualification by age among whites and ethnic minorities, 1998¹⁴

Age	Highest qualification	<i>percentage</i>	
		Whites	Ethnic Minorities
16-24	Degree-level	19	26
	Intermediate-level	63	55
	Lower than O-level/None	18	20
25-34	Degree-level	18	23
	Intermediate-level	63	53
	Lower than O-level/None	19	24
35-44	Degree-level	17	18
	Intermediate-level	61	55
	Lower than O-level/None	22	27
45-59/64	Degree-level	11	12
	Intermediate-level	58	50
	Lower than O-level/None	31	38

Source: Labour Force Survey, Autumn 1998

3.5 Summary and conclusions

In summary, our projections suggest, between 1999 and 2009:

- a rise in the ethnic minority labour force of 20 per cent compared with an increase of one per cent in the white labour force;
- an increase of 310,000 in the ethnic minority labour force, greater than the 220,000 increase in the white labour force;
- the percentage of the labour force from ethnic minorities will increase from 5.7 per cent to 6.7 per cent;
- the greatest impact will be in the younger age groups, especially the 25-34 age group, where although the rise in ethnic minorities is only 17,000, there will be a fall in the white labour force of 1.3 million, thus increasing the percentage of the labour force from ethnic minorities from 6.5 per cent to 8.3 per cent;

¹⁴ This data is available for the Spring and Autumn LFS only. Although Spring 1999 data was available, we considered Autumn data to provide a better picture of higher education participation and awards.

- the largest absolute increase will be in Black Caribbean, Black African and Black Other, projected to rise by 92,000

Moreover, these projections are likely to be an underestimate, due to an expected increasing convergence in participation rates for women and, particularly, an increase in participation rates amongst Pakistani and Bangladeshi women.

The other main findings are that:

- These changes will impact more greatly in existing areas of high ethnic minority population. However, even in these, the percentage point increase in the proportion of the labour force accounted for by ethnic minorities will be small.
- The economically active population of ethnic minorities will not only grow in numerical importance but also in aggregate educational ability, becoming of an even higher quality and possessing an even greater level of skills than is presently the case.

These findings suggest that employers that discriminate against ethnic minorities will be cutting themselves off from an increasing portion of the available labour force over the next ten years. This will be most detrimental to employers in areas of high ethnic minority population, those seeking a highly qualified workforce and those dependent on younger employees.

4 Race equality: policy and organisation

4.1 Introduction

This chapter examines the framework in which race equality actions are taken: the development of policy and race equality actions and the organisation of race equality actions. The framework is an extremely important influence on the development of race equality in the workplace. It affects the extent to which race equality is taken seriously and becomes embedded in practice and it affects the success of specific actions. The framework is also an important influence on business benefits, affecting the extent to which race equality actions are tailored to achieve benefits and also affecting the costs of specific actions.

The approach to race equality has been undergoing radical change in the last few years. Three stages in this transformation can be identified: the Personnel Approach, the Human Resourcing Approach and the Diversity Approach.

- The *Personnel Approach* to race equality focuses on equity in personnel practices and/or meeting legal requirements – but uses narrow definitions of these. Job selection, promotion and reward are supposed to be based on job-related criteria and all other characteristics ignored. Where this approach fails is that the criteria themselves may be racially biased and not take into account cultural differences.
- The *Diversity Approach*¹⁵ starts with the recognition that we live in a diverse society and that business will be more successful if it exploits diversity. First, and foremost, the diversity approach is driven by the recognition that cultural diversity results in segmented markets and diverse customers and that the company needs to exploit these differences. However, diversity also presents opportunities in terms of staffing and business operations, as different cultures may present different ways of operating which could be used to develop a more efficient organisation¹⁶. The basic tenets are that society is diverse, business should exploit that diversity and no single approach or culture should be automatically seen as right.

¹⁵ We concentrate on discussing the Diversity Approach in relation to ethnicity, due to the specific interest of the study. However, it encompasses all the standard equality groups and, in its purest form the Diversity Approach transcends the idea of group differences and focuses on individuals having diverse bundles of characteristics.

¹⁶ A BT Director gave an example of this relating to gender: the shift from an autocratic management style to that of enabler and supporter may be seen as a move from an approach more commonly found amongst men to one more commonly found amongst women.

- The *Human Resources Approach* falls in between these two. Race equality stays firmly in the remit of Human Resources. However, it is no longer viewed just as an issue of equity or law, but a business issue through its effect on human resources: discrimination is seen as undesirable because it affects the resources available to the company by reducing the opportunity to employ the best person for the job.

The Personnel and Human Resources attempt to provide equal treatment but within the prevailing white British cultural norm. Job criteria and work organisation take the cultural norms of the ethnic majority for granted and do not allow for cultural differences between people which might affect how the job were done but not how well it were done. This can result in institutional racism. Genuine equality can only exist where cultural differences are permitted and not penalised. The Diversity Approach not only recognises this, but also sees minority cultures as presenting the opportunity to identify new ideas which may improve the way the business is managed and operated.

The implications for race equality of the development of the Diversity Approach are important. Companies need to understand culture differences to understand their customers. Cultural training and the employment of ethnic minorities contribute to this and a virtuous circle is created: cultural training reduces racism (including institutional racism) thus enabling the recruitment and deployment of ethnic minority employees at all levels; the increase in diversity of employees allows employees to learn about cultural diversity first-hand. Moreover, race equality acquires business importance: it is a tool for success, not an altruistic add on or an imposition of the government. It is therefore accorded greater priority. Thus the Diversity Approach expands the idea of equality, to allow difference rather than to impose homogeneity through the majority cultural norms, which exclude or increase failure amongst ethnic minorities. The Diversity Approach, through the centrality of the business case, provides much greater impetus to developing race equality. However, this does not mean that all the race equality actions which were developed under the Personnel and Human Resources approaches (which because of their similarities will be referred to as the Equal Opportunities Approach) are no longer relevant. These are still essential, although details (for example, recruitment criteria) may require revision.

Drawing examples from the case studies, this chapter examines the various approaches and the way that the implementation of race equality actions may be organised. The next section describes the development of race equality in the case study companies both to demonstrate the different approaches which may be taken and also to highlight how certain approaches increase effectiveness. Section 4.3 then describes different organisational approaches, their relationship to company organisation in general and how different organisational approaches may influence effectiveness.

4.2 The introduction and development of race equality actions

In the case study companies, formal race equality actions were introduced with the development of an Equal Opportunities Policy (or, more recently, a diversity policy) statement. These were introduced in the mid-1980s or early 1990s¹⁷ (Table 4.1). The policies tended to comprise a short statement, which included a list of the grounds on which people were not to be discriminated against (i.e. race, gender etc.). However, some were more extensive, running to several pages and detailing fairness in recruitment and so forth. Prior to this formal development, companies may have operated practices which offered race equality. However, the development of a formal policy appeared to go hand in hand with (or even to lead) the development of more general Human Resource policies which contributed to race equality (such as recruitment based on job requirements) and can be seen as an initial step in taking the issue of race equality seriously.

In none of the companies was race equality accorded special status within the Equal Opportunities statement. In practice, though, some case study companies focused initially on race (e.g. Asda, Grain d'Or, the small engineering company, the Mayday Group and Robert McBride), whilst some others focused on gender (e.g. the Retail Company and the Financial Services Company). These different foci were governed by the impetus for the policy and the company's employment characteristics.

¹⁷ With the exception of Lloyds TSB, which had only been formed in 1996. However, the company had extensive experience of race equality actions to draw on, as this had been accorded importance within TSB.

Table 4.1 The introduction of Equal Opportunities policies

	date of introduction	reasons for introduction and change
BT	long-standing	change: business benefits
Sainsbury's	long-standing	Business needs stimulated the company to take a more holistic approach.
Sun Microsystems	long-standing	Recent centralisation resulted in review of Equal Opportunities Policy
Asda	1984	Focus on race. Business reasons
Pork Farms Bowyers	1985	Head Office initiative ^a
Financial Services Company	1990	no information available
The Mayday Group	early 1990s	Managing Director's personal commitment and business needs. Focus on race.
Robert McBride	1993	Part of centralisation and formalisation of policies; later: tribunal cases
Small engineering company	1994	<i>'articles in personnel journals suggested that all self-respecting companies should have one'</i>
Grain d'Or	1994	Need to address issues arising from 95 per cent ethnic minority workforce ^a .
Lloyds TSB	1996	On merger, but TSB had a long-standing Equal Opportunities policy.

^a Stimulated by the personal commitment to equality of Northern Foods, the parent company.

The lack of special status for race was taken much further in Lloyds TSB, where a diversity policy was developed which aimed to benefit all staff. The diversity policy statement focused on fairness, rather than improving opportunities for specific groups, Figure 4.1. This was seen as very important by the Head of Equal Opportunities: through giving all employees a stake in improving fairness it was more likely to gain support throughout the company. The approach takes diversity on fully, by assuming that all people are different, with different needs and therefore may contribute in different ways to the company; it is not just those who belong to specific groups who are 'different'. However, this approach did not preclude action to address group disadvantage, including racial discrimination.

Figure 4.1 An inclusive diversity statement

<p style="text-align: center;">Staff</p> <p>We will create an environment in which all existing and prospective employees can access all appropriate employment opportunities.</p>
<p style="text-align: center;">Customers</p> <p>We recognise the diversity of our customer base and aim to understand and, wherever possible, meet the needs of all our customers. Any decision regarding customers will be on the basis of relevant business criteria only.</p>
<p style="text-align: center;">Measurement</p> <p>We will measure our progress towards this vision by:</p> <ul style="list-style-type: none">Seeking feedback from staff;Seeking appropriate feedback from customers.
<p style="text-align: center;">Guiding principles</p> <p>The following principles will guide our approach:</p> <ul style="list-style-type: none">We will be approachable and flexible in meeting individual needs and aspirations;Staff will be fairly selected for all jobs, based on their abilities;Staff and customers will know what to expect from Lloyds TSB and will receive consistent treatment.
<p>(Lloyds TSB, "Working together towards equality" Information Pack, June 1998)</p>

Reasons for introducing a race equality policy

In the case study companies, business benefits, personal commitment or a general reassessment of policies provided the impetus to the introduction of a race equality policy. As long ago as 1984, business considerations had prompted Asda to introduce an Equal Opportunities policy, focusing on race. The company was expanding into new parts of the country where the company was unknown and which had relatively high ethnic minority populations. They wanted to ensure that their new stores reflected the ethnic mix of the local population, as this was believed to affect local usage of stores. Business considerations were also one of the two impetuses for the Mayday Group. The company had had to refuse business due to a shortage of temporary staff, but, at the same time, realised a high number of job applicants who were recent immigrants to Britain were being rejected due to lack of skills. Its policy was designed to address this skills gap. (The other impetus was the strong personal commitment to race equality of the owners.) Personal commitment from the top had resulted in Grain d'Or and Pork Farms Bowyers, the two Northern Foods subsidiaries, having formal Equal Opportunities policies. Company reorganisation, resulting in the centralisation of personnel policies across the company, had provided the spur to Robert McBride Ltd, whilst the small engineering company had been influenced by the general ethos of personnel practice. The motivation behind the Equal Opportunities Policies in other companies was not identifiable.

Changes in policy statements and approach

Several of the case study companies changed their policy statements or approach over time. Expectations of business benefits again played their part. In some of the leading edge companies, the change signified a basic change in approach, from Equal Opportunities to diversity, with the driving force behind the diversity approach being business need. For example, BT focused on the diversity of the customer base and how this might best be addressed throughout the organisation. Amongst other things, race equality was identified as important as it was thought that a mixed ethnicity workforce would be better able to identify the needs of the range of customers. This extended the role of Human Resources in relation to ethnicity from one of ensuring fairness to one of exploiting diversity.

Other case study companies, whilst maintaining an Equal Opportunities approach, recognised that their original policies were no longer adequate. In some cases, this was prompted by tribunal cases leading to a fundamental review of race equality (e.g. Robert McBride). At Sainsbury's the stimuli was threefold: a tribunal case, combined with recognition of the business benefits of employment in supermarkets to reflect the potential customer base and a staff attitude survey, which clearly suggested that ethnic minority employees felt that they were less likely to be treated fairly. Company re-organisation was also a stimuli to change, where reorganisation entailed a revision of Human Resources practices, e.g. at Sun Microsystems.

From policy to practice: strategic development

Establishing a formal policy may be a first step towards improving race equality at work. The way that the policy is then implemented can be very important for its effectiveness and also for the business benefits the company derives. Implementation may be piecemeal and *ad hoc* and the case studies included companies which had successfully improved race equality in this manner. However, three of the case studies (Lloyds TSB, BT and the Mayday Group) had taken a highly strategic approach to the implementation of their race equality policy and this seemed more likely to ensure acceptance of the policy, effective implementation and business benefits. The mutual benefit of the approach is due to companies identifying the extent to which their business can be affected by lack of equality, resulting in race equality being taken seriously as a business matter, rather than a legal or moral issue. Two others (Asda and Sainsbury's) had used this approach but to a more limited degree. This section provides examples of strategic development.

At Lloyds TSB the *business case* was treated as central to the activities of the Equal Opportunities Unit and this was imaginatively explored and business aspects identified, see Figure 4.2. The approach taken gained full senior backing for improving race equality which was vital to ensure adequate resources and influence. It resulted in race equality being brought into mainstream business activities and resulted in greater commitment to ensuring race equality was effected. The repetition of the investigation of business needs and staff views

across each part of the organisation was seen as vital to identify the most appropriate actions and also to gain the support of middle managers.

Figure 4.2 A strategic approach: Lloyds TSB

The first step for the Equal Opportunities Unit in developing the Equal Opportunities policy was to gain the strong commitment of the Board. The approach was to identify company direction and priorities and where Equal Opportunities could fit in, in order to put a proposal to the board. A number of steps were taken:

- discussions were held with key directors and chief executives across the group, to identify business directions and key priorities.
- a market research company was commissioned to identify ethnic minority customers' needs.
- focus groups of staff (men and women) and interviews with senior men and women were held across the organisation on what worked for them re Equal Opportunities;
- discussions were held with Branch managers;
- the companies activities and outcomes were benchmarked against competitor companies

It was clear from interviews with Branch Managers and with customers that Lloyds TSB did not adequately understand its ethnic minority customers, that cultural ignorance resulted in mistrust and a poorer service. Customers wanted more ethnic minorities behind the counter. The findings showed how customer service was linked to Equal Opportunities. This acted as a much more powerful driver of Equal Opportunities than employment issues.

The survey of senior men and women was key: it identified a range of issues around feelings of fairness and transparency (for example in relation to recruitment, promotion and career development), around the perceived importance of individuals, lack of staffing reflecting the community and difficulties over the work/home balance. Importantly, it showed that actions to tackle race (or other) inequality would also result in improvements for all staff.

The findings and conclusions were taken to the Board, with strategic proposals. The Board was shocked by the findings, including by staff views and by the different level of service to ethnic minorities. This resulted in Equal Opportunities being made a key priority for the following three years. In addition, the Group Director joined the RfO board, which provides a continuing spur to improve race equality. Once this backing was received, the above process of identifying needs was taken forward across each part of the organisation, where actions were also identified.

A continuous development, strategic approach was demonstrated by the Mayday Group, a small temp agency. Initially, it had developed a range of practices in response to labour shortage: it had more business than it could service and, at the same time, was rejecting many ethnic minority applicants (predominantly immigrants) for temporary work due to lack of basic catering skills. The Managing Director realised that the skill deficiencies were due to cultural differences affecting knowledge of common British foods and interpersonal skills. Thus, for example, applicants might not be familiar with sandwiches or might not look people in the eye when serving them. The agency offered a short course to applicants it rejected. After training, many of the applicants were then recruited and this greatly increased the companies supply of temps. However, with this increase, it sought to ensure that its permanent staff better reflected the composition of its temps, finding that employees from a range of ethnic groups were better able to understand and manage the diverse temp workforce. Finally,

the company recognised that employees were put under stress and spent time dealing with racist (and sexist) requests from customers (such as wanting white or female serving staff). This led to training in handling such requests and also training for customer companies in respect of the law.

Development tools

The development of race equality is an on-going process: priorities need to be set and actions need to respond to changing circumstances. In addition to customer surveys (as at Lloyds TSB), three types of development tools may be used to help ensure most effective development: numerical monitoring, staff attitude surveys and staff groups.

Monitoring

Monitoring is an essential tool in identifying appropriate actions. Except in the very smallest companies it would be rare to know whether ethnic minority representation in jobs is appropriate unless formal monitoring were conducted¹⁸. Monitoring can be used to identify where problems lie (by department, by grade, by site etc.) and the nature of those problems (recruitment, appraisals, exits, promotion).

Monitoring may vary greatly in sophistication. Disaggregation of employment into sections of the workforce (for example, grade, department, graduate programmes) is important. For example, in one company disaggregation by grade showed that promotion to lower supervisory levels was not a problem, but there was a problem with promotion into management. At Pork Farms Bowyers monitoring had shown that, whilst total employment in the company reflected the local labour market, ethnic minorities were under-represented in one section of the company. The data highlighted the degree of the problem and so made it easier to take action to improve the situation. In some circumstances it may be useful to monitor other aspects, either regularly or as a special project. For example, a retail employee reported how, when money went missing at work, they believed that security was brought in more rapidly if the person involved was from an ethnic minority. Monitoring would identify whether this were the case. Grievances and complaints might also be usefully monitored.

The monitoring of flows (recruitment, promotion and exits) gives a much clearer picture of the effect of current practice, as, unlike employment stocks, it is not based on historical patterns. It also pinpoints more closely where problems are occurring. However, if the case study companies are typical, many companies lack appropriate personnel computer systems to monitor flows.

The way that monitoring information is analysed is also important. Whilst substantial benefits can be achieved through the formulaic use of monitoring information, it is preferable that analysts' have a fairly good understanding of

¹⁸ Respondents in the study consistently (and substantially) over-estimated the percentage of ethnic minorities employed.

basic concepts of monitoring. For example, in one company, it was apparent the ethnic mix varied substantially between departments. Whilst interviews with employees suggested that this was due to an unwelcoming atmosphere in one department resulting in ethnic minority employees transferring quickly, this aspect had not been noticed by those responsible for race equality and monitoring would have highlighted this.

It is essential that checks are built in to the organisation of monitoring, to ensure monitoring is conducted and that its findings are acted on. A number of the case study companies had built such checks into their monitoring systems. For example, at Asda, monitoring was conducted regularly, was used to guide practice and the system provided checks. Stores recorded the ethnic background of all employees and recruits were added automatically. The Personnel Manager in the branch periodically checked whether the profile was similar to the local population and was expected to take action if there was much divergence. Support was given centrally if required. At the same time, the data was aggregated to regional and national level and discrepancies from the population profiles resulted in investigation to pinpoint problems. This procedure was taken not just out of commitment to equality, but also because a profile which reflected the local population was believed to improve sales. The analysis was not conducted mechanically: Personnel Managers were expected to explore whether discrepancies did indicate a problem and to take appropriate action. For example, a Personnel Manager reported how, to her surprise, she found that the store employed more ethnic minorities than in the local population. After initially considering whether this indicated the need for action to attract whites, she concluded that the discrepancy was due to differences in the local occupational composition of whites and ethnic minorities and that action was therefore not appropriate.

Staff attitude surveys

As with monitoring, staff attitude surveys can be used to pinpoint problems and identify actions. A number of the case study companies conducted regular attitude surveys which included questions related to race equality, albeit often indirectly. For example, questions might refer to fairness and goodness of treatment. BT analysed such questions by ethnic group across departments and so pinpointed problem areas. Extending the analysis by ethnicity across the whole survey might highlight other areas for action.

Staff groups

Problems relating to race equality may be identified through standard formal and informal communication between managers and staff. However, a more structured approach focused on race may also be helpful. The best example of this was found in BT, which had established an Ethnic Minorities Network. The Ethnic Minority Network was developed at the request of ethnic minority employees with the support of the company, which provided facilities to the network whilst staff contributed their own time. The network enjoyed direct access to one of the BT Directors. Its main activities were to raise general issues

of concern to ethnic minority employees with the company and to provide practical support for ethnic minority employees in the company. The emphasis of the Network was on individual development within the company and on improving the company to ensure that ethnic minorities could achieve this. The majority of ethnic minority employees were members, totalling 7,500 out of 11,000. A regular newsletter was produced, information exchanged on the company intranet and an annual conference held. A number of important race equality actions have been instigated at its suggestion.

Another good example was found in a branch of Asda. The Student Staff Council¹⁹, which consisted of representatives, two-thirds of whom were from ethnic minorities, had established a focus group to examine race equality issues of particular importance to them. Their views were fed back to the store general manager.

4.3 Organisation of race equality activities

The organisation of responsibility for and implementation of race equality actions can have a substantial effect on effectiveness and can affect the business benefits reaped. The most important issues relate to the seniority of those responsible for race equality, placement within the departmental structure, devolvement of responsibilities and implementation (including across sites for multi-site companies) and resources.

Seniority

As with Equal Opportunities in general, it is important that backing for race equality actions comes from the top of the organisation. This helps to ensure that employees take race equality seriously and that resources are made available to develop actions. The case studies with the most effective practices showed clear support for race equality at Board level. Such support arose either because of personal commitment to race equality or because of recognition of the business benefits. In small organisations personal commitment alone may be adequate to secure the implementation of policies throughout the organisation. However, in order to ensure adequate backing and implementation throughout the organisation in larger companies (and in smaller companies where personal commitment to equality is less strong), it appeared that actions were most effective where the business benefits were clear and had been accepted at the Board level. For example, the Board members at BT who participated in the study, clearly accepted that a diverse workforce and therefore race equality was essential to exploit market opportunities fully. At Lloyds TSB the Equal Opportunities manager had 'sold' diversity by identifying the business need and this had secured the backing of the Board for extensive action. Conversely, some

¹⁹ The large number of students employed had led the company to establish a second staff council specifically for this group.

of the large companies where business benefits had not been made integral to thinking about race equality had less fully developed practices.

Placement within the organisation

Traditionally, race equality has been the remit of Human Resources Departments. However, with the development of the idea of diversity, race equality extends its remit to business development, marketing, buying and so forth. Although many of the detailed actions will still lie in Human Resources, it is important that race equality is not sidelined by being seen as a Human Resources issue. Responsibility for race equality lay with the Human Resources function in all the case studies. Whilst this did appear to work well, it was felt not to be wholly satisfactory in some case study companies where there was a strong emphasis on diversity. In these companies, extensive work was conducted with business divisions. An alternative would be for a central unit which oversaw race equality actions across the whole organisation.

One approach to prevent the ghettoisation of race equality in Human Resources, was to assign responsibility for championing race equality to a Board member and other senior individuals outside Human Resources. This was an approach taken in, for example, BT and Lloyds TSB. Race Champions oversaw race equality in the company and also reported regularly to the Board. In these companies the role rotated which appeared to strengthen commitment to race equality actions, as each successive employee was exposed to the issues in depth. Another approach to increase the penetration of race equality issues into the company is to establish groups, consisting of a range of employees, to examine issues of race equality. Grain d'Or was involved in an Equal Opportunities group made up of line managers, Personnel and others from Kara (its immediate parent company) and Grain d'Or.

Devolution of responsibilities and control systems

In the last decade, there has been a tendency to devolve responsibility for many business aspects down the line. As part of this, managers have taken increasing responsibility for recruitment and the development of individuals. This poses some challenges to race equality, as it increases the number of people whose actions strongly influence race equality. Such people need to understand or to follow procedures which promote race equality. The degree of autonomy across businesses and sites also presents a challenge. Many multi-site service industries have highly centralised personnel procedures. However, separate sites in manufacturing companies tend to be more independent and ensuring appropriate procedures is therefore more difficult.

For efficiency and effectiveness, race equality expertise and monitoring needs to be centralised. Without centralisation, each manager has to replicate the development of good practice. In all the case study companies responsibility for operational oversight was conducted by a dedicated individual or team, which developed policies and procedures (for recruitment and harassment, for

example) and ensured their communication. Examples of the approaches used include:

- Northern Foods, whose subsidiary companies were reasonably independent, set minimum standards for all its companies and allowed each company to develop its own approach to these. Initially, training was provided to the Boards of each company (including on the importance of race equality to the company). The Group receives annual monitoring returns from each company, which are subject to further analysis annually. A group of senior personnel executives considers the returns, particularly reviewing trends.
- in Robert McBride Ltd, another devolved company, good practice was encouraged to spread across companies by inclusion of race equality on the monthly cross-site Personnel Manager's meeting.
- Asda, with its centralised systems, had developed an 'Action Planner' for store Personnel Managers. The Action Planner was very comprehensive and detailed, for example:
 - activities (training, information, recruitment, monitoring, acting on monitoring information, communication and using employees' and the communities' ideas)
 - targets (stores have been set the target of the workforce reflecting the ethnic composition of the travel to work area).

A timetable was included, which directed Personnel Managers to repeat the activities on a regular basis. The planner included advice on the action to take to address specific problems (e.g. if applications were not to reflect local population, advice on how to attract a wider pool of candidates).

However, it was clear from the case studies that a central policing role was very important, otherwise poor practice could remain. The main tool identified in the case study companies for this was monitoring. Central monitoring provided a check on the activities of parts of the organisation where race equality may not have been accorded adequate priority. Through comparison across parts of the company it also enabled problem areas to be identified. However, this approach needed to be backed up by sanctions or by the power to alter practices: knowledge that the issue was regarded as important did not appear adequate. This posed no difficulties where centralisation was the norm, but was more difficult in devolved organisations. An approach found in the case studies was to include race equality in performance targets: this had been introduced for senior managers in BT and at Sainsbury's for branch managers. At Sainsbury's, an annual staff attitude survey included questions about discrimination and fairness and this provided one of the components in assessing managers' performance pay. However, as race equality would only constitute a small part of overall target ratings, as at Sainsbury's, this approach is best used in combination with others, such as embedding the business case, centrally monitoring and having the power to introduce changes.

4.4 Concluding comments

The case study companies demonstrated the importance of the framework in which race equality actions were operated: that the framework determined that appropriate actions were identified and effectively implemented. The case study companies highlighted the importance of senior backing for race equality. Where very high commitment to race equality at a senior level existed, this alone did not guarantee successful implementation of actions and the most successful appeared to be those where the business case was a driving force for action. Where business benefits were identified and a driving force, systems were established to ensure effective implementation. However, it was not possible to disentangle some of the effects of business benefits from those of the companies general Human Resource system. Centralisation makes implementation easier and the case study companies which had business benefits as a driving force were also the companies which had centralised Human Resource policies and practices.

Approaches which identified business benefits and ensured that all employees involved were aware of these benefits appeared most successful. A strategic approach to identifying benefits and priorities for action helped to strengthen support for race equality actions and to promote the belief that race equality was in the company's interest, as well as ensuring actions were most effective. Customer surveys, staff surveys, other communication approaches and monitoring were all important ways of identifying business benefits and required actions.

Centralisation of race equality expertise and monitoring appeared to be very important to effective implementation. Not only did these raise the level of expertise, but they also made effective monitoring more likely. The effectiveness of a central unit depended on its powers. These are likely to be stronger in centralised organisations. In decentralised organisations, the reliance on persuasion makes the communication of business benefits all the more important. However, in all types of organisations, it may be possible to build in some sanctions, for example, the integration of race equality into performance measures.

5 Race equality actions

5.1 Introduction

Companies face a raft of ways to improve race equality at work. Some are described as race equality actions, but many are part of wider Equal Opportunities activities, general Human Resource approaches (such as effective recruitment, development and communication practices) and business development techniques. To be effective and to maximise benefits, the approach should be tailored to the circumstances of the company: its culture and organisation, its occupational mix and labour market. Drawing on the case studies²⁰, this chapter describes the wide range of ways in which race equality may be improved. Some race equality actions are well-known and will not be discussed in depth. Instead, we concentrate on the more novel race equality actions and the wider approaches which affect race equality.

5.2 Communication of the policy and procedures

As described in the previous chapter, the starting point for race equality actions in the case study companies was the development of a statement of policy and procedures. It is important that the policy is communicated to all employees. At introduction, this entails communication to all existing staff and, thereafter, communication to recruits. Whether and how this is done may affect the effectiveness of the policy.

The information provided to staff in the case study companies tended to be simple, restricted to the policy statement and brief information on the procedures should the policy be infringed. Depending on the company's approach to race equality, the policy was presented in terms of fairness and equity for all staff (e.g. Lloyds TSB's diversity policy) or in terms of not discriminating against ethnic groups (along with other groups). On the introduction of the policy or change in policy several of the companies informed staff using leaflets only, with the information added to the staff handbook, whereas once a policy was in place, it was often conveyed to recruits verbally, in induction training. Verbal communication appeared more effective, both because it tended to include more presentation of the rationale and nature of discrimination and also because documents are often not read. However, it is also more expensive. Posters were used in a number of companies to inform staff about harassment.

²⁰ An overview of the case studies is given in Appendix 1. Details of each case study are given in the individual case study descriptions at the end of the report.

Information for managers and supervisors needs to be more detailed, to ensure that they understand fully what race equality means and the procedures. Many of the case study companies had provided a day's training on Equal Opportunities or race equality for senior managers, but training at other levels tended to be focused on specific issues, such as recruitment and harassment. However, a number of the companies produced booklets for all managers (and in some cases for all employees with any responsibility for other staff) to inform them of the policy and procedures.

Informing staff and managers about the business need for race equality seemed to add weight to the message. This tended to be two pronged: emphasising the legal requirement (including the potentially limitless penalties of the company being found guilty of discrimination and the harm of the poor publicity) and the business benefits due to good practice, which, depending on the company's approach, might be limited to the Human Resource benefits or might extend to benefits regarding the market.

5.3 Recruitment, promotion, appraisal, redundancy etc.

Fair procedures (at recruitment, promotion, appraisal, task allocation and when shedding staff) are important for getting the right people into jobs, as well as complying with the law. The main procedures for fair recruitment and promotion (open advertising, selection criteria relating to job requirements only etc.) and appraisal and redundancy are standard, good Human Resource practice and are not discussed here. Instead, special initiatives and other ways in which race equality actions may diverge from the standard are described. In the case study companies special measures had been introduced for recruitment and progression only. However, training on fair selection in general and on cultural differences contributed towards fairness in all areas of selection.

Communication

Fairness in recruitment and other forms of selection should not only be fair, but needs to be perceived as fair. Demotivation and disruption may occur when recruitment, as well as promotion etc., is seen as unfair. At a group level, lack of fairness may lead to work disruption, ranging from industrial action, to extensive arguments and discussions between employees and management. At an individual level, perceived fairness is essential to maintain morale both in the job and also to encourage people to apply for promotion. To this end, it is also important to give individual feedback to those who have been unsuccessful in selection. The case studies contained examples of both problems. In response, one company, Grain d'Or had not only overhauled its recruitment, promotion and redundancy procedures, but had ensured employees were well aware of selection criteria and received feedback when decisions went against them. This was to reduce tension and disputes arising from a belief that one ethnic group was favoured. The result had been a dramatic reduction in disputed cases and in management time dealing with these.

Recruitment

Recruitment practices to promote race equality can take a number of forms, all promoting access to jobs and countering discriminatory selection. Some of these are based on standard good Human Resource practices, including open advertising, clear selection criteria, which are based on the job requirements only and so forth. Other approaches focus on race specifically.

Standard, good Human Resource practices

In relation to standard good practice, many of the case studies had reviewed their recruitment procedures to eliminate bias. For example, in mounting a major recruitment exercise, the Financial Services Company revised its recruitment procedures, drew up job and person specifications to reflect job requirements, eliminated extraneous information from application forms and selection criteria (including education: selection was to be based on competence and relevant experience; this was particularly important as it can identify a person's ethnic group and can lead to discrimination against those educated abroad). (The company also considered removing the applicant's name, as this could enable race and gender discrimination. However, it felt that the difficulty of progressing this mitigated against doing so.). Selectors were given awareness training.

Companies should also ensure that their selection requirements are appropriate to the job. In some of the case study companies this included a thorough consideration of literacy and numeracy requirements, to avoid discrimination against those whose first language is not English. As well as limiting selection criteria to factors relevant to the job, companies should try to encompass the idea that people may contribute in different ways – and that such differences may be a source of strength rather than weakness. This requires selectors and managers to be more flexible in their thinking about what contributes to the business and how to deploy people. One of the case study companies had recognised that they recruited a limited range of types of people (white, male, middle class, 'establishment'). This was seen as restricting potential development of the company and the company had deliberately tried to move broaden recruitment from by focusing on job requirements. This not only opened up recruitment to ethnic minorities but to other types of people.

Companies should also consider whether attributes which are useful to the job (such as facility in languages spoken by ethnic minorities) are not sought because they are not available in the ethnic majority population. For example, Lloyds TSB considered that the ability to speak Bengali would be useful in a branch in an area with a high Bengali population. The job advertisement stated this preference and one of the case study respondents gave clear evidence of its effect: he had only applied because it made him feel he had a chance – otherwise he would not have bothered applying.

Testing applicants and interviewer scoring against agreed criteria were other standard approaches favoured to reduce discrimination, although some companies expressed concerns about whether all tests had been adequately

tested for bias. One of the difficulties is where applicants are rated on evidence of their skills, experience and suitability: a rigid approach delineated acceptable evidence may lead to cultural bias due to its inability to encompass the breadth of experience. Asda demonstrated an enlightened approach to this balancing rigidly scored forms and group exercises, but with assessors having discretion over what constituted proof. Whilst credit was given for specific skills and attributes, there was the ability to add 'a point for anything else which shows dynamism'. This wide approach is necessary to avoid the very cultural bias which is trying to be avoided.

Attracting ethnic minority applicants

The case studies demonstrated a number of ways to attract more ethnic minority job applicants. These tended to focus on either graduates or the lower skilled:

Lloyds TSB were concerned that the percentage of ethnic minority recruits to the graduate programme, averaging 2½ per cent in 1992/94 was too low. After consultations with ethnic minority employees the following changes were made:

- the range of universities' recruitment fairs attended was extended to include more new universities (as higher concentration of ethnic minorities); other types of organisations, e.g. the Islington Design Fair were also added.
- recruitment literature was changed to give a better idea of the type of work and the type of people working at Lloyds TSB; photos and case studies included ethnic minority employees.
- Hobson's ethnic minority case book, which is sent to all ethnic minority students, was used for advertising
- recruiters were made aware of cultural differences across ethnic groups, e.g. differences in aspirations (e.g. money was more often important to whites than to ethnic minority graduate, who more often sought blue-chip company experience for their CV) and trained to tailor recruitment discussions accordingly.

Ethnic minority recruitment rose to 16 per cent in the first year of the new approach and to 19 per cent in the second year. each of the steps taken by Lloyds TSB were extremely important: focusing recruitment on the traditional universities results in indirect discrimination, recruitment literature needs to demonstrate to ethnic minority applicants that they are welcome, it should not be assumed that potential applicants are familiar with the nature of jobs and cultural differences which do not affect job performance should not affect selection.

The Ethnic Minority Network at BT has its own stand at graduate recruitment fairs: they have found this is 'a magnet for ethnic minority graduates'. On the prompting of the Ethnic Minority Network, BT, like Lloyds TSB, changed the universities it included in its milkround.

The Financial Services Company showed how a slight change in recruitment could have a large effect. The company undertook a major expansion and needed to recruit a large number of people. Initially, vacancies were advertised in the local area only (i.e. not throughout the conurbation), using local newspapers. The local area had an ethnic minority population of two per cent. The recruitment of ethnic minorities was disappointing (although, statistically, it did not differ significantly from that of the local population). The advertising was extended to a wider area (with an ethnic minority population of nearly six per cent). This resulted in ethnic minorities making up over six per cent of recruits.

Tapping into community networks and organisations can be a useful way to ensure vacancies are genuinely perceived as open to all. When opening a new store in an area of high ethnic minority population, Sainsbury's had enlisted the assistance of the local community. Through the local City Challenge, it held focus groups looking at what the community wanted from the store; the local Jobcentre provided extensive information on the population composition of the area, so jobs could be tailored to local need; and the company worked with local schools. This approach combined market research for the store and recruitment assistance. In its on-going recruitment of temps, the Mayday Group has outreach workers who contact community groups to discuss their vacancies and encourage application.

Ensuring that the nature of the job is clear to potential applicants is important, particularly as ethnic minorities tend to be concentrated in certain occupations and therefore are less likely to have access to information (through friends and relatives) about a range of jobs. For example, Pork Farms Bowyers were concerned that 'van sales' might be interpreted as selling vans, rather than selling goods to retailers. This was a race issue as experienced van sales people (and therefore those who understood the terminology) tended to be white. They amended their advertisements accordingly. This also informed Lloyds TSB's move to include more information about people who worked for the bank.

Interestingly, although several of the case studies had advertised in the ethnic minority press, none seemed to think this had increased ethnic minority applications, although none had conducted a formal assessment of different advertising channels.

Training to increase ethnic minority access to jobs

Another approach found in the case studies was to provide training to raise the level of skills of potential applicants. This had implications for ethnic minorities where the eligible group was disproportionately from ethnic minorities:

The Mayday Group could not recruit an adequate supply of temps and realised it was turning away many applicants for temping because they lacked certain basic catering skills, including basic product knowledge. Those rejected tended to be immigrants and the Mayday Group recognised this was a cultural issue. (For example, applicants were asked to name a number of fillings for sandwiches: applicants from countries where sandwiches were not eaten often gave

inappropriate answers; some applicants interpersonal skills would have been inappropriate for serving staff and reflected different cultural approaches). The company introduced a one-day training scheme to teach rejected applicants basic catering and service skills. As a consequence the company was able to increase its pool of temps by about one third, with most of the increase coming from ethnic minorities, particularly immigrants. The cost of the training scheme was more than compensated for by the increase in business.

Labour shortage also prompted one of the London regions of Lloyds TSB to participate in local training schemes for unemployed people. Lloyds TSB provided work experience to complement externally provided training. Because of the composition of the local area and of unemployment, most of the participants were from ethnic minorities. A number of the participants were recruited.

Taking action against discrimination

Ensuring that recruitment practices conform to race equality procedures is important and concern over the lack of ethnic minority recruits in some situations had led some companies to take action:

Ethnic minorities were not employed in the van sales area of Pork Farms Bowyers; van sales were located across the country and recruitment was conducted locally; Head Office monitored applications and found no applicants were from ethnic minorities. The company considered that part of the problem stemmed from the occupation being long-standing, with a large pool of experienced van-sales people without work (due to decline in this approach to selling) plus a lack of ethnic minorities having ever entered the area and so not understanding what a 'van sales' job was. Pork Farms Bowyers took a number of measures to counter this. Job advertisements were redesigned to be more informative about the job, the requirement for van sales experience was dropped and selling experience and driving experience were added as desirable in applicants; the company also moved the administration of applications into head office and monitored the whole recruitment process.

Recruitment agencies

In examining the effective operation of race equality in recruitment, the activities of recruitment agencies should not be overlooked. A number of the case study companies did examine their agencies Equal Opportunities and race equality approaches and made clear to the agency their own stance on race equality. Concern over the approach to race equality had led the Financial Services Company to suspend business from an agency until improvements were made, whilst another, concerned about the lack of any ethnic minority applicants being presented for senior jobs made clear its stance on race equality to the agency. In the next recruitment round not only was an ethnic minority candidate presented to the company, but he was then recruited – the respondent considered that they would not have had the opportunity to consider this candidate had they not made clear their commitment to race equality.

Promotion and progression

Ensuring lack of discrimination in progression to higher level jobs is vital for companies to fully exploit their ethnic minority workforce and also to ensure ethnic minorities achieve their potential in the labour market. This was an issue with which most of the case study companies were still struggling. One approach is through recruitment: the external advertisement of more senior jobs (which is only effective if there are more suitably skilled ethnic minorities in the external than internal labour market) and graduate recruitment. The other approach is to improve promotion prospects internally.

The approaches in the case studies tended to revolve around passing more control to the employee and assistance to increase skills. A good example of this was Sun Microsystems, which expected its employees to 'take control of their own careers'. Assistance was provided through appraisal, management advice and training (including on how to take control of one's own career). Some progression was possible through self-development within the job, which could lead to upgrading: employees applied for upgrading and were subjected to a formal assessment procedure. The selection panel excluded the applicant's current manager, but took note of appraisal reports. Full feedback was given to unsuccessful candidates to assist in future development. Employees were expected to look widely across the organisation for career moves. All posts were advertised and applicants went through a formal recruitment procedure, as for externally advertised posts. Elements of this approach were discernible in other case studies, particularly in the internal advertising of all vacancies. However, to be fully effective, ethnic minority employees must believe that selection will be fair.

Asda extended the opportunity for progression to management to all employees, through providing a management training programme, to which all employees could apply. Programmes were run regionally and entailed a day off-the-job training per week. Interested employees were provided with extensive information about the training and application procedure and selected on the basis of tests and reports. Although on completion of training, trainees had to apply and be selected for managerial positions, all trainees were expected to progress to such positions.

Ensuring ethnic minority employees understood the processes for progression and increasing their confidence and aspirations were important elements of the approach in BT. Mentoring was available to all staff. This had been at the instigation of the Ethnic Minority Network which encouraged all its members to participate. In conjunction with the company, the Ethnic Minority Network itself also provided career development assistance in a number of ways. Its annual conference was partly designed as an opportunity to network with directors and senior managers and to receive training, as well as to build confidence. Directors and senior managers ran small sessions on particular aspects of development at BT and were available throughout the day to talk to members. The Ethnic

Minority Network also ran a training programme to assist ethnic minority employees to develop themselves, through a better understanding of the company and also of their own strengths and weaknesses. The programme was delivered by members of the network and run in employees' own time. The company provides accommodation.

Training of selectors and managers

Whilst selection procedures can be developed to promote race equality, in most cases individuals (either as selectors or advisers) will influence the outcome. It is essential that such people have a good understanding of the way that racism operates. To this effect, case study companies provided training in selection procedures. At their best, such training should extend beyond the selection procedure to help selectors recognise their own tendency to stereotype and also make selectors aware of culture factors which could influence their decision but are not relevant to job performance. Training should be given to all selectors, which, in practice (due to allocation of job tasks and allocation of overtime), is likely to mean all managers and possibly all supervisors.

5.4 Harassment

In the case study companies, managers showed particularly strong support for anti-harassment action and policies were more likely to be supported by practices to counter harassment. In some companies, this was driven by experience of harassment cases, which not only had exposed the company to a tribunal case, but had raised behaviour which had uncovered behaviour which horrified senior managers.

Harassment by employees

Developing an anti-harassment policy and its communication to staff is essential in combating harassment. In the case study companies, harassment policies tended to encompass all kinds of harassment, not just race. The policy statement tended to be strongly worded, making it clear that all forms of harassment were totally unacceptable and would be dealt with severely. Existing employees were informed of the policy through leaflets or pamphlets and it was included in induction for recruits. The policy and procedures were included in the staff handbook and several companies displayed posters informing employees whom to contact in the event of harassment.

Harassment procedures

The main approach to dealing with harassment was through getting the victim to take the issue up. This entailed making employees aware that it was an issue and providing advice and complaints procedures for those encountering harassment. Employees usually could choose between standard informal and formal routes (e.g. raising a complaint with their line manager) and alternative routes, such as specially trained harassment counsellors and external employee advice lines. Given the sensitivity and uncertainty that victims feel, it was

important that the procedures gave the victim control over the progress of the complaint: whether the complaint were to be treated formally or not; and gave victims some choice over whom to approach over the issue. Simple procedures can also help, such as frequent checks on areas where graffiti appears. In one of its sites, Robert McBride did this, immediately removing any racist graffiti and this particular problem soon stopped.

Harassment training

These procedures alone were unlikely to tackle harassment. What was also needed was a much better understanding of what constitutes harassment, so that employees modify their behaviour (and are pressured to by other employees), victims feel more confidence to confront harassment or to complain and supervisors and managers can identify and deal with harassment. The nature of harassment means that the more employees who recognise it, the more likely that more 'minor' forms will not go unchallenged. Several of the case study companies provided training for managers and at Pork Farms Bowyers, for example, training had been extended from managers to all staff with responsibility for other employees. This was because line leaders and supervisors, being closer to the staff, were more likely to see harassment and could therefore nip it in the bud. The importance of this extension was reinforced by the evidence from other case study companies where employees had confidence that managers would treat complaints of harassment seriously, but where they feared the reaction of line leaders and supervisors. However, the case study companies limited their training of other staff to, at most, the distribution of leaflets explaining harassment. Discussion with staff in the case study companies about harassment suggested that this was probably not adequate and that formal training was necessary to help them understand the nature of harassment and its disruptive effect.

General Human Resource approaches to counter harassment

Some general Human Resource and work organisation approaches can also help reduce harassment. For example, Asda's culture was one which explicitly emphasised respect for the individuals: employees were expected to treat each other with respect, which was further encouraged through team working and team performance. In addition the culture promoted open communication amongst employees. Thus aggressive behaviour was anathema and was dealt with. Similarly, BT has been developing a culture of respect for the individual: in the words of one Director 'a zero tolerance of harassment policy'. The Mayday Group made its stance on racism very clear to employees and had a highly mixed workforce. The company considered these factors meant that harassment was not really considered by employees. Team working and team appraisal (as in Asda and Sainsbury's) seemed also to reduce harassment, through encouraging people to feel interdependent.

Customer harassment

Harassment and unfair treatment by customers is also an issue which companies need to tackle. Not only are companies responsible in law for supporting their

employees in this respect, but such harassment is costly through effects on morale (and potentially turnover). Support for employees in this regard also sends out clear signals to employees that the company values its ethnic minority employees and does not support racism.

The Mayday Group had confronted customer racism in a number of ways. As a supplier of catering temps, requests were occasionally made (often obliquely) for white serving staff (behind the scenes staff could be from any ethnic group). Staff knew they were not to comply with such requests and they were disruptive, both because they upset staff and also because they took additional time to deal with. The company provided training in how to respond to such requests and, in a small number of cases, also provided training to the requesting company. If necessary the Managing Director would discuss the issue with a company and where a company insisted in a discriminatory request, the company was removed from those serviced. Asda also had a clear policy of dealing with customers who harassed staff, whether racist or not. When a customer was being abusive, supervisors and managers would try to sort out the problem, but if the customer continued abusive they would be removed and banned from the store. Similarly, harassment through repeated complaints against a member of staff would lead to a ban.

5.5 Cultural differences and diverse needs

Cultural and religious differences between ethnic groups can lead to differences in individual behaviour and needs, for example, in the way people relate to each other, their dress and other forms of behaviour. Moreover, recent immigrants, those with family abroad and other people may have different needs. Although the cultural attributes and needs of individuals will vary, ignorance of other cultures and needs, combined with the fact that employment policies and practices reflect the dominant white British culture can lead to a number of employment problems.

Firstly, they can lead to inadvertent discrimination. For example, managers may wrongly assess an employee's ability or attitude due to poor understanding of modes of behaviour (e.g. an employee judged shifty or diffident because they do not look the manager in the eye may come from a culture where it is impolite to do so). Employees may be forced to choose between following their religious commands (for example, in relation to praying, religious artefacts, clothing) and complying with workplace demands. A retail store manager At Sainsbury's gave an example of how one of his staff used to work through tea breaks and then 'go missing' at other times. When confronted, the manager found the employee disappeared to pray and worked through tea breaks to make up the time. The manager said he had not understood the employee's needs – and made an office available for prayer. However, the absence could have had serious

consequences for the employee. Holiday rules may cause stress and difficulty over the major annual holidays or over visiting relatives abroad.

Secondly, ignorance can lead to tension, disputes and, potentially, to harassment. For example, in a number of companies it was reported that white and Afro-Caribbean employees were angered by Asian supervisors failure to use 'please' and 'thank you' when giving instructions. This resulted from the lack of these words in most Asian languages. Neither side understood the problem. Other examples of problems due to ignorance occurred when companies tried to accommodate different needs, with one group seeing this as favouritism towards another group, rather than addressing basic requirements. For example, Grain d'Or's introduction of prayer breaks for its Muslim employees led to bad feeling and resentment amongst other groups.

It is in a company's interest to understand and adapt to different cultures in order to avoid these problems, avoiding institutionalised racism, racial tension and indirect discrimination and also to benefit from cultural differences. In addition, an awareness of employees' cultures and different needs and willingness to adapt to these gives ethnic minority employees the message that they are welcome. Various actions are described below.

Cultural training

Cultural training is an essential starting point, as most people are fairly ignorant about other cultures. For managers and Human Resources specialists it is important in relation to selection, to avoid wrong judgements based on inability to read different cultural behaviour. It is also essential for this group in order to ensure that employment practices do not inadvertently discriminate (examples of this are given below). For all staff, cultural training reduces misunderstanding which can lead to racial tension and disputes.

A number of the case studies provided cultural training, although only for managers and Human Resources specialists. This tended to focus on differences in behaviour (what is polite, what is rude) and religion. Participants tended to find the training fascinating and extremely helpful, enabling them to manage staff better through increased understanding of employees' responses, better anticipation of potential issues and understanding of the importance attached to particular issues.

Religion and clothing

Religious practice may occasionally come into conflict with ways of working. Employees who, unnecessarily, have to choose between adhering to their religion and being employed are likely to suffer discrimination under the Race Relations Act. The clash was most visible when, in the 1960s, Sikh men were not allowed to wear turbans in many jobs. For Christians the conflict is rare (although not unknown), as working is largely arranged around Christian practice (for example, the most common non-working day is Sunday and the exemptions allowed to employees in the change in Sunday trading law was designed for

Christians). The issues which arise vary with religious groups, but may include: prayer breaks and facilities for prayer for Muslims, time off for religious festivals, adaptations to ease fasting during Ramadan, the wearing of religious artefacts (for example, for Sikhs, the bracelet and ceremonial dagger), clothing appropriate to the religion or culture (for example, turbans for Sikhs, headscarves for Muslim women). It is common practice now for a range of uniforms to be available to allow female staff to cover their arms and legs. However, veils and headscarves are less well catered for. A recent Employment Appeals Tribunal case has also ruled that it is discriminatory not to allow the wearing of the ceremonial dagger. The aim is not only not to discriminate, but to make ethnic minority employees feel welcome at work and to reduce stress due to conflicting demands or feelings of being an outsider.

Examples from the case studies in relation to clothing and religious artefacts included: at Grain d'Or, where food hygiene regulations meant hair had to be covered and jewellery could not be worn which could fall into the food, people with beards wore snoods and turbans could be substituted for hairnets (as opposed to companies making Sikhs where hairnets over their turbans); several of the companies subject to hygiene regulations allowed Sikhs to wear their bracelet so long as it was covered. At Lloyds TSB a headscarf was provided as part of the uniform. This seemed to send out a better signal to Muslim women than just allowing a headscarf but not providing one as part of the uniform.

A number of the companies made provision for staff to pray at work. The ease with which prayer breaks can be allowed depends on the number of staff wishing to pray and the way work was organised. For example, at Grain d'Or, with assembly line production, people were allowed to pray in succession in order to keep the line running. Employees in control of their own time, for example managers and professionals could just take time out. At Grain d'Or, because of other employees' concern about special treatment for Muslims allowed 15 minute breaks for prayer which were unpaid officially, although, in practice, deductions were rare. Various provision was made for an appropriate place to pray (for example, one company allowed the training room to be used) and for facilities to wash prior to praying. Small adjustments over Ramadan can be helpful, for example, Lloyds TSB made changes in shift or break times to allow those fasting to eat as soon as they may break their fast, where this is impossible, sometimes, as at Asda, food and drink may be provided at the work station and changes made in canteen opening hours to make food available.

Holidays and other leave

There are two main issues relating to holidays and race equality: the ability of people from non-Christian cultures to have holiday to celebrate their main festivals and the ability of those with relatives abroad to take extended holidays to visit relatives.

In most companies taking a days leave for a religious festival only becomes problematic when a large number of staff want time off at the same time (whether

due to the festival or due to the festival falling in a major holiday period when other people also want holiday). The small engineering company recognised the importance of this and would organise work to close selected production lines to allow Muslim employees to take the day off to celebrate Eid. It also made arrangements for Hindu and Sikh staff to leave early to celebrate Divali. Although these holidays are termed as 'religious', it is important to recognise that, as with Christmas, the desire to celebrate them may be as strong amongst atheists. Some companies used a calendar showing the main festivals for the main ethnic minority groups in Britain, which helped plan – and showed employees the company was aware of all their employees' cultures. Eid presents a particular problem, as the date is determined only close to the festival. Whilst most holiday procedures allow for a day off at short notice, companies should show flexibility where it does not. To assist with planning, a number of case study companies had calendars and diaries which showed all the main religious holidays.

Employees visiting family abroad may prefer to take a long holiday. Amongst employees, this only seemed to be an issue for lower paid staff, for whom the travel costs loomed large. Generally staff seemed to feel that four or five weeks covered their need and many of the case study companies did allow this with their standard holiday procedure. However, restrictions which only allow a couple of weeks at a time additionally penalise this group. It is also useful if arrangements allow for unpaid leave or carrying leave between years. Asda, for example, allowed all employees (at management's discretion) to take unpaid leave.

Where compassionate leave is sought, companies need to take into account not only travel time, but the inability to make continuing short visits and cultural expectations about the employees responsibilities. By taking such factors into consideration, Asda, for example, reported being able to alleviate the distress caused to employees and also being able to retain good employees in employment, after a period of leave.

Other aspects

There are other actions which it may be in the interests of employers to take to cater to cultural differences and differing needs. Within the case studies the following were identified. Grain d'Or, with its largely immigrant workforce, supported English language training. At first this had been provided on site, but, due to low take up, this had been substituted by payment of college fees. At one branch of Asda the staff canteen not only provided food to meet a range of religious requirements but had started to provide a more diverse range of foods. Grain d'Or, having encountered problems in the washroom, provided a mix of different toilet facilities to cater to different hygiene habits.

5.6 Communication

Communication has been mentioned at various points above. However, it is of such importance to effective race equality activities that aspects of communication are brought together here. Communication about the importance of race equality and the seriousness with which it is regarded is important both to policies being effective and also to how ethnic minority (and sometimes white) employees regard the company. In particular, clarity of reasons for decisions to avoid any suspicion of racial bias is extremely important. Grain d'Or, which had experienced tension and disputes arising out of beliefs of bias had instituted such clear procedures, criteria and feedback, that redundancy selection, promotion and even disputed and sensitive dismissal cases no longer attracted accusations of racial bias. Through full communication and dealing with the cases which did arise, the management, over a number of years, had built up an atmosphere of trust in this matter.

One aspect of Asda's culture was *openness*: that problems should be solved through solutions identified in discussions amongst managers and employees. Because of this general approach, difficult issues such as harassment and tensions due to cultural differences seemed to be more likely to be discussed and dealt with, preventing their escalation into major problems. For example, an issue arose where two employees whose first language was not English, used to converse together in their native language, as they were more at home in this language but which could not be understood by the others in their work group. The other employees disliked this, feeling excluded and on edge that they were being talked about. The whole work group discussed this where both sides explained how they felt. This led to a compromise whereby English was more normally used if this was the only common language. This approach contrasts with the more common approach when employees are told to speak English only.

However, equally important as downward communication is communication between ethnic groups, and, given the composition of most workforces, upward communication from ethnic minority staff to managers. The company's own ethnic minority employees are an important resource for understanding cultural difference and also for assessing the effectiveness of race equality actions and identifying and solving problems. Approaches which seek ideas and feedback also tend to increase employees attachment to the workforce. The case studies made use of this resource in a number of ways. Lloyds TSB established a working group of ethnic minority graduates to identify ways of improving the intake of ethnic minority to its graduate programme. Asda, which has a culture of open discussion amongst employees and managers, would tackle even sensitive issues through discussion at group meetings. BT's Ethnic Minority Network provided an effective channel for ideas and issues to be raised at the highest levels. Effective communication in a number of ways was shown in Asda. An employee felt angry that the monthly communication video never showed ethnic minority employees: it made her feel undervalued by the company. Having informed the company, via the company suggestion scheme, Head office rapidly

reacted and started to record the videos in a range of ethnically mixed stores. Had employee's ideas not been welcomed, this employee and other ethnic minority employees would have continued to feel marginalised.

Finally, monitoring is an important resource for communication, to show that the company is tackling inequality. Changing the profile of employment in a company depends on the speed of employee turnover. In most companies this can be very slow. However, flow data can indicate current performance and can be used to show that the company is making change, a factor which is very important to existing ethnic minority employees.

6 Overall effectiveness

6.1 Introduction

The previous two chapters have described how race equality actions may be developed and organised within a company, drawing on examples from the case study companies. This chapter uses the case study companies to examine effectiveness. The next section describes race equality in the case study companies. Section 6.3 then presents our main conclusions over how companies may increase the effectiveness of their race equality actions.

6.2 Race equality in the case study companies

The main indicators of the overall effectiveness of the race equality actions used in the study were:

- change in the ethnic profile of employment (including by grade and job)
- change in the fairness of treatment of employees by ethnicity and
- change in ethnic tension at work.

The ethnic profile of employment

Few of the case study companies held information which allowed analysis of change: time series monitoring data was rarely available, although a few companies had staff attitude surveys which gave some indication of change. Thus in judging effectiveness, the study had to mainly rely on whether current monitoring data suggested that that policies had been effective and respondents' comments about changes in fairness and tension. Policies and outcomes could not be linked in any systematic manner. In these circumstances it may be easier to deduce that a policy has had little effect, where major problems remain, than that a good situation is the result of good policy. Therefore the following must be regarded as fairly impressionistic about whether the policies had been effective (as opposed to how well the companies were now doing). In some cases we felt unable to make any judgement at all. For these reasons and because of our need to secure the full co-operation of the case study companies, most of the following will not name individual companies but be expressed in terms of generalities.

The lack of time series monitoring data made it impossible to judge whether the policies had improved the ethnic composition of the workforce. However, where it was possible to assess, broadly, the relevant labour market composition, the

case study companies did not seem to employ too few ethnic minorities. The problem lay in the level of jobs in which ethnic minorities were employed, with too few in management positions (at any level) and often in supervisory or professional and technical positions. However, in some of the companies where this was a focus of attention, policy aimed at recruiting and promoting ethnic minorities had increased entry to these jobs, and, in at least one case, the overall approach to race equality seemed to be steadily increasing the numbers in higher level jobs. (Note this requires turnover of entrants to be no higher than that of whites as well as for recruitment and promotion policies to be effective.) The conclusions we drew from the companies who were being successful in this area was that the policies targeted at this issue, if fully implemented (which involved at least several of: thorough training of all selectors, a concentration of job requirements, support for progression in the company, ensuring recruitment agencies operated fair practices) could effectively increase ethnic minorities access to higher level jobs.

Fairness of treatment

The second criteria, fairness of treatment, examined discrimination in terms of selection (recruitment, promotion, redundancy, tasks etc.) and cultural bias. Most managerial and human resources respondents considered that their procedures, criteria and treatment was fair and not racially biased. In the main, most other respondents thought the same. However, in several companies a number of respondents did express concern about racial bias and examples were given where respondents considered there had been racial bias in the treatment of employees or where they considered racial bias might have played a part.

However, in judging the effectiveness of race equality actions, the important criteria is whether the actions have increased fairness of treatment, not whether there is no longer any unfairness. The evidence for this came from staff attitude surveys and from the statements of respondents.

- A few of the case study companies had conducted regular staff attitude surveys, although only one of these collected views specifically on fairness of treatment in respect of race. However, in all cases, the attitude surveys showed an increase in felt fairness.
- The other evidence came from respondents' views on whether there had been a change, which in many case study companies also often suggested improvement. For example, in one company, all respondents who expressed a view felt that fairness had increased over the last few years, a period which coincided with a change in management to one which was highly committed to race equality. The company had introduced procedures to secure fairness in recruitment, promotion and redundancy and had provided cultural awareness training. It had greatly improved communication with staff, at group and individual levels, a factor which the company saw as essential to

improving race equality. Most of the policies introduced had been standard, good Human Resources practices. However, there was also a strong element of sensitivity to cultural differences and it is likely that this element was an important part of the company's success. Although it was impossible to separate the effects of these policies from others (such as higher pay and longer holidays), it was clear that this approach had been effective in improving fairness.

Racial tension

The third criteria, racial tension, examined whether race equality actions had reduced harassment or tension between ethnic groups at work. The evidence on this was sparse. It was apparent that some of the case study companies suffered from very little harassment or tension between ethnic groups, whilst, in others, harassment and tension between ethnic groups was a persistent background to employment. However, the evidence on whether race equality actions had affected the degree of harassment or tension between ethnic groups was sparse.

In some case study companies, managers' evidence suggested that harassment policies had been effective, as complaints (including informal complaints) of harassment had decreased following the introduction of a harassment policy. However, it was rarely possible to gain corroborative evidence from employees, because each respondent's evidence was limited to a small number of examples (if any) and this was rarely adequate to form a judgement of whether the incidence of problems had changed.

Moreover, it appeared as though the degree of harassment or tension may have been related to factors other than race equality actions. Case study companies in the service sector, companies where Human Resource policies placed a major emphasis of 'people relating well to each other' (through team work, harassment policies, emphasis on respect and helpfulness) and establishments located in London seemed to have fewer problems with harassment and tension between ethnic groups. However, due to correlation between these factors (and with race equality actions) in the case study companies and due to the research approach, it was not possible to draw any firm conclusions on this.

6.3 Main factors affecting effectiveness

The case studies provided extensive information about ways to improve race equality at work. A number of factors in companies' approaches and implementation seemed to greatly influence the effectiveness of the policies and practice. These are discussed below.

Effective implementation

Whilst personal convictions, tribunal cases and business benefits all provided a spur to developing a race equality policy, the recognition of business benefits seemed to provide the impetus to ensure race equality actions were adhered to

throughout the organisation. Moreover, this seemed to be reinforced by companies taking a strategic approach to the development of race equality policies. In some ways this is not surprising: if companies know what they are doing and why, practices are more likely to be followed. However, it provides further support for the contention that business benefits were real, as strategic examination of race equality is likely to uncover if this is bogus.

Companies encountered difficulties over effectiveness where the business benefits were not embedded into thinking combined with lack of centralised control. In these cases, subsidiary companies, independent sites and individual managers would see race equality as an additional task, not important to the business and, unless they were personally committed, would fail to implement appropriate policies.

Another issue of effective implementation is training. Many of the practices described above, whilst not being financially assessed, will have apparent net benefits. However, for embedding race equality in a company, we would see the provision of training to all staff as important, rather than relying on the distribution of written material. This is particularly important where racial tension is a problem, when training can gain better acceptance of the importance of race equality to the company and a better understanding of harassment and cultural difference.

Monitoring

The importance and usefulness of effective monitoring cannot be over stressed. It assists in the identification of problem and their nature, enables strategic prioritisation of actions, provides information to help convince managers of the need for action and can be used to assess and demonstrate progress. However, it was noticeable that monitoring at a low level of development in several of the case study companies. Given that these are companies which are taking actions, this suggests that useful monitoring is likely to be very rare.

This lack of monitoring seemed to have a number of causes. Firstly, computerised personnel systems were not always set up to enable easy recording or easy output of relevant statistics. This was particularly the case for analysis of flows. This resulted in monitoring being too time consuming. Secondly, we felt that there was either a lack of understanding of the power of monitoring or a lack of facility with interpreting data. The first problem should gradually reduce as companies continue to improve their computerised personnel systems. However, there may be the need for more publicity and education to encourage better use of monitoring data.

Communication

Equally, the role of communication cannot be over stressed: communication about the rationale for and importance of the race equality, clarity over the fairness of procedures, the existence of certain policies, openness to cultural differences and suggestions of problems. These entail good communication from

the Board downwards and also a willingness to listen to ethnic minority and other employees.

Sophistication of approach

The case study companies exhibited wide differences in the degree of sophistication in their approach to race equality. Some were certainly in the forefront of developing race equality. However, a few showed a worrying lack of knowledge. This was partly displayed in their lack of effective monitoring, but also appeared in some of the specific actions taken (or not). Given that all the case studies had been selected because they had been taking some action (and therefore are likely to be more informed than many companies), this suggests an extensive need for further education on race equality actions.

Many of the practices resulting in race equality are standard good Human Resource practice; many of the race-specific actions are simple extensions of these. This suggested that effective implementation of race equality practices in companies with poorly developed Human Resource practices, is likely to be difficult: the mind set for developing appropriate actions and for understanding the business need for such actions is likely to be lacking. Moreover, the cost of implementing actions when the basic infrastructure (for example, with respect to monitoring, communication, training, assessment of needs, recruitment etc.) is not in place is correspondingly much greater. It may be that such companies could introduce selected practices piecemeal and they could be helped to so do by the provision of simple off-the-shelf information.

Progress

A couple of problems arise in perceived progress. Firstly, we have talked about racial tensions between the ethnic groups. As companies increase their recruitment of ethnic minorities, it is possible that some will experience increased racial tension – and conclude that race equality (i.e. recruiting ethnic minorities) causes these problems. However, this is not a problem of race equality, but of its lack and should be seen as highlighting the need to develop actions to manage a multi-cultural workforce.

A second difficulty over progress is its speed. Whatever benefits in improved fairness and reduced tension at work, improvement will always be judged by the percentage of ethnic minorities employed and the positions they hold. This can result in dissatisfaction as change, in most cases will be slow as it is primarily dependent on staff turnover. For example, suppose a company has no ethnic minority employees in a particular area of work, has a turnover at 10 per cent pa (which is high) and receives applications in proportion to the local ethnic minority population. It will take this company more than ten years to have a workforce which reflects the national population. With a turnover of five per cent, it will take more than 20 years. Movement up the career ladder within a company will be slower still. To some extent this process can be speeded up (for example, to get people into management positions as quickly as possible Lloyds TSB rapidly made changes to its graduate programme. However, in order to minimise

dissatisfaction it is important either that employees understand this process or they can see how the recruitment and promotion flows have changed.

7 Business benefits in the case studies

7.1 Introduction

Irrespective of any moral argument, companies have two main pressures to ensure racial equality at work: the law and their own business interests. Britain has become a multi-ethnic and multi-cultural society and, as the projections in Chapter 2 have shown, an increasing proportion of the labour force (and consumers) will be from ethnic minorities. This reinforces the standard business argument for companies to develop race equality at work: that it assists a company to recruit the best person for the job and that discrimination excludes good candidates. Moreover, the pool of good ethnic minority candidates for non-discriminating companies is enhanced because some companies do discriminate. Thus the most obvious business benefit is the expansion of the recruitment pool.

A corollary to the growth in the ethnic minority labour force is the growth in purchasing by ethnic minorities. It has been estimated that expenditure by ethnic minorities amounts to £40 billion (after tax) (BBC, 1999). It is in companies' interests to ensure that they fully exploit this market. This requires appropriate product and marketing strategies to address the needs of a culturally diverse population and to avoid alienating certain groups. Race equality at work contributes to this in two ways: firstly, it creates an image which suggests that the company is 'ethnic-minority friendly' (i.e. welcomes all ethnic groups) and, secondly, by creating an ethnically mixed workforce at all levels it improves employees' understanding of ethnic minority segments of the market. Lack of such input has led to occasional high publicity cases where companies have produced entirely inappropriate goods for certain markets. For example Nike produced a training shoe with a logo consisting of flames (The Independent, 1997). Unfortunately, the configuration of the flames resembled the word 'Allah' in Arabic script and the company withdrew 38,000 pairs of trainers from distribution.

Irrespective of their race equality actions, companies will encounter an increasingly ethnically diverse workforce. The opportunity cost of not implementing actions to utilise this changing workforce is high. In Chapter 5, the fact that working practices reflect the dominant culture was discussed. Failure to address this will make working conditions more difficult for some people from ethnic minorities and, therefore, potentially affect performance, staff turnover and so forth. The issue of racial tension between groups may also need to be addressed: management time ensuring better cultural understanding will tend to be more than repaid through reduction in disputes and demoralisation affecting productivity. Companies which do not take such actions lay themselves open to

falling foul of the Race Relations Act, greater management problems and under-performance by employees. Thus business benefits of race equality actions include the avoidance of problems which might result from a multi-ethnic workforce, as well as the gain from good practice.

Case study companies' beliefs about business benefits

Case study companies' belief in the benefits of race equality varied. Half the case study companies saw benefits as very important and sought to maximise these benefits. In the other case study companies, either benefits were not considered at all or those considered were limited to avoiding the costs of tribunal action.

BT, perhaps, placed the greatest emphasis on the importance of race equality to business success. The company saw it as essential to be at the cutting edge of telecommunications and that this could only be achieved by maximising all resources at its disposal. This included maximising the talents available in the labour market, drawing ideas from the full range of people and ensuring the business addressed the needs of a diverse range of customers. Maximising the potential of ethnic minorities in the workforce for the company was one strand of this. Lloyds TSB exhibited a similar vision of the benefits of race equality to the company. Asda and Sainsbury's focused on service to customers, and, particularly, the belief that customers were attracted to stores that employed people from the customer's own ethnic background. Therefore race equality actions reaped business benefits through attracting customers and increasing sales. In addition, Asda, generally, had a great belief in the effect of morale on productivity, particularly in a service context. It therefore saw fairness at work, of which race equality was a part, as impacting strongly on morale and therefore on business success. For the Mayday Group, race equality activities had been seen to relieve recruitment shortages and hence enabled substantial business expansion. Grain d'Or had seen substantial improvement in employment relations, which it attributed in part to its race equality actions. The improvement had reduced formal disputes and reduced management time dealing with employee relations, thus improving productivity.

These benefits, as identified in the case studies, are discussed below together with actions required to secure benefits when these are additional to the race equality actions described in the previous chapter. Costs, due to inadequate achievement of race equality are also discussed. It is important to recognise that problems may occur when policies are implemented piecemeal, creating demands and expectations which cannot be met. This is not an argument against implementation of piecemeal action, but rather a warning that companies should be sensitive to the potential implications of their activities and adjust their practices accordingly.

The study had sought to quantify business benefits. However, statistical evidence on both the effectiveness and costs of race equality actions (for example, time series data on ethnic minority employment, recruitment, promotions and exits) and of relevance to business benefits was rare. Monitoring data rarely extended

beyond stock information, whilst relevant data on business benefits and costs did not exist. We had foreseen this area as conceptually, as well as practically difficult. However, in some of the case studies, we had hoped to be able to identify some areas where race equality actions were particularly effective and to be able to compare these with other areas of the company. The case study evidence demonstrated that this was not a feasible approach, as benefits in one area tended to spill over to another. Moreover, many race equality actions were extensions of existing Human Resource practices. The costs of actions were, therefore, highly dependent on each company's general approach to Human Resourcing. It was impossible to disentangle the costs of a specific action and, even had it not been, the costs would have been specific to the case study company and not indicative of costs to other companies. Therefore, with rare exceptions, the case studies provided qualitative information only on business benefits. However, the robustness of this evidence was increased by the range of employees from whom information was gathered and, particularly by the inclusion of line managers and employees.

7.2 Recruitment, staff turnover and performance

The main staffing benefits identified in the case study companies were the alleviation of recruitment difficulties, the improvement in the quality of recruits, improved morale, leading to better performance and improved deployment of staff. Each of these improves performance and reduces costs and hence raises profits. Examples from the case study companies are given below.

Alleviation of recruitment difficulties

Two of the case study companies described how recruitment difficulties had been relieved by their race equality actions.

The Mayday Group, a supplier of temps, had seen its business expansion impeded by its inability to recruit enough temps. Through providing basic catering training (primarily to counter cultural differences), complemented by outreach work (including with Community group and Jobcentres) and the wide advertising of jobs, it had greatly increased its recruitment of temps. About one quarter of temps receive the catering assistant training, i.e. the training alone had raised by one third the number of temps recruited. The Managing Director reported that "*last year, applicants from ethnic minorities who, without training would otherwise not have been offered work, added £250K to our turnover*". This figure compares with the cost of the in-house training department (which provided other training as well) of about £50,000 p.a. Thus the training, which opened up opportunities to ethnic minorities also greatly increased profits. It was not possible to estimate the expansion due to the outreach recruitment and wide advertising of jobs.

Lloyds TSB had experienced recruitment difficulties in its NE London area. Participation in local employment/training schemes for unemployed people

(described in Chapter 5) had eased shortages, as participants, most of whom were from ethnic minorities, now provided about half of its recruits. The scheme was a risk free approach to recruitment, with no costs, as the payment made to the programme organisers was offset by the output of trainees. Moreover, because the approach led to the employment of local people, rather than commuters, it had the added benefits of improving the match between the company's ethnic profile and the local population (see Section 7.4 for a discussion of the importance of this) and an improvement in deployment across branches (see the end of this section for a discussion of this). The only downside to the programme was that previously unemployed recruits tended to have more problems than other people (home issues, housing, boyfriend), which required somewhat more flexibility on the part of Lloyds TSB.

For two case study companies, the employment of ethnic minorities was essential to the continued functioning of the company. Both the small engineering company and Grain d'Or were based in tight labour markets and employed mainly unskilled operatives. Business conditions dictated that wages were comparatively low, greatly restricting the flow of applicants. Immigrants who lived locally were unable to access the better paid jobs (whether through discrimination, poor English, lack of UK work experience or lack of qualifications). Consequently, though ensuring that selection related solely to the skills required for the job these two companies were able to access an adequate supply of workers.

Quality of recruits

An improvement in the quality and skills of recruits was a major benefit of race equality actions found in the case study companies.

Following changes made to its graduate recruitment programme, Lloyds TSB saw the percentage of graduates from ethnic minorities rise from four per cent in 1996 to 19 per cent two years later. The graduate recruitment programme appears not only to have increased the percentage of ethnic minority recruits, but also to have raised quality. The graduate recruitment department have had very good feedback from managers re ethnic minority recruits:

- they "help the team environment"
- are committed and good quality
- they help reflect the customer base
- a diverse team assists in e.g. the design of leaflets.

Harder evidence is given in that ethnic minority graduates seem to be getting their permanent posts faster than whites (who tend to take about 18 months to two years). In the future the tracking system will be able to confirm this impression.

In some cases, companies positively sought diversity, seeing this as a way to increase the range of ideas and approaches in the company and so to increase performance. For example, Asda saw developing a multi-ethnic workforce as expanding the talents of its staff. It provides a workforce which 'reflects the wide range of society, which helps develop a culture of awareness of tolerance, adds to the richness of the in-store team and brings benefits in that sense'. Whilst a Director at BT argued that *'to be the No.1 in telecommunications, BT needs to attract the best people. So we need the most diverse pool of applicants available. Must recognise that ethnic minorities are over-achieving (sic) in education and are under-represented in society. If they don't apply, BT must go and find them (e.g. going into colleges etc.). Also, young people have a choice and want to join companies with values.'*

We did not find evidence that good race equality in a company attracted recruits (i.e. that applicants were attracted by the image). However, evidence was found for the converse: that a bad image deterred applicants. For example, Robert McBride had had the reputation of not recruiting ethnic minorities and this had served to deter ethnic minority applicants.

Morale, turnover and performance

Race equality can affect turnover and performance and hence productivity. Some effects are direct, whilst others work through affecting morale. It is difficult to assess the extent that this affects business, but it is generally assumed that productivity is affected in a number of ways: that poor morale leads to lower individual performance, increased disputes and more time on managing people. In addition morale may affect turnover. The importance of this was quantified by one company, which had calculated that a one percent reduction in turnover would save the company £1 million pa in recruitment and training costs and improved productivity.

Numerous respondents, both from the ethnic majority and ethnic minority, who worked in mixed ethnicity workforces where race equality was fairly effective, volunteered that they positively enjoyed the mix: *'it adds interest' 'people have different experiences to relate, different sense of humour'*. This was a highly encouraging contrast to the approach of employees where race equality actions had not yet adequately reduced racial tensions. At Lloyds TSB where the approach to race equality was one of diversity and treating employees as individuals appeared to have had a good effect on morale: employees were generally very positive about the atmosphere at work and about relationships between staff and their local management despite problems of short-staffing. At the Mayday Group the link between race equality actions and morale was apparent. The Mayday Group's approach resulted in ethnic minority employees feeling comfortable at work and valued. The range of race equality actions, particularly the Equal Opportunities training and the policy on racist requests, provided staff with evidence of the Mayday Group's commitment to race equality. Such an approach was strongly supported by all staff interviewed and

appreciated by ethnic minority staff and it increased commitment to and pride in the company and made staff more willing to stay with the company.

Reduced turnover can result directly from improved satisfaction and morale at work, resulting from fair treatment, and also from fair selection resulting in the recruitment of people who other employers reject. Both ethnic minority and white respondents reported that they would leave were their employer racists and, two gave examples where they had left previous employers (one due to a belief that their own progress was being blocked, the other due to objecting to racism against others). Improved terms, conditions and management techniques had greatly reduced turnover at Grain d'Or, where a wide raft of reforms had been implemented including a strong emphasis on fairness at work and anti-harassment: turnover had fallen from 120 per cent to between 25 and 30 per cent. Whilst it was apparent that difficulties gaining other employment reduced turnover at the small engineering company, where many of the employees had a poor command of English. However, this may have been complemented from the company's attempts treat employees well.

Examples of how easily morale can be raised was given by individual respondents. For example, an Asda employee, due to make an infrequent visit to his family abroad, felt that the company's approach to ethnic minorities was demonstrated by his managers response when he requested to take the remainder of his leave for the holiday. Instead, his manager, unprompted, suggested he might like to also bring holiday forward from the following year and special arrangements were then made. A white recruit to the Mayday Group had been highly, favourably impressed by the company because she had received Equal Opportunities training on her first day.

On the negative side, getting it wrong can easily increase turnover and reduce morale and performance:

An employee, whose first language was not English, described how a few years previously a manager had repeatedly told her he could not understand her. This had greatly undermined her confidence and, through making her self-conscious about her English, had made her less articulate. Although the employee herself did not report racism in this behaviour, it seemed to suggest, at best, lack of sensitivity and at worst racism (a suspicion suggested strongly by the very high quality of the respondent's English).

An example of how the sensitivity of the business to ethnic minorities may affect the morale of ethnic minority employees was provided by an employee in a retail chain. The chain offered staff discounts on its products. However, the chain did not stock cosmetics and toiletries for use by Afro-Caribbeans. She felt that this marginalised ethnic minority employees and customers.

Deployment and performance

Race equality actions can bring about benefits in terms of deployment of staff.

In one case, the benefit derived from increased employment of local people. At Lloyds TSB participation in local employment and training initiatives for unemployed people had led to increased employment of local people, rather than commuters. The company found that local employees were easier to move between branches in the region, had lower sickness rates and tended to remain in employment with changing family circumstances.

In addition, deployment can be improved through different holiday and other preferences found in a mixed workforce. For example, the major festivals vary across the main ethnic groups in Britain and each group has one or two major festivals per year which people wish to celebrate. As with white British, the non-religious Sikhs, Hindus and Muslims may be as keen to celebrate a festival as the religious (e.g. festivities around Christmas and Easter are not confined to Christians). This may assist companies to deploy staff over the major Christian holidays and some of the case study companies found this to be the case. However, the effect of this varied, partly because desire for holidays over Christmas and Easter was sometimes great amongst those of other religions when other members of the family had holiday at that time Lloyds TSB. Problems of deployment and cover could also arise if a large number of people wished to take leave at one time.

In some cases, fasting during Ramadan also resulted in greater flexibility of deployment, for example at Lloyds TSB, enabling lunch time breaks to be more flexible. This was particularly important in banking and retailing as lunchtime is a busy period.

7.3 Management and employment relations

Race equality policies tended to result in a number of management benefits and improvements in employment relations. These resulted from the development of race equality actions leading to an overall improvement in management practice and from the employment of ethnic minority managers improving the management of ethnic minority staff and providing a source of new ideas within management in the company.

Employment relations

Whilst all the race equality actions tended to develop better management, the need to communicate policies and practices led to improved communication more generally and to improved employment relations. This improvement in practice appeared to result in companies being able to take difficult decisions (over redundancies and promotion) without dispute. For example, at Grain d'Or, perceptions of favouritism by ethnic group had, on one occasion resulted in a

walk out. The current management had been highly sensitive to inter-group disputes and had introduced much more transparent and formalised procedures to ensure that favouritism did not take place and also to enable employees to see that this was the case. The accepted fairness of the procedures and the degree of trust in the senior management had enabled the company to implement redundancies and shift reorganisation, for example, without tensions over favouritism. Although the implementation of more formalised systems to ensure fairness might be seen to add to managers workload, in fact the company considered that, overall, managers' workload had reduced, due to a reduction in disputes and problems. Similar developments were identified at the small engineering company, where redundancy procedures had been improved, with detailed criteria being drawn up, communicated and implemented.

Ethnic minority managers: understanding ethnic minority employees

Other benefits are derived from having ethnic minority managers. This can have two main beneficial effects. Firstly, where the workforce is composed of a high percentage of the same ethnic minority, it can lead to better management of such groups. For example, the small engineering company reported that a Pakistani supervisor was better able to manage his Pakistani workforce. The Mayday Group also thought ethnic minority staff were better placed to understand the problems confronting ethnic minority temps and that therefore, given the high proportion of ethnic minority temp staff, the business ran better and temp turnover (and hence costs) was less through having a mixed permanent workforce. It can also result in issues of racism and cultural difference being accorded more understanding and weight, through ethnic minority employers being more aware of issues and raising them. For example, at Robert McBride Muslim employees were concerned over whether they would be able to take holiday over Eid. Their white manager had not understood the importance of them of having this holiday and so the importance of clarifying the situation. When it was raised with a Pakistani manager, he immediately reassured them there was no problem and immediately sorted the issue out. Confirmation of the benefits of ethnic minority managers was given by employees. For example in Asda some ethnic minority staff reported how they were better able to raise problems with ethnic minority supervisors. Although this was most frequently reported in relation to issues of racism, it was also raised regarding more general issues.

Ethnic minority managers: introducing new ideas

The second benefit of increasing the number of ethnic minority managers is in relation to introducing a wider range of ideas. A Director at BT explained why the company should be learning from different cultures, through, *inter alia*, employing a multi-ethnic workforce '*The old 'English' style is arrogant, establishment-based and class-ridden. This won't even succeed in Europe, let alone the rest of the World.*' '*Other cultures bring other approaches and the company could learn from the best.*' Lloyds TSB considered that ethnic minority staff were needed at higher levels so that knowledge derived from ethnic minority and from a diverse workforce (for example on customer service) does not have to be conveyed from

the bottom up, but can emanate from the top – most members of the Group Executive do not come into contact with ethnic minorities and therefore have no understanding of the issues. Thus race equality actions are required to allow progression; race equality action also mean ethnic minority staff will be fully utilised.

Identifying future management

Where race equality actions improve progression by increasing employee involvement in their progression, this may generally improve the company's ability to identify current and future promotees. For example, although Grain d'Or did not think that open advertisement of all promotion-level vacancies had necessarily changed whom was selected, it did find it helped identify potential promotees to management at an early stage: *'it identifies the ambitious'*.

7.4 Sales, customers and markets

Much of the thinking behind diversity is that ethnic minority employees are essential in ensuring a company adequately addresses the significant ethnic minority market – to be *'on the pulse of consumer taste'* as a Northern Foods' director put it. This belief certainly formed the crux of the business argument for some companies, such as BT and Lloyds TSB. The type of benefits are described below. Indeed, the Group Director of UK Retail banking at Lloyds TSB recently stated how as a consequence of a *'positive action programme we undertook in East London, over 40 per cent of employees in this area are now from the ethnic minority community resulting in 30 per cent increase in sales'*²¹.

Product ideas and marketing

Ethnic minorities are assumed to have a better understanding of ethnic minority customers and of the ethnic minority market. The employment of ethnic minorities at all levels in the company is therefore assumed to enable companies to provide a better direct service, different ideas for new products, ideas for marketing and so forth.

Product ideas

In the case study companies a number of examples were found where ethnic minority employees had prompted the development of new products:

In BT an Asian sales manager suggested that the high level of self-employment amongst certain ethnic minorities, combined with different ways of doing business, might lead to different telecommunication requirements which were not being addressed. This idea was developed and resulted in an extremely successful sales campaign aimed at Asian businesses in Leicester.

²¹ Stated at a business breakfast hosted by Margaret Hodge. Information supplied by the DfEE.

BT's Ethnic Minority Network suggested that the company should introduce Asian language lines in its call centres. This was introduced and they now handle around 100,000 calls per week.

Sainsbury's encouraged its staff to suggest products to stock: for an ethnically diverse customer base, this needed suggestions from across the community.

Marketing

The specific skills and knowledge of ethnic minority employees was also tapped for marketing campaigns:

One of BT's marketing approaches is to 'blitz' an area with personal callers. For areas of high ethnic minority populations, the company asked for advice from the Ethnic Minority Network. This resulted in more culturally sensitive approaches, for example, where possible Muslim women were targeted to be approached by women; callers were told to cover their shoes with cellophane when entering the houses of certain ethnic groups.

BT also used ethnic minority expertise in trying to target the Greek community: Greeks (who were identified from the staff database by their name) were brought together to discuss ideas.

In one Sainsbury's store, the Staff Student Council, which was predominantly composed of ethnic minority employees, had suggested when the Caribbean food lines were not selling that the company should produce recipe cards to improve sales. This was about to be tried.

The manager of one of the Sainsbury's stores in the study also found that ethnic minority staff provided important market information in relation to changes in consumption during the year. For example, sales of certain products increased significantly during Ramadan, i.e. ethnic minority employees provided an easy source of information to ensuring appropriate ordering.

In addition, Northern Foods considers that specific skills of ethnic minorities are useful in developing their products in the ethnic minority market.

Relating to customers

A number of companies described ways in which employing ethnic minority staff resulted in a better service to customer and increased ethnic minority custom. For example, Lloyds TSB described how their employment profile now better reflected the local, ethnically mixed, population and customers. The increase in ethnic minority employees (together with the increased acceptance and understanding of cultural difference amongst white staff this brought) led to better customer service (as evidenced in customer surveys), both through better

understanding of cultural norms and being able to speak to customers in their mother-tongues, when necessary. As a consequence business had increased. These benefits tended to be reported by service companies, which sold to the public and had a high ethnic minority clientele. However, a manufacturer, Pork Farms Bowyers and a computer company, Sun Microsystems, also identified potential benefits, when dealing with ethnic minority buyers and clients, respectively.

Attracting ethnic minority customers

Three companies dealing face-to-face with customers, Asda, Sainsbury's and Lloyds TSB, believed it was very important that employment in their branches reflected the local population. The supermarkets sought to match the ethnic mix of their store workforce with that of the local population²². They considered that *'people shop in stores which reflect them'* or as a respondent in Asda put it *'a black customer will feel less comfortable if they are confronted with a bank of white checkout operators; it says "we don't want you"'*

Improved service

As well as attracting ethnic minority custom, the employment of ethnic minority staff reflecting the local community was also believed to result in better service to ethnic minorities. For example:

Lloyds TSB gave examples of ethnic minority employees greatly increasing sales in the ethnic minority community. For example, a Sikh manager was moved to Staines, where there was a relatively high population of Sikhs, and custom amongst Sikhs increased; a newly promoted Bengali Adviser, working in an area with a high Bengalis population, had very rapidly reached his sales targets through securing a very large increase in business from the Bengali community.

Ethnic minority employees could often assist non-English speaking ethnic minority customers. For example:

At Lloyds TSB, staff who spoke a language other than English had their main other language displayed on their name badge and in areas of high ethnic minority population a poster in a number of languages was displayed detailing this service²³. Customer service was improved through the availability of staff who could speak the customers' first language and

²² This is not to suggest that the companies were instituting quotas: it was assumed that the two populations would roughly match if race equality actions were effective. Therefore stores were expected to keep a check on this and, if they differed significantly, to investigate whether this resulted from poor race equality policies and to address these if necessary.

²³ Staff respondents reported that displaying a poster resulted in more requests for speakers of other languages, but that languages on name badges were redundant, as an employees name would normally indicate what Asian language would be spoken. However, both approaches are likely to indicate to ethnic minorities in general and to non-English speakers in particular, that they are welcomed.

in some cases this was essential to be do business. The result was increased business: potential customers would not leave because they could not understand, staff would speak in the same language or interpret when there were problems. In addition, the availability of staff to speak to customers in their own language reduced the amount of time spent with non-English speaking customers, thus increasing productivity. The two retailers also gave examples of the importance of employees speaking customers' languages in dealing with complaints and queries.

In some cases, irrespective of language, customers related better to ethnic minority employees. For example:

Employees at Lloyds TSB suggested that some customers related better to staff who shared the same cultural background: this might be through staff behaving appropriately or just a general preference and greater trust. One cashier reported, *"Asians feel very comfortable coming in here, talk in their own language; I get good feedback"*. Whilst most staff described this in terms of ease for customers and staff of the same ethnic group, one said that this did extend across ethnic minorities, *"[I have a] very easy relationship with them [Asians], and also to some extent with blacks: ethnic minorities as a whole see the bank as white, white collar, [they] have to watch what they say, therefore any other ethnic minority is easier to deal with"*.

Similar responses were reported by respondents in the two retail chains. To achieve these benefits, name badges can be important. For example, a West African employee thought that African customers assumed she was West Indian until they saw her name, at which point they would become more relaxed.

None of the case study companies fully exploited their employees languages. Except in the company where staff had their main other language on their name badge, managers and employees tended not to know who spoke which languages and so could not easily find the appropriate person to help a customer. Moreover, this was also the case in Lloyds TSB because many ethnic minority employees spoke more than one language.

When basing an approach on improving the utilisation of ethnic minority employees skills, companies need to be careful that this does not lead to ghettoisation. Instead, the employment of different ethnic groups may be used to educate each group about others, resulting in staff able to provide good service to customers from all ethnic groups. In part, Lloyds TSB was taking this approach, as it considered that ethnic minority employees were needed in some branches not just to personally deliver appropriate customer service but also to educate their white employees.

Customer service benefits in other industries

Whilst the above examples all come from the retail and banking sector, these benefits need not be confined to companies which sell to the public. Whilst rare, employees in, for example, Sun Microsystems gave examples of responses from clients from their own ethnic group being sometimes more favourable. In addition, Pork Farms Bowyers estimated that 30-40 per cent of its van sales are to Asian-owned or managed businesses. The company was trying to increase ethnic minority employment amongst their van sales force. Whilst the impetus behind the drive was *“legal, moral, social; best practice comes in; a broader workforce brings a breadth of ideas and more varied skills, breadth assists with coping with business change.. [we are] heading towards a multi-cultural society and there is a genuine business case that if we train ethnic minority salesmen on the vans, Pork Farms Bowyers will be better received and the business seen as enlightened.”*

Side effects of the race equality actions also provided benefits to companies in other sectors. At Grain d’Or, reduced employee turnover resulting from better practices appeared to have improved customer service. Managers reported that customers had commented on improvements in quality and consistency. The Mayday Group reported a similar effect: their pre-employment training, aimed at relieving labour shortage appeared to have reduced customer complaints. When the training was started complaints were running at six per cent, but this fell to two per cent once cultural diversity was included in the training.

Further evidence on the important contribution that ethnic minority employees could make was identified by Lloyds TSB when it was developing its diversity strategy. As described in Chapter 4, the company conducted a study into the service received by ethnic minorities. They found that the level of service was lower and that this stemmed from employees being influenced by racial stereotypes in their treatment of customers and employees’ cultural ignorance. Consequently, it was reasonable to assume that the company benefited from less business from ethnic minorities than it might otherwise. Thus policies which improved these (the number of ethnic minority staff, cultural understanding amongst all staff) were likely to increase business. Indeed, both managers and staff interviewed were all adamant that the existence of ethnic minority staff had resulted in increased sales and an increase in ethnic minority business (via cultural similarities and language). Moreover, in one branch the loss of appropriate Bengali speakers appeared to be reducing sales

International operations

Few of the companies referred to benefits in respect of international operations. This was not surprising as few of the case study companies operated in international markets. The only views expressed on this came from BT, where the view was that the company needed multi-cultural skills to operate joint ventures and therefore ethnic diversity was important and that this diversity was required at Board level and middle-management.

Contract compliance

A further way that sales may be affected by race equality is the requirement of potential customers that the business has race equality policies. In the early 1980s, 'contract compliance', was operated by some Local Authorities, where contractors were obliged to operate race equality policies. Regulations on best value reduced the effectiveness of this approach to enforce race equality. However, this approach is starting to be taken up by some private companies. Case study companies were asked whether they themselves operated contract compliance or whether any of their customers did.

The evidence suggested that, whilst contract compliance was rare, it was likely to increase. Apart from business placed with recruitment agencies (see below), only one of the case study companies, Lloyds TSB, reported operating contract compliance and only one reported being subject to contract compliance (and only by US companies). However, a number of larger case study companies were actively considering or were about to introduce contract compliance. These developments were driven not only by a concern about race equality, but also by a belief that the public were increasingly interested in ethical business practices.

The effectiveness of contract compliance depends on how it is operated. The main issues are whether it does affect the awarding of contracts and, if so, whether it ensures that contracts go to those genuinely tackling race equality at work. At Lloyds TSB it was reported that this did affect the award of tenders in certain circumstances: it could tip the balance where cost differences were not great. Northern Foods will shortly be developing a policy which includes a statement on the Group's stance on Equal Opportunities. Suppliers will be encouraged to adopt similar policies.

Recruitment agencies were a special case of 'contract compliance'. Several of the case studies not only insisted that agencies had an Equal Opportunities policy but the company conducted rigorous checks to ensure this was the case. Business was also withdrawn from recruitment agencies when they did not come up to scratch in this respect. It was apparent that recruitment agencies which did not operate in a non-racist manner were likely to lose business.

Another approach by which companies are required to develop policies in order to secure business was demonstrated by Asda, which had been working with its facilities maintenance companies to introduce an Equal Opportunities policy and to abide by that of Asda. Asda provides the companies with a copy of their Equal Opportunities material and asks for theirs. If any behaviour is inappropriate in the store, Asda will take action.

An interesting twist was placed on contract compliance by the Mayday Group, which had withdrawn supplies of temps from companies which persisted in racist (or sexist) requests for staff (for example, requiring serving staff to be white), i.e.

it preferred to lose business than comply with racism. It had also provided training to companies to assist them to change.

7.5 Image

Companies seek a 'good image' for a range of reasons, including attracting customers, attracting employees and easing relations with regulatory bodies. A good image on race equality may have a part to play on this. The main way that the study examined image was investigate whether respondents considered that the company had any image regarding race equality and also whether this had any effects. Thus image with the more general public was rarely identified (and only second hand) and the effects were largely based on respondents' views.

Lloyds TSB had conducted research on their image subsequent to merger: Lloyds was seen as establishment and white, whereas TSB was seen as young dynamic and diverse.

Customers

The Mayday Group as a company was good at generating a good race equality image and they are known in the industry for being in the forefront on race. The company, whilst acknowledging that this may lead to them sometimes being regarded as 'cranky', also believe they do receive respect for this. Perhaps most importantly, they feel it demonstrates their professionalism (in an industry where much poor practice exists).

Recruitment

A number of the case study companies considered that a good race equality policy would assist recruitment. A distinction was often made between graduates, whom they saw as becoming increasingly concerned about potential employers' ethical stance, and general recruits. We found little evidence of the effect of image on recruitment for general staff nor did the graduates report any prior view of their companies regarding race equality. However, it is possible that graduates are influenced by the overall image of the company, of which race equality is a part, and that this was not possible to discern.

Relations with the Local Authority and other bodies

A couple of the case study companies saw their image on race equality – and proof of race equality – important in gaining grants and planning permission. Asda gave an example where an effective Equal Opportunities Policy was essential in gaining planning permission for a new store: the local authority had stated that their proof of the Equal Opportunities Policy was a prime reason for giving them planning permission. Robert McBride believed that their tribunal cases would harm their relationship with their local authority, unless they took action, and considered that this could have affected their access to grants and agreement for redevelopment plans. The company took this seriously enough to have been working at their image (as well as their practices) in the three years since the cases and felt that they had now created a good image.

7.6 Avoidance of tribunal cases

Tribunal cases were seen as damaging to business by all the case study companies and a number had had experience of the business costs of cases. For example, a manager at Grain d'Or said that '*whilst what we do in appraisal and recruitment is about fairness, it is also about protecting the business*'. Pork Farms Bowyers had recently won a tribunal case but they considered it would have been very damaging had they lost.

First, tribunals result in direct costs to the company: the costs of assembling the case (of managers and legal advisors' time) and, if the company loses the case, the cost of compensation payment. For example, at Robert McBride a harassment case had entailed five days of the Human Resource Director's and two managers' time at the tribunal, together with three weeks preparation. To this should be added the detrimental effect of the general 'stress and heartache'. Legal costs were additional. The removal of the cap on compensation payments had significantly increased the importance attached to avoiding cases.

Moreover, companies wished to avoid the publicity such cases entailed. Following two tribunal cases and remedial measures, Robert McBride had worked to demonstrate that the firm was fair: it saw its reputation in this area as fragile and liable to be destroyed by further cases. Their reputation was seen as useful to ease recruitment and also to ease relations with the Local Authority which had been harmed by their tribunal cases. For the business effects of this see Section 7.5).

7.7 Costs

One of the problems with previous research into the business benefits of race equality actions is that benefits but not costs have been detailed. Costs arise at

the transitional stage (related to developing race equality policies and introducing new practices) and in operating policies.

Transitional costs include the time of those developing the policy (usually Human Resources or Equal Opportunities managers and staff, together with Board time) and the time of those consulted. Introduction costs include communication campaigns (including the development of materials) and additional training. The size of these costs would vary enormously. At one extreme, Lloyds TSB undertook a number of surveys (of managers, of senior managers, of customers, of ethnic minority graduate entrants) in order to identify the problems and company needs. Studies were conducted in each part of the business and a consultant advised each part of the business on its activities. In total a considerable amount of staff time was spent on developing policy. At the other extreme, an individual, largely alone, may develop a race policy and related practices with minimal discussion with the board and managers. Implementation may consist of provision of a small amount of literature. However, for effective implementation, it is probably essential to include some training. There are major problems in indicating the costs of such expenditure, not only because none of the case study companies kept records but also because costs are highly company specific.

Operational costs depend on the specific practices in operation and include monitoring costs, training, communication, time spent recording actions, as well as highly specific costs such as recruitment advertisements. Although data would be available on some direct costs (for example, charges for bought in training) and other direct costs could be estimated (for example, time on race specific training), assessing the overall expenditure on race equality actions would entail trawling through expense details, detailing time and notional hourly costs of staff involved and also allocating a 'race element' to various activities which are not race specific (for example, most recruitment activities). However, the main costs additional to operating good Human Resource practices are in monitoring (and interpreting monitoring data) and training. With the exception of cultural awareness training, the additional training required is minimal, as most is a marginal add on to other training which should take place e.g. the addition of information on a harassment policy as part of induction, the addition of awareness of racial discrimination as part of recruitment training.

Because of the lack of information in the case studies on costs and therefore in the difficulty of attributing costs to race equality actions specifically, as with previous studies, we were unable to assess costs.

7.8 Summary and conclusions

The case study companies demonstrated the range of business benefits which may be derived from race equality actions, namely:

- staffing, including the alleviation of recruitment shortages, improvement in the quality of staff, morale, reduction in turnover, easier deployment of staff and consequent increased output and productivity;
- improved management and employee relations, including reduction in disputes, improved management systems and ideas;
- sales, customers and marketing, including product and marketing ideas, attracting and serving ethnic minority customers and through contract compliance;
- image, including improved image with Local Authorities, affecting planning and grants;
- avoidance of tribunal costs.

The benefits derived depended on the company's characteristics. Companies with an ethnic minority customer base reaped benefits related to customers, those operating in labour markets with a relatively high ethnic minority component (which includes the graduate labour market), saw greater staffing benefits. All companies which employ any people from ethnic minorities can benefit from improved morale and, those where tension exists, from reduced tension. Moreover, all companies may benefit through the increased diversity of approaches and ideas which may stem from employing and providing full opportunities to a more diverse workforce. Net benefits also depended on costs of implementing race equality actions and these were greater in companies with less sophisticated Human Resource systems.

Of particular note, companies which believed, from the outset, that they could reap business benefits from race equality actions appeared to enjoy more benefits. This did not seem to be due to differences in the characteristics of these companies, but to stem from the companies first identifying the potential benefits (including the harm that poor race equality was inflicting) and then designing their race equality actions to achieve those benefits. These companies also seemed to have developed race equality actions further and this appeared to be part of a virtuous circle, whereby a strategic approach and careful implementation led to the realisation of benefits, which reinforced the need to implement race equality actions thoroughly.

8 Conclusions

8.1 Introduction

This study aimed to provide new evidence on the business benefits of race equality actions, through case study research and projections of demographic changes affecting the ethnic composition of the labour force. As part of this, company practices which affect race equality were examined in detail and quantification of costs and benefits was sought. The approach identified a range of business benefits and enabled conclusions to be drawn about how employers' approaches affect race equality. However, owing to the data held by companies (on race equality in the company, on costs of practices and on benefits of outcomes), very little quantification of employers' actions was possible. This final chapter brings together the different strands of the research to draw conclusions on business benefits of race equality actions (Section 6.2), on employers' approaches to achieve race equality (Section 6.3) and on considerations for national policy makers (Section 6.4).

8.2 Business benefits of race equality actions

The research found that all companies may derive business benefits from race equality actions, although the degree of benefit depends on the company's labour markets, product markets and Human Resource systems.

The labour force

Companies will face an increasingly ethnically mixed labour force. Companies which offer race equality at work will be able to fully exploit this labour force, through recruiting irrespective of race and maximising the output and deployment of its employees. They will also be able to tap into the full skills pool of their workforce, including through promotion. Not only will this help secure the best person for the job, but it is likely to bring a greater variety of ideas, which may stimulate company development, and should improve the management of an ethnically mixed workforce. Failure to provide a workplace where all employees are fairly treated will result in an increase in disputes, demoralisation and, consequently, reduced productivity. Since some employees bring racism into the workplace, an increasing ethnic mix can bring increased employee tension and racial harassment. Again, failure to address this results in disputes and demoralisation and, consequently, worse business performance. Finally, companies which do not address these issues lay themselves open to tribunal cases, with the consequent high legal costs and bad publicity. The population projections suggest that the business effects of race equality actions will be largest in areas with high ethnic minority populations and for companies which tend to employ young people, as this group is growing proportionately faster.

They will also be of more importance to companies which recruit at higher skill levels, as the educational level of ethnic minorities is rising at a much faster rate than that of whites.

Product markets

The companies which are most likely to benefit from race equality at work are those which sell to ethnic minorities, whether to the public or to other companies. This will include all national companies selling to the public, local companies in areas with some ethnic minorities and companies selling to companies which themselves employ (or are owned by) ethnic minorities. Benefits derive from a better understanding of the market, resulting in more successful product and marketing ideas. Where personal contact is involved, they can also derive from better communication, whether it be between, for example, shoppers and retail assistants or sales people and buyers. This is not to say that race equality only benefits those selling to ethnic minorities. A more diverse workforce, drawing on different culture and experiences, is likely to be more fertile for ideas. However, race equality is necessary to allow such ideas to be heard, through engendering a respect for different approaches and through ensuring ethnic minorities are employed at senior levels. All companies are also likely to see an increase in contract compliance: in their company customers requiring that they have race equality policies. Moreover, companies may also start to look more closely at actual race equality, rather than written policies alone.

Human Resource systems

The extent to which companies can derive benefits depend on a company's Human Resource systems. Race equality actions require formalised procedures to reduce the possible effect of prejudice and also to reduce the likelihood of indirect discrimination. They also require good communication systems within the company. In one sense, those with poorly developed systems have the most to gain from instituting race equality actions because it requires them to increase the rigour of their approach. For example, if recruitment has been *ad hoc*, the introduction of approaches which ensure fair treatment (by proper advertising, ensuring recruitment to job needs etc.) should ensure that recruits are appropriate; improved communication should reduce managerial problems. Conversely, the cost of introducing an entirely new system is much higher than that of adjusting an existing system. The costs are not merely confined to writing new procedures: these need to be developed (and in companies without existing good systems, appropriate knowledge and experience may be lacking), communicated and embedded into practice. Thus companies without good formal systems will incur higher initial costs in instituting race equality actions, but reap greater returns in the long run.

The study also highlighted the importance of a Diversity Approach, compared with a Human Resource or Personnel Approach to race equality, in order to maximise the benefits derived. This requires greater sophistication and imagination from companies to envisage how diversity in the market and in the workforce may be exploited, rather than seeking to create homogeneity.

Image

Related to the above benefits, is the effect of race equality actions on a company's image. The study suggested that race equality actions were unlikely to effect a company's image with the general public, unless the company invested in public relations emphasising race equality. Thus without PR investment, there was no evidence of benefits in terms of, for example, a better image affecting recruitment, other Human Resource issues or sales²⁴. Even with PR investment, it was not clear from the study that companies would derive benefits.

However, race equality actions were found to affect a company's image with local public bodies, for example Local Authorities, and could ease relations with such bodies. This could result in more favourable outcomes (for example, in regard to planning permission and grants). The more disparate effect of image wider regulatory bodies or the public at large was not possible to determine.

These findings broadly replicate those of previous research, finding:

- improved recruitment
- lower staff turnover
- improvement in Human Resource practices and management
- improved morale
- reduction in industrial action
- improved image
- increased custom
- improved service to customers
- reduced costs of discrimination cases.

These benefits lead to increased productivity, increased sales and increased profits. The study provided additional evidence on these effects, including the way in which race equality actions affected morale and productivity. It also added to the range of benefits identified to include: the effect on the morale of the ethnic majority and contract compliance.

The case studies also made clear the importance of business benefits to the effective implementation of race equality actions. Some companies undoubtedly had some employees, including at the very top, strongly dedicated to race equality. However, it appeared that more effective actions were taken when business benefits were well recognised, because this was a means of ensuring the issue was taken seriously throughout the organisation. Thus it is important that such benefits are better understood and known.

²⁴ This should not be interpreted to suggest that such benefits do not exist, but that our approach did not identify them.

8.3 Employers' approaches to achieve race equality

The research described the race equality actions and the case studies provided many examples of good practice, which could deliver business benefits. However, even amongst these companies, poor practice also existed, despite the companies being committed to improving race equality. The problem was one of translating policy into practice, not in terms of the specific actions taken, but in terms of ensuring these were properly implemented.

Strategy and clarity of purpose

The study highlighted the importance of a strategic approach to race equality: companies need to be clear about why they are implementing a policy and to tailor the policy in relation to their own needs. Otherwise it becomes an additional burden to the real work within the company and is likely therefore to be poorly implemented. The identification of business benefits seemed to be the best way to get race equality actions accepted, although the personal commitment alone of senior personnel may be effective in very small companies. Although the avoidance of legal action is one of the benefits (and also a strong impetus to action), it does not seem to be as strong a force as benefits relating to sales (directly or via improved staffing) in ensuring effective implementation. A diversity approach, whereby companies accept diversity (in the market and the workforce) as a situation to exploit rather than to regiment, is more likely to lead to the identification of benefits and therefore appropriate policies. A strategic approach, through prioritising action and assessing results, is also likely improve overall effectiveness, through better targeting and through visible results encouraging continued action.

Company structure, communication and the organisation of race equality action

The way that a company is structured and the organisation of responsibility for race equality in a company can greatly influence the effectiveness of race equality actions. All employees, not just managers and supervisors, affect race equality in a company. It is therefore important that it is clear to all employees a) what the policy is, b) that the policy is regarded as important by the company and c) what individuals' responsibilities are and their means of redress. This requires effective communication throughout the company, including of details of practices to those responsible for implementation. In companies where Human Resource practices are centralised, systems will exist for this. Nevertheless, given the ease with which practices may be poorly implemented, it is important that control systems are introduced, the most important of which is central monitoring to identify problems. Difficulties of implementation increase with devolvement. For efficiency in the development of policies and practices, central expertise is required. However, where practices (and policy) is normally devolved there is a risk that central policy and practices will not be implemented. In these cases, emphasis on the business case may be a useful tool to gain the commitment of those to whom responsibility is devolved, as may be the inclusion of race equality in performance targets. However, problems are likely to be encountered unless

there are control systems. Again, monitoring is an essential part of this and, at minimum, may be used to publicly identify lack of progress. However, we would suggest that greater control to deal with problems should be invested in the group expert on race equality.

8.4 Considerations for national policy makers

The study has a number of implications for policy makers for increasing race equality in companies. One of the most depressing conclusions was the lack of effective race equality action. The difficulty encountered in gaining twelve companies with good race equality actions (and which were not all already well-known) to participate in the study, combined with some of the practices found within the case studies, suggested to us that:

- the extent of action across companies is low; and
- many companies will have practices which directly reduce ethnic minorities achievement at work and which result in an undesirable atmosphere, which allows harassment, and is not conducive to achievement.

Consequently, there is a major need for action to improve companies' actions. The study suggested important aspects of this approach:

- The emphasis on business benefits is important, not only as a stimulus to action but to ensure actions are embedded in the company. Companies need to be assisted to identify benefits and assistance to take a diversity approach would be particularly helpful. However, the business benefits approach is likely to be ineffective in companies with poor Human Resource systems and little strategic outlook. In these companies higher additional development costs are unlikely to be seen as offset by longer, term business benefits.
- The importance of legal sanctions should not be underestimated. The removal of the cap on awards in race cases seems to have increased the importance companies attach to avoiding tribunal cases relating to race. Action to increase the probability of discriminatory behaviour being identified would strengthen this impetus.
- Companies need assistance. The level of expertise in companies nationally is likely to be low (given the variation within the case studies). Even within the case study companies we identified lack of expertise in developing specific actions. The assistance should include:

- education on the benefits of a strategic approach and advice on how to develop a strategic approach, including how to identify needs and benefits and how to embed actions;
 - advice on communication, including the need for communication throughout the company;
 - assistance in developing specific actions;
 - education on the uses and need for monitoring and practical assistance on how to monitor.
- The way that assistance is given, publicised and co-ordinated may need to be further developed. Several of the case study companies were confused about the role of the CRE – and were discouraged when refused assistance. Several had not heard of the DfEE's Race Relations Employment Advisory Service (RREAS) (including some which had contacted the CRE, which suggests lack of co-ordination). Thus publicity and co-ordination may need to be improved. However, given the size of the task and the size of RREAS, the way that assistance is given may need to be rethought. One approach may be to develop more, step-by-step guidance manuals to reach a large number of employers; another may be to increase the size of RREAS or reassess the respective roles of the CRE and RREAS.

8.5 Final remarks

The above set of conclusions presents a depressing picture, with extensive need for action. However, there are also positive aspects. Case studies included examples of companies which were greatly improving race equality at work and increasing representation of ethnic minorities at higher levels in the organisation; they included companies which enabled employees to work in non-racist atmospheres and were enthusiastically seizing the opportunity that diversity at work offered. Not only were these companies improving the employment situation of ethnic minorities in Britain, but these were the companies which were reaping the highest business benefits. Their approach was part of a general dynamism which was linked to their general business success, a success which suggests these are the companies and practices which will continue to survive and develop, leading to gradual growth of race equality at work.

Appendix 1 Overview of the case studies

The case study research was designed to provide new evidence on the relative business costs and business benefits of implementing race equality within the workplace and to identify how net benefits might be achieved. Twelve case studies were to be conducted of companies with good race equality practices. In order to identify how different factors affected benefits, the companies were to be drawn from a range of industries, employment sizes and labour market situations. In addition, we intended to include companies which were not already well-known for good race equality actions and were not all seen as blue chip.

Method

Within each company we proposed to interview the Human Resources Director and/or Equal Opportunities Manager, together with a small number of line managers, ethnic minority and white employees and trade union representatives. It was essential to interview both policy makers and practitioners, if we were to identify both rationale (from policy makers) and equal opportunity practices (from both human resource and line managers). Secondly, perceptions of practice often differ between managers and staff and, particularly for the business benefits, it is important that the perspective of those who may be affected by the equal opportunity practices are considered. Therefore, ethnic minority and white staff were interviewed. The range of types of interviewees was also essential to avoid being misled by the well known problem of the divergence between policy and practice (Virdee and Grint, 1994). On average, we had expected to interview seven people per company. In fact, an average of ten were interviewed, which allowed the study to examine variations within companies, including differences across locations. The range and number of interviewees within each company is shown in Table A1.1.

Table A1.1 Interviewees

Company	Head of Human Resources/Equal Opps	Other Directors/ General Managers	Other Human Resource specialists	Line managers, including store managers	Other employees	Total
Asda	1		3	5	5	14
Retail Company			1			1
BT	1	4		2	6	13
Financial Services Company			2			2
Small engineering company	1			2	9	12
Grain d'Or ^a		1	1	2	5	9
Lloyds TSB	1			3	6	10
The Mayday Group		1		4	10	15
Robert McBride	1	2	2	1	11	17
Pork Farms Bowyers ^a	1	1	1	3	8	14
Sainsbury's	1		1	2	6	10
Sun Microsystems	1		2	1	4	8
Total	8	9	13	25	70	125

* In addition, the Group Personnel Director was interviewed.

In each case study company we intended to collect the following information, where this did not result in an unacceptable burden on the company:

- *information on the equal opportunity policies and practices in the company, in theory and in practice.* This was to include policies and practices which may not be classified by the employer as race equality measures (for example, a harassment policy and selection criteria limited to job needs)
- *the rationale for their implementation*
- *evidence on the effectiveness of the policies and practices*
- *evidence on the business benefits of equal opportunity policies*
- *evidence on business benefits*
- *problems encountered and approaches to overcoming problems.*

Potential case studies were identified from the literature and with the assistance of a number of organisations (the CRE, Race for Opportunity, the TUC, the CBI, the Transport and General Workers Union and the Department of Education and Employment). Companies were sent a letter to explain the study and then followed up by telephone to identify whether participation were appropriate and to secure co-operation. Companies were assured of complete confidentiality, if required, and that they would not be identified in any way without their permission. To encourage participation, companies were promised a full, confidential company report of our findings and, if they agreed and the findings warranted it, potentially good publicity.

A number of problems caused us to diverge somewhat from this approach. Although we had envisaged some difficulty in finding 12 companies which fitted our selection criteria to participate in the study, we had not anticipated the degree of difficulty. Firstly, there was a problem of identifying those with good race equality policies and practices: previous research and advice from umbrella organisations tended to provide the same small number of companies. Moreover, information on companies tended to be based on policy statements, participation in campaigning organisations (such as RfO) and general publicity, rather than knowledge of the effectiveness of policies. In addition, many of the known 'good' companies were already very well-known, were concentrated in the same sectors and were similar, whilst we sought new examples across a range of types of companies. There was a particular lack of information about companies in the manufacturing sector. Secondly, many companies were reluctant to participate. Although the extent of work involved in participation would have prevented some from participating, we felt that there were a number of other reasons why companies did not participate: a concern that the study would uncover less than good practice; a concern that the study might sensitise employees to problems; and a lack of concern about the subject.

These problems led to an extension of the criteria for inclusion in the study from those with good practices to those which were attempting to address race equality. This had the benefit of identifying the type of problems which can occur when race equality actions need to be improved, i.e. the costs which are incurred through a lack of race equality.

The characteristics of the case study companies

Industry and location

Six of the case studies were large service companies (in retailing, finance and utilities) with a large number of branches across the country; four were manufacturing companies (one a single site company in Slough, one with sites in the North West and North East, and two subsidiaries of a larger company, with the subsidiaries based in London and Nottingham); one a medium-sized computer company with eight main sites across the UK; and one a small temp

agency based in London. The main characteristics of the twelve case studies are described in Tables A1.2 and A1.3.

With one exception (Sun Microsystems, which was mainly located in the South East, in areas of low ethnic minority population), the case studies either had their Head Office or branches in areas of relatively high ethnic minority population. This was undoubtedly because such companies were more likely to have taken race equality actions and, for multi-site companies, the research focused on the branches in areas of high ethnic minority concentration because these were the branches where race equality activity had been greatest.

Table A1.2 Overview of the case study companies

	manufacturing	services	
		final consumption	intermediate
small <200	small engineering company		The Mayday Group
medium 220- <2500	Grain d'Or ^a Pork Farms Bowyers ^a		Sun Microsystems
large >2500	Robert McBride	Financial Services Company Sainsbury's Asda Retail Company	
		BT Lloyds TSB	

^a Grain d'Or and Pork Farms Bowyers are subsidiary companies of Northern Foods. Their level of autonomy allowed them to be treated as separate companies.

Table A1.3 Characteristics of the case study companies

company	industry	location
Asda	retail	national: Leeds HO
Retail Company	retail	national
BT	telecommunications	national: London HO
Financial Services Company	financial services	national
Small engineering company	metal goods	Slough
Grain d'Or ^a	food manufacturing	London
Lloyds TSB	financial services	national: London HO
The Mayday Group	temp agency	London
Robert McBride	chemicals	five sites in the NW and Yorkshire; one in the SW
Pork Farms Bowyers ^a	food manufacturing	Nottingham
Sainsbury's	retail	national: London HO
Sun Microsystems	computers	concentrated in London and the SE

^a Grain d'Or and Pork Farms Bowyers are subsidiary companies of Northern Foods. Their level of autonomy allowed them to be treated as separate companies.

Ethnic composition of the workforce

The ethnic composition of the workforce in the case study companies was diverse (Table A1.4). The finance and retail companies, with their extensive branch structures, tended to have ethnic minority employment concentrated in the branches located in areas of high ethnic minority population. Similarly, single site or other multi-site companies tended to have manual workforces which were conditioned by the local population mix. Ethnic minority employees were concentrated (sometimes wholly) in non-managerial positions, a factor which reinforced the *local* labour market influence on the ethnic composition of the workforce. (Increasing the percentage of ethnic minorities in senior jobs was a target for some of the companies.) The locality factor led to two consequences. Firstly, some companies and branches had a high percentage of ethnic minority employees (e.g. 95 per cent and 48 per cent of employees were from ethnic minorities in Grain d'Or and the small engineering company, respectively; some of the retail branches in the study had between one-third and one half of their employees from ethnic minorities). Secondly, the mix of ethnic groups varied across case study companies: some companies or sites predominantly employed two ethnic groups: white British and one other, whereas others had two or more substantial minority groups.

Table A1.4 Ethnic mix of the workforce

company	per cent of workforce from ethnic minorities	main ethnic minority groups
Asda	7	varies by location
Retail Company	7	varies by location
BT		varies by location
Financial Services Company		Asian
Small engineering company	48	mainly Indian women and Pakistani men (long-standing immigrants); all manual (low skill)
Grain d'Or	95	recent refugees; Sikh, Tamils, Somalis, West Africans; manual (low skill) and lower level management
Lloyds TSB	2 ^a	depends on location
The Mayday Group	29	mixed; all levels; plus 43 per cent of temps
Robert McBride		Asian; highly concentrated in manual
Pork Farms Bowyers	11	Afro-Caribbean; all manual (low skill)
Sainsbury's	8 ^a	varies by location
Sun Microsystems	8 ^a	Asian

^a estimate: either ethnic minority monitoring was not conducted or figures were considered unreliable by the respondent

A final component of the ethnic mix, was that of British-born and immigrants, with the later differing by length of residence in Britain. The vast majority of ethnic

minority employees in the case studies were a mixture of British-born and long-standing immigrants. However, nearly all ethnic minority employees at Grain d'Or and the small engineering company were immigrants, recent refugees in the former company and long-standing immigrants in the latter.

Appendix 2 Methodology for generating population projections

The aim was to produce reliable projections of the size of the ethnic minority population of Great Britain, focusing on people of working age.

The method used here followed the steps used in official projections of the population of Great Britain as far as was practically possible. Essentially, the method involved “ageing-on” the population as measured in the 1991 Census, adjusting for births, deaths and net international migration to Great Britain in each successive year. The resulting projections extend annually to the year 2009; eighteen years after the last census count of the size of the ethnic minority population. They offer estimates of the size of the ethnic minority population of working age for each year between 1999 and 2009, and are broken down by ethnic group, sex and individual year of age.

“Ageing-on” the population

The method used by the Office of National Statistics in their projections of the British population (OPCS, 1996) is to apply the formula:

$$\text{Population at year } t = \text{Population at year } t-1 + \text{Births} + \text{Net inward migration} - \text{Deaths}$$

where the number of deaths is obtained by adding half the births and net inward migration to the population and applying an age-specific mortality rate. So,

$$\text{Pop}_t = (\text{Pop}_{t-1} + \text{Births}/2 + \text{NetMig}/2) * (1-q) + \text{Births}/2 + \text{NetMig}/2$$

where q = mortality rate.

This method required a starting population disaggregated by individual year of age, together with suitable data on births, deaths and international migration. Each is discussed in turn below.

The starting population

A breakdown of the population of Great Britain by sex, quinquennial year of age and ethnic group was obtained from the 1991 Census Reports (OPCS/GRO(S), 1993a, Table 6); a table of ethnic group by sex by *individual* year of age not having been generated.

The population of each quinquennial age band was then broken down into single years of age by assuming that, for each ethnic group, the distribution *within* each band mirrored that seen in the national population in 1991, for which a distribution by individual years of age was available from Census Reports (OPCS/GRO(S), 1993b, Table 1)²⁵. This procedure was repeated for men and women separately, thereby generating a table of ethnic group by sex by individual year of age.

The resultant figures were then adjusted to take account of under-enumeration. It is estimated that the 1991 Census covered only 98% of GB population, with coverage varying (at least) by age and sex and locality. Enumeration may have also varied by ethnic group *independently* of these three factors, but any such under-enumeration has yet to be quantified (if indeed it occurred) and so could not be corrected. To the extent that under-enumeration among ethnic minorities was a factor of the age, sex or location of that population, this will have been adjusted for through our use of using published adjustment factors which correct the original Census counts for under-enumeration by quinquennial age group, sex and electoral ward of residence (Simpson, 1996, pp.68-71)²⁶. These adjustment factors represent the best available means of adjusting our data to account for under-enumeration among ethnic minorities.

Having adjusted the population to take account of under-enumeration, we arrive at the starting population for our projections.

Two further adjustments are made in some published data: first, to move to a standardised time point (mid-year: 30th June), and second, to include students who are not resident at their term-time address during vacations. However, these adjustments are outside the scope of the method presented here.

²⁵The alternative would have been to distribute the population of each quinquennial age group equally between its five constituent years of age. However, this method would have inevitably meant that our projections would be based upon a population which we *know* to be of the wrong shape at the national level. As it is, within the national population of working age in 1991, the proportion of people in any one single year of age was never less than 17.7% and never greater than 22.2% of the relevant quinquennial total.

²⁶These adjustment factors have been calculated for England and Wales only. Since the data which would enable similar factors to be derived for Scotland are not available, we must assume that the correction required for Scotland is the same as that required for England and Wales. We also assume that under-enumeration does not vary between the single years of age in any one quinquennial age group.

Fertility

There is no comprehensive data available on fertility rates for different ethnic groups; the only data being available by country of birth (Storkey *et al*, 1997, p.57). However, since these projections focus on the working-age population, data on the number and composition of births was required only for the years 1991-92 and 1992-93 (since those born after 1993 will be aged under 16 in 2009).

The total number of births in 1992 and 1993 was approximated by taking the number of male and female children aged under 1 in each of the two years, available from published data (*Population Trends*, 1996, Table 6). By assuming that any change in the composition of new born children would be small over the period, the sex and ethnic group profile of births in each year was then estimated by assuming parity with the profile shown in the 1991 Census (OPCS/GRO(S), 1993a, Table 6).

Mortality

No data is available which gives death rates by ethnic group, since deaths are only recorded by country of birth. Standardised mortality ratios (SMRs) are available for certain groups of immigrants: those born in Caribbean commonwealth, the Indian sub-continent (India, Pakistan, Bangladesh and Sri Lanka), West/South Africa and East Africa (Maxwell and Harding, 1997, 1998). However, it is not clear that death rates among immigrants are necessarily mirrored among the British-born ethnic minority population.

As a result, our projections used national death rates for the whole GB population which are disaggregated by sex and banded age, 10 years being largest band (*Population Trends*, 1998, Table 14). Since death rates will fall over time, different rates were used for the periods 1991-95, 1996-2000, 2001-5 and 2006-09 respectively, with the rates being progressively reduced in line with published assumptions (OPCS, 1996, Table 5.2).

The published SMRs for the various immigrant groups are within the range 0.9 to 1.35 times the national rate for Great Britain, and so the overall effect of using different SMRs for each ethnic group (were they accurate) would actually be quite small. Although no extra account is taken of the possible relationships between ethnicity and mortality, our approach of using national death rates ensures that the different ethnic groups will have different mortality schedules by virtue of their different age and sex profiles²⁷.

²⁷This was the broad approach adopted by Storkey *et al* (1997), although extra account was taken of locality within her projections of the ethnic minority population of London.

Migration

Data on international migration is extremely partial²⁸. However, net migration into Great Britain represents a significant element of population change. In 1995-96, for example, it was estimated at +104,000 persons (*Population Trends*, 1998, Table 5). Given the numbers involved, migration is therefore the element that is most likely to affect the accuracy of the projections.

The 1995-96 total mentioned above comprises the sum of total net migration, as estimated by the International Passenger Survey (IPS), plus “visitor-switchers” (those persons who come to the UK as visitors but then opt to stay). The IPS figures are broken down by sex and banded age but not by ethnic group: only by country of birth or country of last/next residence. Moreover, at present there is virtually no published or easily accessible data on the composition of “visitor-switchers”. It is therefore not possible to decompose these sources of data on net migration by sex, age and ethnicity. Consequently, the composition of total net migration was estimated by other means.

Total net migration for each year between 1991 and 1996 was first obtained from published data (*Population Trends*, 1998, Table 5), whilst estimates for total net migration in each year between 1997-2009 were taken from the official National Population Projections (OPCS, 1996, Table 6.3). The projected migration data estimates the age and sex profile of net migration to the UK for 1995, 2005 and 2015 (OPCS, 1996, Table 6.4). An assumption was therefore made that net migration in the 1990s had the same age and sex profile as estimated for 1995, and that migration between 2000 and 2009 had the same profile as estimated for 2005.

It remained to determine the ethnic group profile of each age/sex stratum. Immigration to Great Britain in the 12 months prior to the 1991 Census is broken down by sex and banded age in the Census Reports (OPCS/GRO(S), 1993a, Table 9; OPCS/GRO(S), 1993c, Table 11). It was assumed that emigration has the same ethnic group profile as immigration²⁹. We further assumed that the ethnic group profile of net migration remains constant over time. This produced an estimate of the ethnic group profile for each age/sex stratum of annual net migration.

²⁸See Bulusu (1991) and Salt (1996, pp.125-128) for commentaries on the nature and quality of migration data.

²⁹The approach taken by Shaw (1988). This approach is supported by the fact that the ‘country of birth’ and ‘country of last/next residence’ profiles of the inflow and outflow of migrants recorded in the IPS for 1991 and 1995 were found to be broadly comparable.

Having compiled all of the various pieces of population data, the process of “ageing-on” (as outlined in Section 2) was then used to produce the final projections of the working age population.

Comparisons between the projected population figures generated by our methodology and the official National Population Projections (OPCS, 1996) are not necessarily valid since the official projections are based on superior baseline data, whilst our projections are the only ones to take account of the independent effects of ethnicity. However, one can compare our starting population – the baseline on which the projections are built - with official estimates of the population in 1991. The final official mid-year estimate of the population of Great Britain in 1991, which includes adjustments for under-enumeration, comprises 23.909m men aged 0-64 and 21.942m women aged 0-59 (OPCS, 1993, Table 1; GRO(S), 1998). This compares with our starting totals of 23.865m men and 21.890m women, showing only a small divergence in each case.

Appendix 3 The case studies

This appendix contains a case study description of each of the twelve companies which participated in the study. Each describes the general background of the company and then focuses on the approach to race equality, the actions being taken, their effectiveness and the benefits that the company derived. Some companies are named, others preferred to remain anonymous. This should not be taken to be indicative of how 'good' the company was in respect of race equality. There were a variety of reasons for choosing anonymity, including, for example, rapid, major developments in the race equality approach since the fieldwork.

Asda Stores Ltd

Asda's policies and systems to promote race equality are impressive. Most notable are: the 'Asda Way of Working'/ethos; Asda's headcount monitoring system; an Action Planner for Personnel Managers; and the recruitment procedures. The company has a clear business need for race equality at work, as its custom would suffer were it either to employ few ethnic minorities or to gain a reputation for discrimination.

1 Background

Asda Stores Ltd employs 85,000 people in 220 stores and distribution centres across Britain. Human Resource policy and practice is highly centralised, devised at national level with stores receiving detailed instruction and assistance on implementation. Race Equality is under the remit of the Head of Colleague Relations, as is Equal Opportunities generally. In addition, Equal Opportunities has senior management champions.

The two case study stores were both in London and employed approximately 300 and 350 people respectively. Employees included students, mothers, fathers with second job and older people (including past retirement age).

2 Race equality actions

Prompted by the expansion of Asda into the South and southern inner city areas, where the company was not well-known, Asda introduced an Equal Opportunities Policy in 1984. Asda believed each store's employment profile needed to reflect the local population to maximise custom.

Race equality at Asda relies heavily on its standard Human Resource practices, backed up by a small, but important, number of race equality-specific actions. Of central importance is the 'Asda Way of Working'. This is combined with standard, good Human Resource policies covering recruitment, promotion and performance. Recruitment is through open advertising, with selection based on highly formalised (but flexible) tests, based on job requirements only. There are formal appraisal and disciplinary procedures. Promotion to management posts is made open through a management training programme, to which all store staff may apply; selection is then conducted through tests, as for recruitment. The following describes the 'Asda Way of Working' and actions specific to race equality.

The Asda Way of Working

Asda has a strongly imbued ethos, supported by behavioural rules (the 'Asda Way of Working'), which governs the treatment of employees. The 'Asda Way of Working' creates a culture which is antipathetic towards discrimination and harassment. Highlights of this approach include an emphasis on team working, respect for the individual, open communication and maximising each individual's contribution. This approach results in an emphasis on communication (within stores and between stores and HO) and addressing problems openly, and on treating people fairly and with respect. Individual development and involvement is encouraged, alongside a strong emphasis on teamwork and team performance. The approach improves race equality through developing good inter-staff relationships, through better understanding of processes and decisions and also allowing problems relating to race equality to be openly discussed. Team work is very important. Departments have pressure to deliver ('*pull your weight*', '*no nastiness*'), which creates peer pressure for the team to perform. It is therefore seen as counterproductive to not work well with one's colleagues.

Organisation and the Action Planner

Each store has a Personnel Manager who implements race equality actions locally and who monitors the ethnic profile of the store, ensuring this matches the customer base. To assist, Head Office developed an Action Planner, which provides a comprehensive tool for the introduction and review of race equality actions. The planner details actions (training, information, recruitment, monitoring, actions in response to monitoring information, communication and using employees' and the communities' ideas) and targets.

Race equality training and communication

Both staff and managers should receive information and training on race equality. *Staff* are informed about the Equal Opportunities and Harassment policies (what the Equal Opportunities policy means and employees' duty to report anything contrary to the policies) at induction. Training takes about 10 to 15 minutes. The staff handbook has four pages devoted to 'Fair Play', describing the company's Equal Opportunities and Harassment policies (with both mentioning race), explaining what Equal Opportunities and harassment mean and what to do if one is treated contrary to these policies. The handbook makes clear that disciplinary action may be taken against offenders and that all staff have a responsibility to challenge questionable behaviour. Other information, e.g. leaflets and a poster on harassment, is also posted on notice boards.

Managers should attend an Equal Opportunities awareness course as part of the centrally-run, induction programme. The course includes information on why Equal Opportunities are important to the business. Managers receive a booklet, *Equality at Asda*. The booklet, of about 40 pages, is comprehensive. It introduces the equality statement, has a quiz to identify one's own prejudices, describes the legal framework; has sections on recruitment and selection, training development and work experience, diversity on the workplace, harassment, the customer and community focus, handling and making complaints and targeting and monitoring.

A range of other Equal Opportunities training has been given to managers and supervisors e.g. a central initiative to improve Equal Opportunities provided training on communication and behaviour for General Store Managers and Personnel Managers. One case study store had run a workshop on stereotyping and harassment for Departmental Managers, which was then available to the colleague circle.

Harassment policy

The harassment policy covers harassment by staff and customers. It is normal to suspend the parties involved whilst complaints are investigated. The company has a confidential Helpline. Additional training on harassment is provided to Human Resources specialists.

In respect of customer harassment of staff, normally, a supervisor or manager will intercede and, if the customer continues to harass, the customer is banned from the store.

Cultural diversity

Asda does not have policies which encompass cultural diversity specifically (although the 'Asda Way of Working' offers an all encompassing approach).

Holidays The holiday regulations provide a reasonable degree of flexibility for employees who wished to visit relatives abroad (although school holidays would limit the maximum to three weeks to those with school-aged children). Employees have four to five weeks holiday. Normally, a maximum of three weeks may be taken between April and October. However, subject to operational pressures and with longer notice, employees may take more than this amount. Every three years employees are eligible to apply for extended leave (up to six weeks), the granting of which is discretionary (and depends on staffing considerations and also the employees' performance). In practice, it appeared that individual stores might be more flexible. However, confusion over entitlement meant some employees limited their home visits to a greater extent than necessary.

Time off for religious festivals was treated identically to all leave (i.e. subject to notice and to staffing needs). Where many employees wanted the same holiday this could be problematic organisationally, although it appeared rare for employees to have to work religious holidays. As an alternative to taking a single day's holiday, employees could switch shifts or use overtime (but not where this entailed additional payment). This had become more difficult as the number of short-hours workers has been reduced, limiting the scope for increasing hours without overtime payments.

Religious observance The issue only arose in relation to Muslims in one of the case study stores. Staff could pray whilst at work and organised cover themselves for this. (As the Personnel Manager said ' *People who work here are*

responsible adults and they work this around breaks and shifts'.) The training room was used for prayer and a foot sink has been provided (because of complaints from other staff about hand sinks being used for feet). However, arrangements may be more difficult for those on checkout, as the staffing allows less flexibility. Some assistance was given to staff fasting during Ramadan. Where operational demands allowed, employees took their break as soon as their fast ends. Some rearranged breaks to take a short lunch-break, with the remainder taken on breaking the fast. On checkout, supervisors might bring staff water. However, catering arrangements were not geared up for breaking the fast.

Clothing and jewellery In the main, Asda allows staff to wear clothes and religious artefacts appropriate to their religion or culture. However, in London there has been a small problem over covering the face: Asda is happy that staff cover their neck but not their face. However, at one of the case study stores, some people on work placement have worn face coverings.

Food At one case study store, the catering manager was aware of the need to provide food which all staff would find equally acceptable '*not just white cooking for whites*'. The potential importance of this was suggested by a respondent who said because of the lack of '*ethnic food*', people brought their own and would eat together, resulting in some segregation.

Monitoring

For headcount monitoring, Asda has clear targets (10 per cent ethnic minority employees by 2003 nationally and matching the local population for stores), an efficient database and built in systemic checks, thus ensuring parts of the company did not avoid race equality, an essential factor which is often missing in monitoring. Data is held on a company-wide computer system, which is accessible by the store (which inputs recruits and leavers weekly), the Division and HO. Store Personnel Managers monitor their headcount and are expected to make adjustments if problems are identified. A check is provided by monitoring at the divisional and national level. Recruitment data is not integrated into the company-wide system and is not consistently used across the company for ethnic monitoring. The company plans improvements, to encompass monitoring by grade and recruitment.

3 Effectiveness of policies

Between 7 and 7½ per cent of Asda employees are from ethnic minorities. The Head of Colleague Relations said that this was fairly representative of the ethnic minority population for non-managerial staff (including supervisors), but that the percentage of managerial staff from ethnic minorities was too low. The company plans to examine the reasons for this.

The case study stores provided an example of how race equality effectiveness may vary across a company. Both stores had more than half their employees from ethnic minorities (at 53 per cent and 59 per cent) and, reflecting Asda nationally, they had a disproportionately low percentage of ethnic minority

employees in higher level jobs, although one store reported this to be improving and, at this store, the difference did not appear to be due to discrimination in any way. This store appeared to have no problems with unfairness, racial tension or harassment, whereas there was some evidence of these (albeit slight) at the other store. The degree of problem at the second store should not be exaggerated, but it was important there was a noticeable difference in a centralised company with a high commitment to race equality. It is difficult to know why the outcomes in the two stores differed, but it may be due to different interests and emphases of the senior managers in the stores or that further action was necessary to include, for example, the monitoring of progression and the implementation of practices.

4 Business benefits

Sales

The main business benefit to Asda of race equality was derived through stores having an employment profile which reflected the local population. This was considered to increase custom and hence sales: *'People shop in store which reflects them: a black customer will feel less comfortable if they are confronted with a bank of white checkout operators; it says "we don't want you"'* (Head of Colleague Relations). Moreover, the service to customers was improved, as some customers related better to staff from their own (or any) ethnic minority background and all staff learnt to relate better to customers from other ethnic groups. This could be particularly helpful in dealing with customers with little English and with angry customers. In addition,

Sales were also reportedly enhanced through the resultant local recruitment, resulting in a workforce in greater touch with local demand. For example, staff knowledge of factors affecting local fluctuations in demand (e.g. Ramadan, Wakes Weeks) allowed better stock control and knowledge of local tastes allowed stock to be locally tailored³⁰.

Staffing

The other main benefit related to staffing, deployment and management of staff. Discrimination would have resulted in staffing problems: *'if we discriminated, we probably couldn't recruit enough people. Quality would certainly go down and turnover shoot up... equality extends the recruitment base greatly'* (Personnel Manager). It also appeared that Asda benefited in terms of ethnic minority students remaining with the company after graduation and moving into

³⁰ This was not a normal practice at Asda supermarkets, but an employee reported how, at an Asda Discount Store, employees had suggested new products which were brought in on a trial basis; employees told their relatives and friends, which brought in additional custom. Moreover, the respondent reported how this made ethnic minority employees feel more part of the company and that their origins were respected. Conversely, the lack of some products suitable for certain ethnic minorities appeared to reduce commitment.

management jobs. Turnover may also have been reduced due to staff enjoying working in an ethnically-mixed environment: *'I was at Wheatley, that's all white - boring!'*

A mixed workforce brought benefits of different ideas and expanded the talent base. For example, a manager described how at his previous store (in Bolton), an employee suggested that signs should be in Asian languages as well as English, to assist non-English speakers. related to this, the Head of Colleague relations believed that an ethnically diverse workforce helped develop a culture of tolerance and added to the richness of the in-store team.

Deployment was mainly enhanced through the increase in local employment due to race equality policies: local people were more reliable, as greater travel distances reduce reliability. Moreover, local staff made people more sociable after work. This is an aspect Asda tries to develop as it promotes good team work and better morale. Occasionally, having employees from a variety of ethnic groups eased cover over Christmas.

Other benefits

Race equality was found to improve the *management approach*: managers had to ensure that they managed properly. Race equality was also reported to be good for Asda's *image*, affecting community involvement and projected the image of a good employer. This then interacted with the attraction of ethnic minority customers, described above. On at least one occasion, an effective Equal Opportunities Policy had affected the granting of *planning permission* for a new store. The Council stated that this was a prime reason for giving them planning permission. Finally, effective race equality actions help the company to avoid costly *litigation*.

Costs and problems

Problems and costs relating to race equality at Asda were minor. Occasionally, problems arose due to cultural differences. Examples were given of employees from cultures where age was given greater respect, which made it difficult for young supervisors and also where caste affected willingness to undertake certain tasks. These were cases where the majority culture was enforced, but the company's approach of openly discussing problems, appeared to enable working practices to be changed without any serious problems.

Small costs were also apparent in the provision of good facilities for prayer, guaranteed holidays for religious festivals and better provision for Ramadan. However, these were very minor and far outweighed by the benefits of having an ethnically-representative and local workforce.

Purchasing contracts

Asda has an ethical purchasing stance, but it does not cover race equality. This is regarded as difficult, particularly with overseas suppliers. However, this is growing in importance and is under examination. Asda is already working with

their facilities maintenance to adopt (and abide by) Asda's Equal Opportunities policy. Currently, for example, Asda gives subcontractors a copy of the Equal Opportunities material and asks for theirs. In the words of the Head of Colleague Relations, '*they then rush off to write something*'. Action is already taken if subcontractors exhibit inappropriate behaviour towards Asda staff.

BT

The BT case study took a different form to the other case studies. With a company as large and diverse as BT, with a very wide range of race equality actions, it was impossible to provide the type of overview which we have in the other companies. Instead, the case study concentrated on BT's general approach to race equality, BT's emphasis on the involvement of Directors and senior management in race equality and on the way that race equality has been taken up as a business issue by senior management.

1 Business background

BT employs 119,000 across the UK. The company is divided into business units: Business Services, Customer Services, Enterprises, Finance, Human Resources, Markets, Mobility, Networks and Information Services, Products and Solutions, Strategy, Group Headquarters and BT Worldwide. The first ten comprise BT UK.

When the case study commenced, although Human Resources (HR) policy was determined centrally in BT UK, the HR Directors of each Division had a large degree of autonomy. This was in the process of changing, resulting in greater centralisation. Implementation of policy will remain devolved, not only to the Divisions, but down the line. For example, general recruitment is conducted by line management, with advice from HR; the early stages of graduate recruitment are conducted by HR, but later stages are conducted by line management.

2 Race equality activities

The Race Equality Approach

BT is fully committed to diversity, which shapes its approach to race equality. The company recognises the need for the business to address a diverse customer base and that this can best be achieved by a diverse workforce. Moreover, to gain the best from a diverse labour force, the company believes it needs to exploit diversity rather than to seek homogeneity.

Equal Opportunities strategy is developed at the top of the organisation and fully involves senior line staff. The Group and each Division has a 'line champion', who ensures Equal Opportunities and Diversity is given full consideration and helps move equality issues from HR to the line. The Group Line Champion is filled from BT's executive committee (for example, the Managing Director of BT Cellnet; the Managing Director for Customer Services). The post rotates each year, which creates a healthy competition between business areas in regard to

equality. The company has an Equality and Diversity Steering Group, with representatives from all of BT's operational units, chaired by the line champion. The Steering Group is supported by the company's Equal Opportunities team and by networks covering race (the Ethnic Minority Network), disability and gender. In addition, senior HR directors champion diversity within BT, with separate champions for ethnic minorities, disability, gender and age-related issues.

At a senior level, the approach to race equality for employees is integrated with diversity as a business issue. Thus for example, when the then Director of Northern Ireland was made Equal Opportunities Champion, part of her initial approach was to show her team the film 'A Class Divided' (in which the teacher is shown telling children that cleverness depends on the colour of one's eyes and those who are said to be cleverer then achieve more, and are better treated). This had a strong impact and they then looked at their own preferences, expectations of behaviour etc. However, instead of focusing on standard race equality actions, the team then decided to examine a) service to customers by ethnicity and b) marketing by ethnicity. This showed that although a higher percentage of ethnic minorities were customers of BT, they were not distinguished for marketing. The marketing team started to look at this. It was at this stage that the company realised the importance of having ethnic minority employees in marketing (and in all areas of the business).

Race Equality Actions

BT has the range of good, standard Human Resource practices which assist race equality and which might be expected of a company in the forefront of industry. For example, selection practices which ensure selection is based on merit and formal appraisal. It also has the standard practices targeted at race equality. Here, we highlight a few of the more novel approaches only.

The Ethnic Minority Network

The Ethnic Minority Network was established five years ago at the request of ethnic minority employees. The majority of ethnic minority employees are members (7,500 out of 11,000). Afro-Caribbeans make up the highest percentage of the Network, followed by Africans and then Asians.

The network is run entirely by ethnic minority employees in BT. The company provides facilities to the network whilst staff contribute their own time. Importantly, a Director is responsible for liaison with the network. Its main activities are to raise general issues of concern to ethnic minority employees and to provide practical support for ethnic minority employees in the company. The network raises issues, works with senior management to develop new approaches and provides a voice and training for ethnic minority employees. The emphasis of the network is on individual development within BT, including encouraging and assisting individual development, and on improving the company to ensure that ethnic minorities could achieve this. However, the network is not an independent pressure group: it may put ideas to management,

but not pressure the company. The company will act on those which are appropriate to the business, at the appropriate time.

The network produces a regular newsletter, information is exchanged on the company intranet and it holds an annual conference. A number of important race equality actions have been instigated at its suggestion. The network runs workshops and seminars for ethnic minority employees, including training aimed at personal development and progression within BT and it participates in recruitment fairs. It is seen as a positive force both for individual development and a source of skills and knowledge for the company.

Recruitment

BT has taken a number of steps to ensure that it attracts applications from all ethnic groups. All its recruitment literature (along with other literature) is carefully designed, not only to avoid discrimination, but to present a positive image to members of all ethnic groups. At graduate recruitment fairs, the Ethnic Minority Network has its own stall, which they have found to be a '*a magnet for ethnic minority graduates*'. On the prompting of the Ethnic Minority Network, BT changed the universities it included in its milkround to include those with high ethnic minority representation.

Progression

Progression is one of the main concerns of BT in respect of race equality. Ensuring ethnic minority employees understand the processes for progression and increasing the confidence and aspirations of ethnic minority employees are important elements of BT's approach. In conjunction with the company, the Ethnic Minority Network itself provides career development assistance in a number of ways:

- At the instigation of the Ethnic Minority Network, mentoring has been made available to all staff (and the Network encourages its members to participate).
- The Ethnic Minority Network's annual conference is partly designed as an opportunity to network with directors and senior managers and to receive training, as well as to build confidence. At the conference, Directors and senior managers run workshops on selected aspects of development and senior staff are available throughout the day to talk to members.
- The Ethnic Minority Network also runs a training programme to assist ethnic minority employees to develop themselves, through a better understanding of the company and also of their own strengths and weaknesses. The programme is delivered by members of the network and run in employees' own time. The company provides accommodation.

Performance targets

Race equality has been introduced into the performance targets of senior managers.

Harassment

Whilst BT has a Harassment Policy, a second important policy to counter harassment has been changing the culture of the organisation to one which stresses respect for individuals. In the words of one Director '*a zero tolerance of harassment policy*'.

Helpline

BT runs a freephone helpline service for its employees. The Helpline has Equal Opportunities specialists who provide advice on how to handle complaints and assistance with investigating problems.

Awareness training

BT's approach towards racism and prejudice is to try to address these issues rather than to bury them. It is accepted that everyone is prejudiced in some way and that this needs to be tackled. Prompted by a few incidents of harassment, the Equal Opportunities Steering Group organised awareness training for all employees with Equal Opportunities in their job description.

Monitoring

Monitoring was introduced about five years ago and the monitoring systems allows analysis by business and grade.

In 1998, questions to measure progress on diversity were introduced into the annual survey of employee attitudes. These are analysed by ethnic group for each part of the business, which helps identify problem areas. In addition, the results are passed to everyone with a team of more than 12. Line Managers receive action plans on the elements which they themselves may improve.

In one of the Business Divisions pay levels for management were monitored to ensure that performance pay was not affected by ethnicity (or gender). Some discrepancies were identified. These were further investigated and, where problems were found, rectified.

3 Effectiveness of policies

The case study mainly drew information from senior, white employees (Directors and managers) and did not gather detailed information from ethnic minority employees, except from a committee member of the Ethnic Minority Network³¹. Thus the case study could only touch on perceptions of fairness and harassment and was mainly restricted to examining effectiveness through monitoring data.

³¹ brief discussions were held with about seven other members of the Ethnic Minority Network.

Monitoring data showed that seven per cent of the workforce were from ethnic minorities (about 8000 people), which compares with 5.5 per cent of the population. The percentage has grown since monitoring was introduced five years previously. The percentage falls with grade. Four per cent of senior managers are from ethnic minorities and it is in management grades that growth has been highest. The majority of ethnic minority employees are in the South East and in the Midlands

The discussions with ethnic minority employees suggested that they did generally feel fairly treated and not subject to harassment and racial tension at work.

4 Benefits

BT placed very strong emphasis on the importance of race equality to business success. The company saw it as essential to be at the cutting edge of telecommunications and that this could only be achieved by maximising all resources at its disposal. This included maximising the talents available in the labour market, drawing ideas from the full range of people and ensuring the business addressed the needs of a diverse range of customers.

The Director Group Organisation, Executive Resourcing and Development summarised why race equality was essential to the business,

'BT wants to be the best in the world and continue as a quality organisation. This implies obligations in the way BT deals with people, society, communities, the environment etc. So BT have to sign up to initiatives such as Race for Opportunity because it won't be a major, quality player in UK society and globally without understanding and respecting 'culture'. We have to expect that UK will become more sympathetic to a multiracial society under Labour.

'The old 'English' style is arrogant, establishment-based and class-ridden. This won't even succeed in Europe, let alone the rest of the World. You can't create joint ventures without multi-cultural skills, so BT must embrace race. We must have a diverse management board and middle-management if BT wants to be multinational

'To be the No.1 in telecommunications, BT needs to attract the best people. We need the most diverse pool of applicants available. Must recognise that ethnic minorities are over-achieving (sic) in education and are under-represented in society. If they don't apply, BT must go and find them (e.g. going into colleges etc.). Also, young people have a choice and want to join companies with values.

'In service industries, you need to take account of the diversity in the customer base (e.g. particular ethnic composition of places like Bradford). Advertising now takes more account of race and gender; cheap calls at Christmas to countries providing immigrants to the UK.'

Customer service and sales

Much of the thinking behind diversity is that ethnic minority employees are essential in ensuring BT fully exploits the ethnic minority market. This belief certainly formed the crux of the business argument for BT and a number of examples were given of business benefits in the fields of product ideas, marketing and international operations.

For example, in respect of product ideas:

- An Asian sales manager suggested that the high level of self-employment amongst certain ethnic minorities, combined with different ways of doing business, might lead to different telecommunication requirements which were not being addressed. This idea was developed and resulted in an extremely successful sales campaign aimed at Asian businesses in Leicester.
- The Ethnic Minority Network suggested that the company should introduce Asian language lines in its call centres. This was introduced and the language lines now handle around 100,000 calls per week.

In respect of marketing, the specific skills and knowledge of ethnic minority employees was tapped for marketing campaigns:

- One of BT's marketing approaches is to 'blitz' an area with personal callers. For areas of high ethnic minority populations, the company asked for advice from the Ethnic Minority Network. This resulted in a more culturally sensitive approach, for example, where possible, Muslim women were targeted to be approached by women; callers were told to cover their shoes with cellophane when entering the houses of people from certain ethnic groups.
- BT also used ethnic minority expertise in trying to target the Greek community: Greeks (who were identified from the staff database by their name) were brought together to discuss ideas.

In respect of international operations, BT needs multi-cultural skills to operate joint ventures. Therefore ethnic diversity is important in the UK, including at Board and middle-management levels.

Staffing

A BT Director argued that *'to be the No.1 in telecommunications, BT needs to attract the best people. So we need the most diverse pool of applicants available. We must recognise that ethnic minorities are over-achieving in education and are under-represented in society. If they don't apply, BT must go and find them (e.g. going into colleges etc.). Also, young people have a choice and want to join companies with values.'* BT also saw race equality as maximising the potential of ethnic minorities within their workforce – as they wished to maximise the contribution of all their employees.

Management

BT saw diversity in management, including ethnic diversity, as introducing a wider range of ideas to management. A BT Director explained that the company needed to learn from different cultures, through, *inter alia*, employing a multi-ethnic workforce *'The old 'English' style is arrogant, establishment-based and class-ridden. This won't even succeed in Europe, let alone the rest of the World. Other cultures bring other approaches and the company could learn from the best.'* The Director used the example of the recent change in the style of good management, from an autocratic to a supportive and co-operative one, as an example of the importance of having a diverse management team. The former (outmoded) management style drew on approaches which were seen as more often found amongst men, the latter more often found amongst women. Employing people from a range of cultures may result in identifying better management styles or may place the company in a better position to implement changes.

Grain d'Or Ltd

Grain d'Or is an example of a company with very high ethnic minority employment, nearly all of whom are recent immigrants and refugees, which has had to counter tensions between ethnic minority groups. The race equality approach has mainly relied on standard good management and Human Resource practices, focusing on fair and transparent selection procedures, treating people with respect and good communication. This has resulted in much greater fairness at work and minimal harassment. Moreover, employees have recognised the improvements. The benefits to the company mainly lie in staffing: not only are recruitment difficulties reduced, but turnover and morale are improved. This has impacted on customer quality.

1 Business background

Grain d'Or manufactures bread, pastry and muffins, selling its produce to the major supermarket chains. It was acquired by Northern Foods in 1991. At the time of acquisition the company was managed in an *ad hoc* fashion. In personnel, there were no records or formal procedures and people were paid different rates of for doing the same job. This led to allegations of favouritism. Since being taken over, managers have been introduced from other Northern Foods' businesses and from external companies and the company has moved to a more professional and fair footing. Terms and conditions have been substantially improved and staff turnover fallen from about 120 per cent to between 25 and 30 per cent.

Human Resource policy and procedures (along with other policies and procedures) are largely devolved to Grain d'Or. Northern Foods sets overall Human Resource and Equal Opportunities policy and provides some training and support. Northern Foods makes key appointments in each company and central personnel is used to disseminate information. The Personnel Director of the Business Division of which Grain d'Or is part spreads good practice and encourages Equal Opportunities. The company is unionised, which is seen to assist communication.

The company employs about 350 people, nearly all of whom work in production. The skill level required is very low: mainly physical fitness and the ability to understand English. Internal promotion is used to fill jobs up to the level of supervisor (and QA co-ordinator, night shift co-ordinator and stores). Because there is low turnover in the higher positions, there is intense competition for vacancies. All weekly paid posts are advertised within Grain d'Or and monthly paid at supervisory level or above are advertised within Northern Foods as well.

Pay rates for weekly paid staff are low, because of the relatively low sales value of the products and the need to remain competitive in a low value, labour intensive business. Employees with a good standard of English tend to leave for better pay.

2 Race equality activities

On takeover, Grain d'Or had extensive race-related problems, inheriting a situation where employees felt that they were not treated fairly and where allegations of favouritism was rife. A formal Equal Opportunities policy, including a statement in the employee handbook, was introduced in about 1994. Kara, of which Grain d'Or is part, has established an Equal Opportunities Steering Group, which has Human Resource and line managers and enables involvement from the unions and shopfloor. The Steering Group promotes good Equal Opportunities practice across all three sites. For example, Grain d'Or's extended leave policy was adopted across the group.

Standard Human Resource practices

Whilst some specific race equality and Equal Opportunities actions have been taken, the race equality approach mainly relies on standard good management and Human Resource practices, rather than practices aimed at race. Starting with the Northern Foods management approach (in which new managers are trained), which aims to treat people decently and stresses communication, Grain d'Or has introduced formal, transparent Human Resource procedures and has instigated thorough communication of management decisions. Whilst the former has sought to ensure that procedures are fair, the latter has been essential to reduce perceptions of favouritism and racism and enable difficult actions to be taken more easily. The high degree of success of these measures appears to be largely due to the commitment and work of the General Manager and Personnel Manager. Thus:

- recruitment, whilst relying on speculative applications, has a formal procedure to ensure that applications are treated strictly in date order and that job needs only are considered.
- promotion is through open internal advertising, with formal application and interview procedures
- disciplinary procedures were changed to improve consistency
- redundancy and redeployment were based on detailed, known criteria.

An example of the extent to which fairness is taken is given by the closure of a department. All staff were successfully redeployed or took voluntary redundancy, except two (one Sikh, one Somali), who were at the supervisory level. Both applied for the only job at this grade. A 'criteria banded assessment' was conducted (based on length of service, discipline record, absence, performance, reliability, competences). Each was assessed by two people (an Asian manager

and a Sikh supervisor). In order to pre-empt any possibility of favouritism and to demonstrate fairness, the assessors were not informed about how the criteria would be weighted.

General training in management skills and operative skills (such as forklift truck driving) is provided. This is particularly useful for people whose qualifications are not recognised in this country and, in the case of management training, to introduce employees to a British style of management.

Communication about the practices is also very important, as to reduce racial tensions, procedures not only need to be fair, but must be seen to be fair. Therefore the company ensures that procedures and criteria are understood generally and that individuals involved receive proper feedback. The union provides a useful route for this.

Equal Opportunities training

Equal Opportunities training was introduced for managers and supervisors in 1994. This was at the instigation of Northern Foods for managers, but Grain d'Or extended it to supervisors. The training helps reinforce the idea that employees should be treated equally.

Harassment

Grain d'Or has a harassment policy and employees volunteer for training to be harassment counselors. When appropriate, the Personnel Manager tries to deal with issues of harassment informally, but two cases were dealt with formally and resulted in the alleged harassers being dismissed.

Cultural diversity and specific needs

Grain d'Or has taken a number of initiatives to accommodate the various cultures of their employees and also to minimise problems due to a poor level of English language or additional problems connected with recent immigration or refugee status.

Holidays

Total leave allowance is four weeks. Employees may normally take two weeks at a time, but up to four weeks is allowed. However, it appeared that greater flexibility was allowed in administering leave, so that employees might take five or six weeks (some of which might be unpaid or brought forward) to visit their country of origin. However, at the time of the case study there was a short-term problem over holidays: due to reduced orders, employees had been told to take two weeks of their holiday before Christmas. This was seen as problematic for those who wanted a longer holiday later in the year to visit their country of origin. Operational needs mean that only one person should be absent from the line at a time. This could be problematic for religious festivals, when many employees want to take time off. In these cases Grain d'Or was flexible. For Divali, employees may leave early, so long as production is finished. Agency staff had

also been used to cover for religious festivals and staff reported that no one was forced to work religious holidays.

Religious observance

Grain d'Or has provided a prayer room (with the correct orientation and washing facilities). Officially, employees are allowed unpaid time to pray at certain times of the year³². This can cause slight operational difficulties owing to the need to keep production lines running continuously. In practice, so long as praying does not disrupt production, employees may not have pay deducted. (The prayer time is unpaid to diffuse accusations of favouritism from some non-Muslim employees.)

For Haj and Eid, the production shift is started later (at 10.0am) to allow Muslims to pray at the mosque in the morning. Other employees may chose either start at this time or their normal time (when they are found other things to do). During Ramadan, employees must take their standard breaks, although, where possible the timing will be altered if this enables people to eat. Organisationally, this can be complicated, where the line is a mixed racial-religious group. Employees appreciated the adjustments, but also commented that assistance was not consistent across the company.

Within health and safety rules, employees may wear the clothing and religious artifacts they wish. Employees with beards must wear a snood, the turban may substitute for a hairnet and the Karax (Sikh bracelet), if covered. However, Sikh employees were not supposed to carry a ceremonial dagger.

Facilities

The canteen food is being changed to provide better for the range of tastes of employees. Hot food, including vegetarian and Halal, rather than sandwiches will be provided. Grain d'Or has also altered its lavatory facilities to accommodate different approaches to hygiene.

Language support

Although recruits are now required to have a minimum level of spoken and written English, Grain d'Or still has employees who were recruited at an earlier stage whose English restricts them at work. Instructions are usually conveyed in English, although supervisors do switch into their own language when dealing with their own ethnic group (and this can cause problems amongst other staff). Staff act as interpreters for training, communication sessions and at disciplinary hearings. For computer-based training (the main approach) at least 30 per cent need an interpreter.

Grain d'Or has also assisted with language training. Wordpower and Numberpower NVQs, designed for people with English as a second language, had been provided on site, at the beginning and end of shifts. Unfortunately the

³² For Muslims payers at sunrise and sunset are most important and praying at these times would be difficult during November and December without the company's assistance.

classes were at too high a level and so ceased. Grain d'Or was currently considering providing ESOL training aimed at supervisors. Grain d'Or will pay for employees to go to college. However, take up is low and there appeared to be low awareness of this benefit.

Other support

Senior management recognised that recent immigrants may have different needs to other employees. Grain d'Or provides limited assistance, such as contacting solicitors to assist with legal advice (i.e. Grain d'Or acts as a bit of a Citizens Advice Bureau) and providing character witnesses to gain UK nationality. It also tries to assist job applicants to open a bank account, which is required for employment at Grain d'Or. This can be problematic for refugees (as applicants for an account need proof of identity and refugees may not have a passport).

Monitoring

All parts of Northern Foods make a monthly financial report, which includes data on ethnic minority employment (broken into two groups: employees; and supervisors and above). The report gives the ethnic breakdown of employment in absolute and percentage terms and the percentage a year previously. The figures for Grain d'Or are consolidated with Kara prior to being sent to Group Head Office. At Grain d'Or, the Personnel Manager examines these figures monthly, looking at change, considering reasons for change and whether action is necessary (e.g. indications of favouritism towards ones own ethnic group). Recruitment and selection is not monitored and this is considered too time consuming, given the low level of administrative support.

3 Effectiveness of policies

Ethnic profile of employment

Ninety-six per cent of employees are from ethnic minorities and these are almost wholly refugees and asylum seekers. There are very few West Indians or British born ethnic minorities, as they have greater employment opportunities. The ethnic composition changes with the flow of refugees. About 60 per cent of employees are Asian. At the time of the study the main groups were:

- African: half Somalis (Muslim), plus Zairians (some Christian), Angolans (Christian)
- Indians: Sikhs (but also some Hindus)
- Tamils (increasing)

Given their high percentage, ethnic minority employees have to be found in promotion grades. However, it is noticeable that they are absent from senior management. The representation of ethnic groups in promotion grades tends to be related to which groups have longer service. This means that supervisory and

similar positions do not reflect the current workforce (but reflect an earlier workforce).

Fairness and racial tension

The change in policies have been extremely effective in improving race equality at Grain d'Or. In the main, employees consider that they are treated fairly and racial tension is low. Employees seem to have faith that management will take problems of equality seriously. Very largely, the effectiveness of policies were attributed by respondents to senior management's willingness to listen to employees, to improved communication and feedback, and a reduction in authoritarianism. *'We are generally trusted due to our track record: improved terms and conditions, informal and open style.'* (General Manager). This was made easier by the other improvements in terms and conditions, as the General Manager said, *'If you want to make improvements you should do it when you're growing – its easier.'* The union also appeared to have played its part, by providing an alternative line to senior management for employees who felt that their supervisor or manager was acting in the interests of a specific ethnic group. There have been very few cases of harassment and these have been effectively dealt with. However, the workforce still divides along ethnic lines, creating the potential for favouritism to reassert itself. The company is very sensitive to this and tries to ensure that all procedures are followed to the letter, that criteria for decisions are fully communicated and that possible racial implications of any situation are recognised.

Inevitably, some problems occur and it was unclear whether this was due to procedures not being properly implemented (and favouritism creeping in) or a belief that favouritism was being shown some of the time. The problems related to middle management with respect to recruitment of people from one's own ethnic group, promotion, flexibility over holidays and flexibility over praying. However, it should be stressed that these problems were not seen as rife and all employees acknowledged the improvement.

Less formal factors could sometimes result in tension. For example, when supervisors spoke to employees in their own language, some employees were concerned they were being talked about. Some problems also appeared due to cultural differences in relating to people, which could be exacerbated by language difficulties. For example, the manner in which a supervisor instructs an operative to do something (i.e. whether they order, tell or ask).

4 Benefits

Grain d'Or derives a very obvious business benefit from employing refugees and asylum seekers: they avoid recruitment problems despite low wages. However, race equality at Grain d'Or goes much further in trying to ensure fairness at work, from which the company derives additional benefits.

The main additional benefit also relates to staffing. The company benefits from reduced disputes (whether formal or informal day-to-day problems). Although this is achieved at the cost of more management time spent on communication and fair selection (for promotion posts, redundancy etc.), the costs of prevention of disputes is believed to be less than the cost of sorting them out once they occur.

The fairer and more transparent promotion processes also have a number of other benefits: they have reduced pressure on managers and this alone is worth the additional selection time. It also helps identify ambitious employees for future promotion, although the company doubts that it alters the quality of appointments, as they already have a good idea of applicants qualities when they apply.

The improvements in race equality are likely to have contributed to the decline in staff turnover, from 120 per cent to around 25 per cent and to higher morale in the company. In addition, some leavers return, because they prefer the way they are treated at Grain d'Or. The reduction in turnover has had beneficial effects on quality, with customers commenting on the improvement. The General Manager also feels it has benefited productivity. Grain d'Or is not required by their customers to have a race equality policy, so does not derive a benefit from contract compliance.

Finally, their actions serve to protect the company against discrimination cases.

Lloyds TSB Plc

Lloyds TSB offers an exemplary approach to race equality. It has tackled race equality in a strategic way, identifying the benefits to the company of race equality and planning a programme of change to reap these benefits. Its thorough approach, moving step by step through the organisation and drawing on the common concerns of all staff, is likely to be effective in embedding race equality within the organisation.

1 Background

Lloyds TSB Plc was formed by merger in April 1996. The bank now employs 86,000 worldwide, including 70,000 in the UK. In total 45,000 people are employed in the branches, with the remainder in investment, corporate, insurance and in group specialisms (e.g. marketing, Human Resources, finance). The case study concentrated on branch banking.

Nationally, the branches are organised into 20 areas, each with its own Branch Controller, who is responsible for all aspects of the branches in the area (for example, sales, costs, compliance, recruitment). The Controller is assisted by an Human Resources Manager and a Personnel Consultant. Each branch has a manager and deputy manager, cashiers and sales staff (which include Advisers who deal with loans, overdrafts, general insurance and Savings and Investment Advisers who are more specialised). The case study was conducted in the North East London Area, which has 14 branches. The two branches studied each employed ten staff and dealt with personal banking.

Human Resources

Human resource policies and procedures are developed centrally and are mandatory (e.g. procedures for recruitment, selection, promotion; ways of managing; headcount). Individual business units have some, but little, discretion. Graduate recruitment and the graduate programme is conducted centrally. Such centralisation makes it easier to ensure that procedures throughout the company comply with Equal Opportunities.

Branch staff recruitment is conducted at an area level, following central procedures. Area Human Resourcing does the shortlisting and administers tests. Line management is involved in the final selection. Recruitment to cashier and to sales posts is based on tested competencies (relating to customer service, numeracy and verbal reasoning). Qualifications are not considered. The skill level required is relatively low. Pay is fixed in comparison with similar jobs amongst competitors and the bank seeks to pay at the higher end of this group. Cashiers tend to be women; sales (where the career development lies) tend to be men.

Staff in the branches attend a weekly training session, the content of which is determined centrally. Training is administered by branch staff.

Equal Opportunities

Lloyds TSB has a discrete Equal Opportunities Unit, employing ten people. This is located in Human Resources, although Equal Opportunities is not regarded as a wholly human resourcing issue (there is a major customer service element). The Head of Equal Opportunities reports, at one remove, to a Board member (via the Director of Group Human Resources). This organisational placing is seen as essential for the effectiveness of Equal Opportunities and is, at least in part, due to the emphasis placed on the business case for Equal Opportunities.

The unit develops policy and procedures in consultation with the business unit. Members of the unit work with a part of the business, to help them understand the approach and “*to embrace Equal Opportunities and to own it*”. Once this has been achieved they withdraw. The culture of Lloyds TSB assists implementation from the centre, as people accept (and seek) instructions on procedures.

2 Race equality overview and development

Three features distinguish Lloyds TSB's approach to race equality. Firstly, *diversity* is the issue, rather than Equal Opportunities or opportunities for named groups. This approach has made acceptance of Equal Opportunities easier to achieve, through emphasising its relevance to all employees and avoiding alienating any group (for example, white men). Thus in the initial assessment of issues relating to equality, white men's views and experience were accorded as much interest as were those from the groups traditionally recognised as disadvantaged. Secondly, the *business case* was treated as central to the activities of the Equal Opportunities Unit. This has imaginatively approaches and Lloyds TSB is currently exploring how business returns may be assessed. Thirdly, the approach has been *strategic*, well-planned and effectively managed, with research to identify the appropriate actions in the light of business needs. The approach has secured the full commitment of the Board, Equal Opportunities has been imbedded in senior management thinking and is seen as common sense. Equal Opportunities are championed by the Deputy-Chief Executive. This acceptance at the top is vital to successful implementation and would probably have been weaker had the approach been more traditional.

The merger provided an ideal opportunity to introduce Equal Opportunities (and race equality) into the core of all aspects of the merged company's operations – the bank was reviewing its operations widely (new brand value, new advertising campaign, new brands). This opportunity was seized by the Equal Opportunities unit, which conducted research into both business and staff aspects of race equality. This entailed surveys of staff (including senior staff) looking at development needs and attitudes, a survey of customers, a survey of managers' views of ethnic minority customers and a study of the business aims of each unit.

The research showed that Lloyds TSB was failing to provide ethnic minority customers with the same level of service as white customers and that all employees could benefit from a better approach to fairness at work. The linking of race equality to customer service was very important in gaining the full support of the Board to take race equality forward. A strategic plan for the following two years was then drawn up, identifying priority areas for action. Recruitment, including graduate recruitment, had priority, as these were areas where progress could be achieved most rapidly.

3 Race equality activities

Lloyds TSB operates standard good Human Resource practices, relating to recruitment (such as open advertising of jobs, selection based on job needs), appraisal and promotion and some of these approaches had been recently scrutinised to ensure race equality. Human Resource staff receive extensive training and information relating to race equality. The following describes special initiatives only. At the time of the study, other initiatives were in the development phase, for example new approaches to advertising were being considered in order to increase the percentage of ethnic minority applicants.

Race equality: general communication and training

For general employees, standard communication and training on race equality (and Equal Opportunities more generally) is fairly limited. All staff receive a leaflet on Equal Opportunities and an Equal Opportunities video is used in induction. Instead, training focuses on customer service, identifying employees' stereotyping of different ethnic groups and teaching employees about cultural difference. A one-day course for managers has been piloted in areas of high ethnic minority population and a decision was still to be taken on extending the training elsewhere. A course for staff was in an advanced stage of development. In addition, as the new brand values were developed, emphasising "understanding you as an individual", briefings discussing diversity were held with all staff.

Graduate recruitment

Graduate recruitment was targeted for early action, as ethnic minorities were concentrated in non-management jobs and the graduate programme provided a rapid way of improving this. Research was conducted with Lloyds TSB's existing ethnic minority graduate recruits and with students. This showed that the graduate programme did not target the universities with high ethnic minority participation, that the recruitment material was not informative enough about the job and was more appealing to whites and that the aspirations of graduates differed across ethnic groups. This led to the following changes for the 1997 recruitment campaign: the range of universities' recruitment fairs was extended (to include more new universities), the recruitment literature was improved to be more informative about the job and about the type of people who worked at Lloyds TSB, an advertisement was placed in Hobson's ethnic minority case book

(which is sent to all ethnic minority students) and recruiters were made aware of possible differences in aspirations and trained to tailor their recruitment discussions accordingly. In addition, more rigorous monitoring has been introduced. This not only monitors each stage of the recruitment process but will also track participants' careers with Lloyds TSB. The focus groups with ethnic minority graduates are now held annually.

Other recruitment practices

Occasionally advertisements for jobs in branches located in areas with a high ethnic minority population state that fluency in relevant ethnic minority languages is desirable and selection takes this into account. Not only are ethnic minority candidates more likely to meet this criteria, but the advertisements encourage their application.

The North East London area participated in training and employment schemes for unemployed people. The bank provided a work placement (and for one scheme a guaranteed job) at low cost to the bank, whilst the organisers provided training. Many of those who participated on the schemes were recruited and about half the branch staff were now recruited in this way. Given the population of the area and the concentration of ethnic minorities amongst the unemployed, nearly all those recruited from the schemes were from ethnic minorities.

Racial harassment

A racial harassment policy was launched in November 1998. Posters were displayed in branches providing contact numbers in the event of a problem.

Cultural diversity

The main way in which cultural diversity was being addressed was through the customer training programme. Few policies were in place to accommodate diversity in respect of holidays, religious practice etc. and responding to differences in needs was left to local discretion, although the holiday policy was under central review. The uniform for branch staff was flexible enough to accommodate the range of religious or cultural requirements (i.e. covering legs, arms and hair).

Purchasing contracts

Lloyds TSB used its purchasing power to encourage race equality actions outside the bank. Tenderers (for example, for stationery supplies) were asked whether they had an Equal Opportunities policy and this affected the awarding of contracts where costs differences were not great. For recruitment agencies, an Equal Opportunities approach was essential, irrespective of cost. Agencies were required to have an Equal Opportunities policy and were required to explain how they would get applications to reflect the community.

4 Monitoring

The ethnic composition of employees is monitored centrally and analysed nationally and by regions and sub-regions. A target of five per cent of employees to be from ethnic minorities has been set and figures are benchmarked against Lloyds TSB's main competitors (banks and retailers). Quarterly reports are made to the Group Executive Committee (and half yearly reports to the Board). More detailed analysis is not conducted, due to concerns about the reliability of the data. Once this has been rectified, analysis will also be conducted by grade (as progression is the next area on which race equality actions will focus). As mentioned above, full monitoring of progression and performance of graduate recruits has just been introduced.

Locally, the NE London Controller had been monitoring employment against the local population composition (with figures provided by the local Council), as he felt that his staffing should reflect the local population.

5 Effectiveness of policies

At the time of the study, about two per cent of employees were from ethnic minorities. Policies had focused on recruitment and it was clear that these had been effective. This was most obvious for the graduate recruitment programme, where ethnic minorities as a percentage of recruits had risen from an average of 2½ per cent in 1994/96 and four per cent in 1996 to 16 per cent in 1997 (the first year of the changes) and 19 per cent in 1998. It was also clear that the employment training programmes in NE London, which were used for about half of recruitment, and the inclusion of fluency in an Asian language as a selection criteria had increased the recruitment of ethnic minorities.

Racial tension at work appeared to be low in the branches in the cases study and staff felt that they were treated fairly irrespective of ethnic group. Indeed, branch staff were very positive about the atmosphere at work, despite very tight staffing. Moreover, employees had confidence that management took racial harassment and discrimination seriously and would sort out any problems if they arose.

6 Business benefits

A range of business benefits stemmed from the increase in ethnic minority staff and also from Lloyds TSB's approach which prevented problems arising through having a mixed workforce.

Customer service, sales and productivity

One of the driving forces behind Lloyds TSB's approach had been the realisation that ethnic minority customers received worse service, than white customers, due to cultural misunderstanding and stereotyping. Training and increasing the

percentage of ethnic minority staff was intended to counter this. All case study interviewees (both managers and staff) were adamant that the existence of ethnic minority staff (via cultural similarities and language) had resulted in an increase in ethnic minority business. Examples were given of individuals who had greatly increased business with their own ethnic group (e.g. when a Sikh manager transferred to Staines, business from the Sikh community greatly increased; a new Bengali Adviser reached targets much faster than normal through a large increase in Bengali business). Moreover, in one branch the loss of Bengali speakers appeared to be reducing sales.

In NE London, since the increase in ethnic minority staff, customer satisfaction had increased (as evidenced in customer surveys). Branch staff reported that customer service was improved and business increased through the availability of staff who could speak customers' first language. This was particularly important when customers did not speak English and prevented potential customers leaving because they could not be understood. Productivity also improved, as customers could be served more efficiently. Lloyds TSB had capitalised on this through issuing staff with name badges which included their main ethnic minority language. Posters, listing (in the appropriate languages) the languages spoken were displayed in some branches. Branch staff also reported that some customers related better to staff who shared the same cultural background: this might be through staff behaving appropriately or just a general preference and greater trust. For example, a cashier said, *"Asians feel very comfortable coming in here, can talk in their own language; I get good feedback"*. Whilst most staff discussed this in terms of ease for customers and staff of the same ethnic group, one said that this did extend across ethnic minorities, *"[I have a] very easy relationship with them [Asians], and also to some extent with blacks: ethnic minorities as a whole see the bank as white, white collar, [they] have to watch what they say, therefore any other ethnic minority is easier to deal with"*.

The Head of Equal Opportunities stressed that the benefit was not just through having ethnic minority staff to relate to ethnic minority customers: through having staff of all ethnicities, staff educated each other so each could provide the same level of service to all customers.

Staffing and deployment

The employment/training initiative in NE London and the changes to the graduate programme had a number of benefits. Not only did the employment/training initiative result in a higher percentage of ethnic minority recruits (and so contribute to the improvement in customer service described above), but it also alleviated recruitment problems. Moreover, it resulted in the recruitment of local staff rather than commuters. This had a number of benefits, including reduced absence, easier deployment across branches (local people could more easily reach all the branches) and higher retention (especially post maternity).

The graduate programme had raised quality of recruits. Ethnic minority graduates seemed to progress faster into permanent posts and the feedback from managers was good:

- they “help the team environment”
- are committed and good quality
- they help reflect the customer base
- a diverse team assists in e.g. the design of leaflets.

The employment of a multi-cultural workforce did not appear to ease deployment through alleviating demand for holidays over Christian religious festivals (i.e. Christmas and Easter): staff wanted these holidays, irrespective of their religion, as this was a period when others in their family were on holiday. However, fasting during Ramadan could result in greater flexibility of deployment around lunch time (a busy time in the branches).

The business costs which stem from lack of race equality, harassment, inter ethnic group rivalry and consequent reduced morale, increased grievances and disputes were not found at Lloyds TSB. This was due not only to specific race equality policies on harassment, but the overall Human Resources approach, which provided clear formal structures and processes and communication so that employees had a reasonable belief in the fairness of their treatment.

Image

One aspect of Lloyds TSB's general business strategy, which recognises the extent of diversity, is developing an image of serving diverse customers. This will be assisted by a visibly ethnically mixed workforce and by an image of offering race equality. One employee interviewed commented that, although she had noticed a number of competitor banks had mixed workforces in their branches (in the East End), this was more prevalent in Lloyds TSB. The phenomenal success of the graduate recruitment practices had brought publicity to the bank, through a corporate feature on the success of the previous year's graduate recruitment campaign in the 1998 Hobsons.

Future benefits

Whilst a direct benefit to the bank could be drawn between employing ethnic minorities in the branches and increased business, the Head of Equal Opportunities also believed that ethnic minority staff were needed at higher levels so that knowledge derived from ethnic minorities and from a diverse workforce (for example on customer service) did not have to be conveyed from the bottom up, but could emanate from the top. The next stage in the race equality strategy was to improve progression. This was very important also in terms of morale, as ethnic minority staff did express some concerns that they had been brought in to do a specific job (i.e. to serve ethnic minority customers) and for this reason, movement to non-customer contact jobs would be retarded.

The Mayday Group

The Mayday Group demonstrates an exemplary approach to race equality. Whilst this stems from the Directors' commitment to race equality, it is also driven by clear business aims. These, in combination with a highly professional approach to Human Resources and thorough monitoring of temp recruitment, ensure that policies to promote race equality are effective.

The highest profile race equality actions are in recruitment and training, which ensure access to employment by all ethnic groups and has extended access to groups of immigrants who were previously excluded. However, good general Human Resource management practices (such as provision of support to temps, good communication to identify problems and skill training), the actions to deal with racism from clients and Equal Opportunities training ensure that racism at work is minimised. They also ensure that development opportunities are extended to ethnic minorities (especially immigrants) where cultural differences might often preclude selection for training or progression.

The policy and practices have resulted in a very large increase in business, a higher quality service (as demonstrated by a reduction in complaints), more effective management (through permanent staff having a better understanding of temps and reduced time dealing with racist requests), reduced costs and higher commitment from staff who identify with the company's commitment to race equality.

1 Business background

The Mayday Group's main business is the supply of temporary and permanent catering staff for corporate dining (usually via catering contractors). Its other operations supply temporary and permanent staff to public houses (Harris) and Mayday Executive is a recruitment agency for senior catering management. The company operates in London and much of its business is in the city. The study focused on Mayday, rather than Harris Employment and Mayday Executive.

At the time of the fieldwork, the whole company employs 37 permanent staff, of these, Harris Employment and Mayday Executive employ two and five staff respectively. Other than accounts and payroll staff, all permanent staff are involved in the placing of temps or in the recruitment agency. The company has between 200 and 400 temporary staff working each day, with about 1000 to 2000 temps on its books at a time.

Most Human Resource decisions are taken by the Managing Director, who, together with the General Manager, oversees all aspects of the temp operations. Policies and practices are common to all parts of the company. The Human

Resources approach in the company is fairly formal, with an emphasis on ensuring effective recruitment, training and retention. The company has the liP award and provides induction and skills training for both permanent staff and temps.

Recruitment of permanent staff is done by the Managing Director, the General Manager and/or a branch manager. Recruitment of temps is conducted by consultants and by recruitment officers (see below). Consultants also place temps with companies.

2 Race equality activities

The Mayday Group has a written Equal Opportunities Policy and a written Harassment Policy together with a range of other Human Resources practices which contribute to race equality. Formal policies were first introduced in the early 1990s. The driving forces were the Managing Director's personal commitment to race equality and business needs: "*At the end of the day money is what persuades people*". The company was growing rapidly, but was having to refuse business due to a shortage of temps. This led the Mayday Group to take a number of race equality actions (wider job advertising, outreach work and training for temps) which led to the recruitment of more ethnic minorities. The Mayday Group's practices contributing towards race equality are described below.

Temp recruitment

The recruitment practices at the Mayday Group help ensure that temp jobs are open and accessible to ethnic minorities and that recruitment is fair. The company advertises its jobs widely, does outreach work, conducts selection according to Equal Opportunities guidelines and provides training to overcome cultural differences which would prevent recruitment.

Jobs are very widely advertised: in a range of newspapers, including the ethnic minority press (e.g. the Voice and New Nation), through leaflet drops on Council estates, through noticeboards at schools and colleges and on the website of a university³³. Outreach work is done to reach a wider pool of potential recruits. Two outreach workers have developed links with Jobcentres, Careers Services and other organisations (e.g., a Sickle Cell Group (as mothers of children with Sickle Cell Anaemia are often restricted to irregular work), the Finsbury Park Community Trust, women returners, ESOL and literacy groups). Locations and groups are targeted because they contain a high number of potential temps and

³³ Mayday also pays bonuses to existing temps for introducing new temps. This in itself is not an Equal Opportunities approach and would, in fact, be discriminatory unless the workforce were ethnically representative of the labour market or unless it were balanced by extensive use of other, more open, methods. Mayday avoids falling foul of indirect discrimination for the latter reason.

not because of their ethnic composition. However, these locations and groups often contain a high percentage of ethnic minorities.

Selection is conducted by the consultants and recruitment officers and is by interview. Selection criteria are restricted to skills required for the job and all recruiters have received Equal Opportunities training. Applicants who fail due to cultural differences are offered training. This training was introduced when the company realised many applicants (particularly immigrants) were being rejected because of cultural differences (resulting in different social behaviour, lack of knowledge of appropriate work behaviour and lack of knowledge of basic foodstuffs). This led to the provision of induction training for all recruits and basic skills training for applicants who lacked appropriate basic skills. Ninety-four percent of those receiving training were from ethnic minorities and immigrants benefited particularly.

Support for temps

Temps are provided with support by their consultant and by the liaison officer, who mentors and monitors temps. The aim of the liaison officer post is to reduce turnover of temps. Those to whom the workplace culture is most alien and those encountering racism may particularly benefit from this approach.

Permanent staff recruitment

The Mayday Group had been keen to increase the number of ethnic minority permanent staff because it was thought that an ethnically mixed permanent workforce would be better dealing with an ethnically mixed temp workforce. Two actions were taken. Permanent jobs were advertised in the ethnic minority press and selection requirements were broadened. Previously, consultants were required to have catering management experience. Such experience is uncommon amongst ethnic minorities and, as it was deemed inessential, this was dropped as a requirement. It was also not seen as a requirement for the new recruitment officer post. Instead, recruits without catering experience were provided with training. These practices have led to a substantial increase in ethnic minority permanent staff in the previous 14 months.

Neither Equal Opportunities knowledge nor commitment were selection criteria. The company assumes that its training will inform recruits what is required in respect of race equality and that testing for handling of racist requests, for example, might just indicate bad practice elsewhere. However, the Managing Director thought that the equality commitment amongst staff might derive from an attempt to recruit staff who treat temp staff with respect, i.e. who do not consider temps as lower or having a poor job. Such an approach was likely to go in tandem with a general respect for individuals.

Training: permanent staff

All permanent staff receive Equal Opportunities training shortly after joining the company. As part of this, recruits are made aware of the firm's Equal

Opportunities Policy and aims and that the company will not discriminate on the grounds of race, sex, age etc.. Handouts are provided. The meaning of Equal Opportunities, including direct and indirect discrimination, are explained. Recruits are given examples of discriminatory requests from clients and given training to deal with such requests. (Staff are told that they should not accede to a discriminatory request, but that they should be tactful. They were trained not to apologise, to ask why the client wants x, to explain that this would be illegal, to use phrases such as 'as an EO employer we cannot discriminate, we can find you the person you need'; if the client does not back down, the consultants are instructed to take the issue to a more senior colleague in the Mayday Group.) Initially the session on client requests took a day; it is now shorter, as discriminatory requests are now less common.

The need for Equal Opportunities training was highlighted by the training manager's comments that the discussion on what discrimination is "is an eye-opener to many, as they do not understand about Equal Opportunities". Managers and trainers commented that consultants were surprised that they were not to accede to discriminatory requests as they are otherwise trained to try to give the client what they want. They said the training to handle discriminatory requests "empowers them to refuse a client's request" and helps them deal with the situation. Indeed, this training was introduced in order to reduce stress on the consultants of such requests and also to reduce the managerial time required to deal with them.

Racism and clients

The Mayday Group does not require its clients or suppliers to have a race equality policy, although it does require its clients not to behave in a racist way towards its temps. The Mayday Group's policy is not to accede to racist requests and consultants are provided with training to refuse such requests. The company has also provided training to companies which have made such requests (which inform them about the law). Staff were aware of the company's policy and also well versed in the way to handle such requests and, whether due to the company's approach or due to general improvement in the catering trade, the volume of requests had declined dramatically.

Monitoring

Monitoring is restricted to the recruitment of temp staff. Every month the General Manager checks that the ethnic composition of temps interviewed and the numbers starting work is similar. This is to ensure no discriminatory behaviour in the utilisation of temps.

Data is collected on the immigration status of the stock of temps and the ethnicity of applicants to the recruitment agency, but this data is not analysed. Permanent staff are not monitored. The Mayday Group considers this to be unnecessary: with the small number of employees, the ethnic composition of the workforce is known without formal monitoring. Recruitment is not monitored: this is basically

because the company does not want to add to its administrative work and, because it does not believe it discriminates, it has no need to.

3 Effectiveness of policies

The race equality recruitment activities had substantially increased the percentage of ethnic minority recruits. The training programme for temps had increased temp recruitment by one third, nearly all of whom were from ethnic minorities. Figures were not available for the outreach work and wider advertising, but this was also thought to have brought in many ethnic minority temps. The changes to the recruitment of permanent staff had led to a substantial increase in ethnic minority recruits and, at the time of the study, about 29 per cent of permanent staff and 75 per cent of temps were from ethnic minorities.

The strongest evidence of the effectiveness of the Mayday Group's approach was from the permanent staff interviewed: permanent staff felt that the company was fully committed to and effective in achieving fairness in its approach. The general belief was encapsulated by a black respondent saying the company "*does brilliantly on equal treatment the policy is so sorted and they stick by it*". Another, South Asian, employee said "*Mayday is very fair on race...everything is fine at work...I honestly believe it's very good and constantly review what it does – it's good, things aren't set in stone*". Moreover, a respondent said that the Equal Opportunities training resulted in staff not favouring any ethnic groups over others – in particular, he was contrasting the company with his previous hotel employment, where managers tended to recruit from their own ethnic group. The effect of the Mayday Group's approach was that ethnic minority staff did not feel any racism at work (although some did report undercurrents of racism on client's premises e.g. clients assuming that a liaison officer was a temp because the liaison officer was black). Irrespective of ethnicity, staff also felt their ideas were listened and that they had opportunities for development.

4 Benefits

The Managing Director identified the following benefits of its race equality approach:

- culturally diverse workforce
- community involvement
- reputation/image
- standard setters
- recruitment/retention
- 'employer of choice'

- PR
- Awards recipients (Letec Business Award (1992); Dragon Award (1994); HCTPA Award for Excellence (
- General pool of labour increased
- own pool of labour increased
- staff morale/pride
- added value for clients

Capacity to expand the business and quality of service

The main business benefit of the race equality actions was the increased recruitment of temps and therefore the company's ability to expand its business. The training of temps was a major factor in this, but the outreach work and the wide advertising of jobs also contributed. About one quarter of temps receive the catering assistant training, i.e. the training had raised by one third the number of temps recruited. The Managing Director reported that "*last year, applicants from ethnic minorities who, without training would otherwise not have been offered work, added £250K to our turnover*". This figure compares with the cost of the in-house training department (two trainers and an administrator) of about £50,000 p.a. Thus the training, which opened up opportunities to ethnic minorities also greatly increased profits – even though the turnover of temps is high.

The induction training for temps had the side effect of improving service. When the training was started complaints were running at six per cent, but this fell to two per cent once cultural diversity was included in the training.

Productivity, retention and quality

The Mayday Group's actions appear to have led to better management and better morale, with consequent improvements in retention, productivity and quality of service. As stated above, permanent staff felt the environment was non-racist and enabled them to fully contribute to the company. Staff (both from the ethnic minorities and ethnic majority) supported this approach, which resulted in higher commitment to the company, as well as the retention of staff who would (and had) leave if they felt racism was not tackled. The employment of ethnic minorities in jobs overseeing temps was thought to have improved management, as ethnic minority consultants, liaison staff and outreach workers were able better to understand and deal with the problems encountered by ethnic minority temps. The result was higher retention of temps and hence lower costs and better quality of service.

The training for consultants and for clients on racist requests has reduced staff time and problems dealing with racist requests (which can be very upsetting). Improved handling has reduced the loss of clients which make such requests. (Clients are less likely to be upset and more likely to agree to take temps irrespective of ethnicity). However, the Mayday Group has lost a very small number of clients, which have stuck by their racist demands.

PR and sales

The Mayday Group has received publicity for its race equality achievements and the Managing Director believes the company is well-known within the industry for being in the forefront on race. The Managing Director believes this contributes to its professional image, which is an important selling point. The race equality training they have provided within client companies is also good PR. Unfortunately, the organisations which might be directly attracted by the company's race equality image (e.g. Local Authorities) do not purchase contract catering at the higher quality end of the market. The Mayday Group's customer base was primarily white and none of their clients required them to have a race equality policy (Equal Opportunities policy).

There was no evidence that the Mayday Group's commitment to race equality (as opposed to specific recruitment actions) had attracted staff to the company. Although some permanent staff were familiar with the company before they applied, none had known of its commitment to race equality (and hence it not affecting their application).

Sales and profits

The overall effects of the Mayday Group's policies were to increase sales and profits. The main effect was due to the training of temps, which greatly increased temp capacity, enabling the company to take on more business. However, costs were lowered slightly due to more effective handling of racist requests and through morale effects reducing turnover. Moreover, business increased due to training enhancing the quality of service provided by temps and enabling racist requests to be handled without alienating the client.

Pork Farms Bowyers

Pork Farms Bowyers provides a useful example of improvement in race equality through use of monitoring, improved Human Resource practices and targeted actions. It demonstrates the balancing act which is often required between devolvement and centralisation to achieve improvements. The company has reaped benefits in terms of easier and better quality recruitment, but it shows also how a manufacturing company may achieve sales benefits.

1 Business background

Pork Farms Bowyers produces sausages and pies, the majority of which contain pork. It is a subsidiary of Northern Foods. About two-thirds of sales are to major supermarket chains and one-third to small shops (corner shops, garages etc.). Pork Farms Bowyers operates with a large degree of autonomy from Northern Foods.

The company has a Head Office in Nottingham, employing about 100 people, two factories (in Nottingham and Trowbridge, employing around 800 each), a small potted-beef site in Sheffield (30 employees) and 20 distribution depots across the country, employing around 230 people, mainly in van sales. The case study focused on the Nottingham factory, but Head Office information relating to other sites, particularly van sales, was also gathered.

Employment is highly seasonal, following the pattern of demand (peaks at Christmas and summer, very low demand from January to Easter). Temps are recruited to meet seasonal peaks and then leave after the peak or move into vacancies left by permanent staff. All shop floor permanent jobs are filled in this way. The company has found it difficult to get quality temps and has often recruited students. First line management (chargehands) are promoted from the shopfloor.

Over the last three years the company has been moving towards a more modern management approach, involving team working, greater flexibility and employees taking greater responsibility for production and quality.

Human Resourcing and Equal Opportunities structure

For Human Resourcing and Equal Opportunities, Northern Foods sets the general parameters for the whole group, but each subsidiary company draws up specific policies and implementation strategies. The main exceptions to company

autonomy are the graduate programme, which is a Group-wide programme, and senior appointments in the subsidiary companies, which are made by the Group.

Within Pork Farms Bowyers, the Human Resource (and Equal Opportunities) decision structure is centralised, with the Personnel Director and the Equal Opportunities Manager based in Head Office and a Personnel Manager in each of the two factories. However, geography affects implementation in practice and the Nottingham plant is much more closely controlled by Head Office.

2 Race equality activities

Northern Foods introduced its first Equal Opportunities policy in 1985, concentrating on gender. A few years ago, a number of tribunal cases highlighted the need for action. At the same time, the new Managing Director became involved in Race for Opportunity (RfO). The main race equality problems at Pork Farms Bowyers have been harassment and racial tension, a low percentage of ethnic minority employees generally and a lack of ethnic minorities in senior positions.

The involvement of senior management was seen as essential to improve race equality. This has been achieved through reporting mechanisms (a monthly report is made on Equal Opportunities to the senior management team and to the Executive Committee) and through the establishment of an Equal Opportunities Steering Committee (which comprises seven heads of Department/functions). The focus is on recruitment, training, development etc., rather than race, sex etc.. This is believed to be more effective, because it is inclusive. An annual equality audit is conducted for Northern Foods. This is done by the Equal Opportunities manager together with eight managers. Different managers are involved each year, spreading concern about Equal Opportunities more widely.

The union, which has a slight over-representation of ethnic minorities amongst representatives locally, is consulted on race equality actions. A number of representatives have been on extensive Equal Opportunities training run by the union.

Race Equality Actions

Over the last three or four years a number of steps have been taken to address race equality problems at Pork Farms Bowyers. The Equal Opportunities manager has a detailed, timetabled and comprehensive Equal Opportunities Action Plan, implementation of which is reported to the senior management team. In addition to targeted actions, as part of the change in managerial practices in the company, a project on cultural change has been undertaken.

This emphasises respect and fairness and team working, all of which should reduce harassment and racial tension.

Race awareness training and information

In response to harassment problems, since 1996, all employees are issued with information on the Equal Opportunities and Harassment policies. Recruits receive a small amount of training at induction, which focuses on bullying and harassment. Additional training was also given to all levels of management from the Managing Director to supervisors (250 to 300 employees). This covered the rationale for monitoring and stereotyping. Every new manager should receive this training and should receive information on Equal Opportunities in their induction pack. Subsequently, harassment training was extended to chargehands.

Recruitment

As well as improving standard practice in recruitment (which includes training managers and supervisors in interview skills), Pork Farms Bowyers has taken a number of actions targeted at improving race equality.

Recruitment agencies, which are used for senior recruitment, have had it made clear that they must ensure that ethnic minorities are given equal consideration.

Targeted recruitment For the Christmas 1997 temporary recruitment round, Pork Farms Bowyers joined with Marks and Spencer to target recruitment on specific locations in Nottingham. The areas selected included areas with high ethnic minority populations.

Schools/mentoring Pork Farms Bowyers is proactive in encouraging school-leavers to apply to the company, by providing work placements, work-shadowing and training in job application skills. Tours of the factory, including non-shopfloor functions are given. Employees participate in schools literacy projects and the company is involved in Afro-Caribbean mentoring for teenagers. The company has ensured that inner city schools, especially those with high ethnic minority roles, are involved in these projects.

Van sales Head Office became concerned about van sales recruitment because no ethnic minorities (and no women) were being appointed. Monitoring data returned to Head Office showed no ethnic minority applicants. Investigation revealed a number of problems, including that most experienced van sales people were white. A number of steps were taken:

- the application process and short-listing was moved from the areas to Head Office;
- advertisements were changed to make clear the nature of the job and the skills required;

- the person specification was changed, so that “van sales experience” was no longer essential, and “driving” and “sales” were made equally desirable as ‘van sales experience’;
- written recruitment procedures were introduced;
- training for all new van sales recruits was increased, to compensate for differing types of previous experience.

Ethnic minority attitudes to employment at Pork Farms Bowyers. Together with other organisations, Pork Farms Bowyers were supporting a study of ethnic minority housewives, which would identify their attitudes to working at Pork Farms Bowyers.

Promotion, general training and development

In the last few years there has been a shift to formalised selection for promotion. Jobs are advertised, applicants formally apply and, for salaried posts, applicants are tested at the assessment centre. People are encouraged to apply and given feedback if they fail.

Training is now available to all employees and some specialised training in literacy and numeracy has been run.

Harassment

The Harassment Policy was introduced in September 1996. Formal and informal redress is available and it is made clear to employees that harassment may lead to dismissal. Harassment support workers were introduced and harassment has been monitored since January 1997. The training provided on harassment was described above.

Cultural diversity

Holidays

The company operates its holiday procedures (which normally allow three to four of the five week holiday entitlement to be taken at one time), with sufficient flexibility to allow employees to visit relatives abroad and to take holiday to cover major religious festivals.

Religious observance, clothing and jewelry

With most production using pork, not surprisingly, the company employs very few Muslims and has not had requests for prayer breaks or assistance during Ramadan. When recruitment has been difficult, some applicants have been told that they could be placed in positions where they did not have to work with pork.

There is no problem in employees wearing clothing which covers arms and legs, nor, obviously, in the wearing of the turban. Due to food hygiene rules, the company will not allow jewelry, other than wedding rings and small one-piece stud earrings, to be worn. Sikhs cannot wear their bracelet, nor their ceremonial knife.

Monitoring

Head Office monitors employment numbers by ethnicity and gender annually. Monitoring by occupation or grade is considered unnecessary because there are so few ethnic minority employees outside the basic factory grade (i.e. the company knows this is something which needs to be addressed and data would not assist in identifying any problems). Figures are sent annually to Northern Foods Head Office.

The Personnel Manager at each factory monitors recruitment to ensure that recruitment continues to reflect the local population. Van sales recruitment is monitored in detail by Head Office. Grievances and harassment are monitored by ethnicity.

Contract compliance

Pork Farms Bowyers does an annual audit of their supplier companies. The inclusion of Equal Opportunities is being considered and it is expected that, eventually, a race equality policy will become a requirement. Some suppliers have already been told to develop race equality policies.

3 Effectiveness of policies

From monitoring data and also from employees' statements, it was apparent that the policies pursued at Pork Farms Bowyers had led to greater race equality. Ethnic minority employment had increased, the treatment of employees was believed to be fairer (and rarely now discriminatory) and harassment had reduced. Problems remained, particularly in relation to ethnic minorities being concentrated in the lower level jobs and the changes in van sales recruitment had not had time to take effect yet.

Ethnic profile of employees

Pork Farms Bowyers' race equality actions have improved the ethnic profile of employment. Eleven per cent of the workforce in Nottingham and eight per cent of the workforce in Trowbridge are currently from ethnic minorities. However, in van sales, no employees are from ethnic minorities, but the measures taken to change this have not long been in effect.

More detailed figures were given for Nottingham³⁴. Prior to the programme of targeted recruitment, only five to six per cent of employees in Nottingham were from ethnic minorities. Targeted recruitment raised this to 13 per cent by Christmas 1998. With the loss of temps with reduced seasonal demand, figures leveled off in 1999 at eleven per cent. This compares with around nine per cent of the local labour market being from ethnic minorities.

³⁴ Data included van sales. Therefore the percentage of ethnic minority employees in Nottingham was closer to 15 per cent.

However, very few ethnic minority are employed above the basic factory grade and very few applicants for senior jobs are from ethnic minorities. There is a similar problem for graduates. Pork Farms Bowyers' action with recruitment agencies appears to have had some effect, because, in a subsequent recruitment exercise for the Nottingham factory manager, ethnic minority applicants were shortlisted and an Asian was appointed.

Promotion, fairness and discrimination

Employees tended to believe that they were treated fairly and there was no discrimination on the basis of race. Where there were problems, employees perceived these as being at the supervisory and junior management levels and that this was due to race equality policies not being effectively implemented at this level. A number of employees commented on how the change in promotion procedures was an improvement and had reduced nepotism and increased fairness. Certainly, it appeared that Pork Farms Bowyers did not have a bad image in relation to race.

Fairness, harassment and racial tension

Since Pork Farms Bowyers started monitoring harassment at the beginning of 1997, there has been a decline in the number of informal cases, but the number of cases taken up formally has not changed. The company believes this indicates a decline in harassment and that this is due to a) the Harassment Policy – people know they will get into trouble for harassment and b) organisational change – smaller teams mean people working better together.

Employees' responses lent support to management's belief that the Harassment Policy was effective. Employees thought that management took harassment seriously, that they could report harassment cases and that they would be dealt with appropriately. Several employees commented that things had improved in the last few years – and several respondents reported that a few years ago they would not have (or had not) reported harassment, but now would do so.

However, nearly all managers and staff acknowledged that some racial tensions remained – and that this was often between Caribbeans, although racism by whites against Asians was also mentioned. Tension may also affect ethnic minority employees' willingness to seek promotion (placing them in positions of authority over whites). Problems may have been concentrated in specific areas, suggesting that there were pockets of tension which remained to be dealt with.

4 Benefits

A number of benefits of race equality were identified.

Staffing

Race equality benefits Pork Farms Bowyers in respect of staff in a number of ways:

- Targeted recruitment has expanded the recruitment pool and allowed the company to move away from recruiting students. This has given the company a wider choice of temps who wish to move to permanent jobs and has increased the quality of permanent recruits.
- The action with recruitment agencies shows how reducing discrimination can lead to better quality recruits. After making clear to recruitment agencies that there should be no discrimination, an Asian factory manager was shortlisted by an agency and recruited. As he was the best applicant, had he not been afforded an equal opportunity to be recruited, the company would have appointed a less good manager.
- The company benefits in a number of ways from its involvement with schools and young people. Not only does this raise Pork Farms Bowyers' profile locally and result in more job applications from young people, but it also results in applications from the young people's parents. Managers become more informed about the activities within local schools, which is useful for general recruitment and for the management of young recruits. The activities also provide employees with development opportunities.

Sales

Race equality policies at Pork Farms Bowyers may benefit sales in a couple of ways. The most direct effect is likely to be through van sales. An estimated 30-40 per cent of operations serviced by van sales (which comprises 1/3 of all business) are ethnic minority owned or managed. The Managing Director said, *'there is a genuine business case that if we train ethnic minority salesmen on the vans, Pork Farms Bowyers will be better received and the business seen as enlightened'*. This was not the impetus for the drive to recruit ethnic minority into van sales, which included *'legal, moral, social - best practice comes in; a broader workforce brings a breadth of ideas and more varied skills, breadth assists with coping with business change'* (Managing Director). In total, these considerations were seen to outweigh the increase in costs which were incurred in respect of training and also the administration of recruitment, as, in some areas, broadening recruitment criteria brought an unwelcome increase in the number of applicants from an already too high number. However, this was a welcome development in areas where there were recruitment difficulties (e.g. Croydon and Reading).

The race equality activities with schools has a business spin-off, in that it allows market research amongst young people (most of which tends to be done amongst middle class whites).

However, the company does not expect the recruitment of ethnic minorities to lead to changes in their product to increase sales amongst ethnic minorities: they are primarily a pork products company – and incursion into other products would bring them into competition with other parts of Northern Foods. neither do any of the company's customers require them to have a race equality policy. (In fact, many of their major customers seek advice on race equality from Northern Foods).

Image

Pork Farms Bowyers is concerned to have a good race equality image. Trowbridge had a race tribunal case recently. Pork Farms Bowyers won and the Managing Director felt it would have been very damaging if they had lost.

Robert McBride Ltd

Robert McBride Ltd has been working to improve race equality at work. It exemplifies the implementation problems which multi-site companies can face. The benefits of race equality derive not only from staffing (as some sites are in areas of relatively high ethnic minority population) and avoidance of tribunal costs, but also its reputation in respect of race equality affects its relationship with the local authority, affecting grants and redevelopment.

1 Business background

Robert McBride Ltd is the largest manufacturer of private label, Household and Personal Care products in Europe. In the UK, McBrides employs 2,500 people across five sites in the North of England. (A sixth was acquired during the case study and was not discussed.) The company had been family owned until 20 years ago, when it was bought by BP. In May 1993, the company was sold in a management buy in.

After centralisation under BP, McBrides sought to harmonise Human Resource policies (but not all terms and conditions) across plants. A central Human Resources Director oversees policy development, but most procedures are developed on site. Each site has a Personnel Manager, who reports to both the site General Manager and to the central Human Resources Director. Historically, the company has had a 'hire and fire' culture. The company has been changing its management approach to one which values and encourages employees. As part of this, it has achieved liP.

The case study was based on two sites: Burnley and Bradford, employing around 370 and 500 people each, respectively. About half the jobs are low skilled and recruit from the local area, which, for both sites, includes a substantial Asian population.

2 Race equality activities

Race equality policies have been reviewed periodically at McBrides, first following the centralisation of Human Resources and then following a number of tribunal cases, relating to harassment and discrimination. At both times assistance was provided by the Race Relations Advisory Service (RREAS, part of the Department for Education and Employment).

Central policies

A central race equality policy has been established. On its introduction, training was provided for Personnel Managers. Now, all employees should receive race equality training: ½ day for staff with responsibility for other employees and one hour for others. However, training is devolved to the sites and there is a problem ensuring thorough implementation. McBrides has a separate Harassment Policy, which appears in the employee handbook, together with a short explanation of what constitutes harassment, the fact that it is a serious disciplinary matter and details of action which may be taken by victims of harassment. Each site has harassment officers, who are volunteers and who receive training. However, harassment has been thought of more in relation to sexual than racial harassment. The application form has been redesigned to remove potentially discriminatory questions. The company has an extended leave scheme, allowing up to six weeks leave, the explicit and stated purpose of which is to enable employees to visit friends and family abroad. Other policies are advisory, for example, for recruitment, applicants should be interviewed by at least two people; and vacancies for promotion should be advertised internally.

Policies and implementation on site

In addition to central policies, the two case study sites had taken a number of initiatives which should help promote race equality. These included:

- Both sites were highly accommodating with respect to leave. This was most apparent in respect of religious holidays, where at one site, agency staff might be brought in, but flexibility was also shown over extended leave.
- *Religious duties* Special facilities were not provided for prayer (and few employees were known to pray). However, both sites assisted employees to fast during Ramadan. For example, employees working between 8 and 10 were allowed an extra break and their places were filled; production stopped when the fast could be broken so those fasting could have a drink; and fasting employees were moved to lighter duties.
- *Clothing, jewellery etc.* The company is happy for employees to wear any type of clothing and jewellery so long as a) it cannot fall into the product and b) it cannot get caught in machinery. Turbans could be worn instead of a hairnet.
- *Recruitment* aimed to be based on job needs. An important aspect of this was that, for low skilled jobs, recruits were only required to have a basic facility in English and were not required to have written English³⁵.

³⁵ An interesting point was made here that the introduction of appraisal for all staff would introduce the need for all staff to be able to read and write in English, thus precluding the employment of those who could not.

The other main areas of action were related to the Head Office policies on race equality training and harassment:

- *Race equality and harassment training* Training had been provided for managers and this varied in whether it were addressing Equal Opportunities and managing an ethnically diverse workforce or addressing harassment. The company had run into some of the standard problems in that, at the outset of the policy, managers might receive training, but then new recruits or those transferring within the company might not. Staff did not normally receive training but were informed about the policies through information on noticeboards and pamphlets. However, on one site, a voluntary session had been held for production workers which was reported to be to encourage employees to stand up against harassment. It was attended by both white and ethnic minority employees. One of the sites planned to extend harassment training to supervisors, whilst the other had provided training to improve cultural understanding. This was a one-off event which brought together management, the JCC and community representatives to share information on race. The aim was to improve the JCC's commitment to improving race equality at work.
- *Harassment policy* As well as providing some training, the management at regularly checked for and swiftly erased racist graffiti and one site had stopped issuing indelible pencils. Cases of harassment were thoroughly and severely dealt with. The original focus on sexual, rather than racial, harassment meant that ethnic minorities were not necessarily included as harassment counsellors.

Monitoring

The ethnic composition of employment is not normally monitored centrally, although the Human Resources Director has compared some sites' employment with that of their locale. Monitoring data varied between the two sites, with one site not analysing the data it held. The other site conducted an annual survey of its workforce and the ethnic profile was reported to the joint management/JCC meeting. This site had compared its employment composition with that of the areas from which its employees live and found the profiles were similar.

3 Effectiveness of policies

The results of the race equality actions were mixed.

In terms of *employment*, seventeen per cent of the employees on the Bradford site were from ethnic minorities, a percentage which the company had found to match the local area. Thirteen per cent of the hourly paid employees in Burnley were from ethnic minorities. However, it was not known if this was representative

of the local area. The percentage of ethnic minority employees fell rapidly with seniority, although one site had recently recruited its first ethnic minority supervisor. As higher level jobs were filled through external recruitment (and not training and promotion), it was not clear whether this pattern reflected the labour market. Ethnic minority employees also tended to be clustered in certain jobs and the reasons for this were not clear.

It was very clear that reported cases of harassment were dealt with properly and treated with appropriate severity. However, the company appeared to have a continuing battle with harassment and racial tension and, despite management's response to reported cases, there appeared to be some employee reluctance to report cases (whether formally or informally). The planned extension of training to supervisors on one of the sites might assist this, but wider-scale training, on harassment and cultural difference might also be required. Nevertheless, employee respondents on one of the sites considered the company was trying to tackle the issue and had made progress. In addition, there had been no recent tribunal cases related to racial harassment or discrimination.

4 Benefits

Staffing

The main types of benefit that race equality can afford to McBrides (in areas of high ethnic minority population) is in staffing. Discrimination (or a reputation for discrimination) in terms of recruitment reduces the pool of applicants and can increase recruitment costs. It was also apparent that lack of discrimination and harassment can bring lower turnover and improved morale, with consequent effects on productivity. This can be reinforced by the types of measures taken to accommodate religious and cultural differences.

Benefits were also apparent in having Asian managers. The recruitment of an Asian to a supervisory post (in Bradford) increased management's knowledge of cultural issues and resulted in a direct input of such understanding into management decisions. This meant that decisions were better informed over cultural issues and problems could be more easily avoided. Over time, this should lead to greater knowledge of these issues amongst all managers. Similar benefits might be found through cultural training. A manager commented that they did not know if Asians were better able to manage Asians, but that Asian managers gave Asian section leaders someone to refer to. Ethnic minority managers could also lead to a moderation of racist behaviour: *'it does stop people behaving in certain ways when their boss is Asian'*.

Image

McBrides wishes to have a good image in the community and takes a number of steps to develop this (e.g. it has a Charitable Trust, it works with schools, TECs, Enterprise Boards etc.) Their image with respect to race is part of this. In

particular, the company believed that the earlier race cases could harm their relationship with their local authority and could affect their access to grants and agreement to redevelopment plans. The Human Resource Director believed their reputation as an employer had improved in the last three years (with respect to race and also as an employer in general), but that an improved image, whilst taking a long time to build could be rapidly destroyed.

Cost of tribunal cases

Cases were seen as costly in terms of publicity (the company did not want the bad publicity) and time consuming. Moreover, they do not solve the problem. For example, one harassment case entailed five days of the Human Resource Director's and of two managers' time at the tribunal, plus three weeks preparation, plus general "*stress and heartache*". To this should be added legal costs/other time. Moreover, the removal of the cap on the award makes a race case potential extremely expensive.

Sainsbury's Supermarkets Ltd

Sainsbury's provides an example of a company with highly centralised Human Resource policies and procedures which has been thoroughly revising its standard Human Resource practices and introducing targeted policy to improve race equality at work. As a company it benefits in respect of lower staff turnover, an enhanced pool of graduate employees, improved customer service and higher sales.

1 Business background

Sainsbury Supermarkets Ltd (henceforward Sainsbury's) are the largest part of J. Sainsbury Plc. Sainsbury's have about 400 branches across the UK and employ 129,000 staff.

Human Resource policies and procedures are highly centralised. Each store has its own Personnel Manager, who is responsible for implementing central policy.

Branch and Head Office careers tend to be separate, with most store employees progressing within the store structure. Most store recruitment is done by the store Personnel Manager. In addition, there is a management training programme, which recruits about 700 graduates and A-Level entrants each year. Most go into the retail division (stores), whilst others go into specialist departments (for example, buying, marketing, technical, IT).

The case study was conducted in two London branches, East Dulwich and Dalston, with 431 and 272 employees respectively. The current Dalston branch was formed on takeover of a branch of the Co-op in January 1996.

2 Race equality activities

Sainsbury's have had a long involvement in race equality, but three years ago they were stimulated to take a more holistic approach. This stemmed from: a tribunal case (regarding racial harassment); findings from a staff attitudes survey; and expansion, through opening new stores in areas of high ethnic minority population, an extension of the traditional Sainsbury's custom. The tribunal case was seen as potentially damaging to business (especially given the expansion) and highlighted a lack of training at all levels. The staff attitudes survey identified fair treatment as a sub-driver employee commitment and hence important to the business. The expansion into areas of high ethnic minority population highlighted the need to recruit ethnic minorities and hence fair treatment.

Sainsbury's has combined improvements to its general Human Resources policy and practices, with targeted actions to improve race equality. It was considered important that race equality was integrated and not seen as an additional item: if it were an additional item, it would be seen as a burden and also might be overlooked.

Human resourcing generally

All Human Resource practices were being scrutinised to identify whether they need adapting to ensure they afforded race equality. For example:

- the language in recruitment tests have been simplified and adjustments made for applicants who are not literate in English;
- behaviours which would support equality and diversity, e.g. recognition of the diverse customer base, were incorporated into the set of competences for managers;
- A framework for fair selection for promotion was developed;
- The staff attitudes survey was included as an element in managers' performance appraisal (which affects pay).

Targeted Race Equality Actions

Recruitment

Standard recruitment should be conducted to ensure that the ethnic composition of the store's employees reflects that of the local population. This should be checked through monitoring (see below) and, if it does not, the store should consider ways to change this. One approach which is favoured is to discuss the issue with local community leaders, which is preferred to advertising in ethnic minority papers, as the latter has not been found to be very successful.

Prior to new stores opening in areas of high ethnic minority population, Human Resources held discussions with local organisations (such as City Challenge and the Task Force). These organisations stressed the importance of employing local people to gain local people as customers. They also provided information about the local population which helped Sainsbury's ensure that local jobs were accessible to local people. For example, in some areas, the skill level was low, as was literacy (and, in some locations, English was poor). In these areas, Sainsbury's conducted pre-recruitment training.

Management training programme

Sainsbury's has tried to increase the percentage of ethnic minority trainees by targeting its advertising:

- advertising in Hobsons and Kaleidoscope;

- targeting careers fairs at educational institutions with high ethnic minority intake e.g. NE London University
- advertising in the ethnic minority press.

Race equality communication and training

Race equality information and training focuses on harassment. All staff have received an eight page pamphlet, '*It Takes Allsorts*', which describes harassment, its effects, employees' responsibilities and action in the case of harassment. When this was first issued the staff magazine carried an article and the Chief Executive discussed it on Business TV. Recruits receive the pamphlet and Equal Opportunities and harassment is mentioned in their induction training. Each store has a Staff Council which may also be used to tackle race equality issues.

This year race awareness training was introduced for all managers (one day) and Personnel Managers (1½ days) in the stores. Fifty-five trainers have been trained to deliver the package. The training, which focuses on harassment also includes information on Sainsbury's diversity policy and discusses the business case for diversity. The latter is thought to increase the effectiveness of the training. The training is now built into new managers' induction programme and the intention is to extend training to all staff.

Harassment

Sainsbury's has a Harassment Policy. Complaints may be pursued formally or informally. The normal line of complaint is the line manager or Personnel Manager. Employees may also use the general Sainsbury's telephone counselling service, if they are concerned about approaching someone within the company.

Cultural diversity

Holidays The company appeared to be flexible about enabling employees to take extended holiday to visit relatives abroad and also to allow employees to take holiday for religious festivals. Holidays could be extended by limited use of unpaid leave. However, it was not clear employees were always aware of these possibilities, although finance, rather than the granting of lengthy holidays, seemed to be a more important constraint on taking extended leave. Head Office provides information on religious holidays (in order to assist stores in their sales).

Uniform and jewellery Sainsbury's has a long-standing policy to "integrate people's cultural needs in uniform". Thus, for example, women's uniform ensures adequate coverage of legs and arms and men may wear turbans. The company has a uniform headscarf. Due to food safety regulations, staff are restricted in the jewellery they may wear. However, employees may be moved to low risk areas.

Other religious practices. Accommodation of other religious practices are at the discretion of the store. We found examples of assistance to staff who were

fasting during Ramadan: changing canteen hours to enable those fasting to eat as soon as it is dark; and arranging for those fasting to work through lunch.

Language training Sainsbury's have a programme to support employee learning (Choices). This may be used for language training.

Monitoring

Sainsbury's monitors aspects of race equality in two main ways: through headcount data and through a staff satisfaction survey. Stores should analyse headcount data to ensure that their employment reflects that of the local area and to take action if it does not. However, this may not always be done. A check is provided by Head Office, which analyses the data regionally every quarter. Data is analysed by broad job grade.

The annual staff attitudes survey contains questions on fairness and on Equal Opportunities. Whilst it does not collect information on race equality specifically, it can be used to see if satisfaction with various aspects of employment varies by ethnic group.

In respect of recruitment monitoring, Sainsbury's only monitors graduate recruitment. The need to monitor recruitment (and progression and leavers) is recognised and changes to the IT/Human Resources interface to enable such monitoring are being investigated.

Contract compliance

Sainsbury's do promote social responsibility in their international purchasing operations. The statement on social responsibility includes Equal Opportunities and this statement has been sent to all own-brand suppliers. In addition, Sainsbury's distributors in Scotland must comply with Equal Opportunities.

3 Effectiveness of policies

The effectiveness of Sainsbury's policy may be assessed in terms of current race equality at work and also in terms of improvement.

Ethnic profile of employees

Nine per cent of Sainsbury's employees are from ethnic minorities, with Indians (2.5 per cent), Black Caribbeans (1.7 per cent) and Black Africans (1.4 per cent) the largest groups. Although the percentage falls with grade, ethnic minorities still comprise 4.8 per cent of junior management jobs (compared with 9.5 per cent of non-managerial staff). For middle management and senior management jobs the percentages are 2.7 per cent and 0.8 per cent respectively. The profile has been improving: in 1991/92 only five percent of employees were from ethnic minorities, whilst the percentage in management jobs has grown from 2.5 per cent in 1991/92 to 4.2 per cent in 1998/99.

Both case study stores had high ethnic minority employment: two-thirds of employees were from ethnic minorities at Dalston and one-third at East Dulwich.

Fairness, racial tension and harassment

Both General Managers at the case study stores thought that fairness and racial tension had improved in the last three years, since the additional race equality actions had been being taken.

There appeared to be a remarkable lack of racial tension at the two case study stores. Employees mixed across ethnic groups socially, there was no racist graffiti and complaints relating to harassment or racism were very rare. Moreover, staff appeared willing to raise the issue of harassment with their manager.

Within the case study stores, employees seemed to feel fairly treated mainly, including in regard to promotion, although a few issues were raised where it was thought that treatment might vary slightly. One aspect included whether ethnic minority managers had equal access to jobs in all stores or were targeted for stores in areas of high ethnic minority population. The staff attitude survey provided information on perceptions of fair treatment across the company. This showed that perceptions varied by ethnic group, with whites more likely to feel people were treated fairly.

4 Benefits

Sainsbury's derives a number of business benefits through increasing race equality at work.

Staffing

Sainsbury's appeared to derive staffing benefits from race equality actions mainly through reductions in turnover and through the employment of graduates. There was evidence that turnover had declined due to race equality: employee respondents said that the atmosphere at work was important in keeping them in post, whilst in one of the case study stores the General Manager reported that staff turnover had declined to one per cent per month (compared with the industry average of 2.7 per cent) and that he considered this was partly due to management treating staff fairly. In respect of graduates, Sainsbury's employs many students and several respondents who were students said that they were happy with how they were treated and were therefore willing to apply to Sainsbury's on completion of their course.

Given the percentage of ethnic minority employees, employing ethnic minorities in supervisory and management jobs could bring additional benefits in terms of managing staff. For example, an ethnic minority supervisor found that some ethnic minority staff preferred him to deal with their problems because they felt

he was more likely to understand them and so they trusted him more and felt he could explain the issues better to senior management. Whether this was the case or not, it was important in gaining employee trust and co-operation.

Finally, in some cases, stores could gain from the ethnic mix easing deployment. For example, employing a mix of religions meant that holidays for religious festivals were spread (and reduced pressure of demand for holidays for the major Christian festivals)³⁶; flexibility during fasting over Ramadan could ease deployment over the lunch period.

Customer service and sales

Sainsbury's expected race equality to improve customer service and sales and this was a driving force behind their approach.

Firstly, it is assumed that people are more likely to shop where the ethnic composition of the workforce reflects the local community – and are less likely to shop if their ethnic group is not represented (or noticeably under-represented). This is a benefit which is derived primarily from image. For example, the General Manager at Dalston said, *'Of course any store should reflect its customers: [it] helps customer understanding. Visually shows we aren't prejudiced: how would we be perceived if all our employees were white? We'd be seen as racist.'*

In addition, a workforce which reflects the locally area is likely to provide better service. Employees are better able to understand their customers, both culturally and linguistically. At both stores, employees assisted non-English speakers, often in their own language. This was exploited at the New Cross store, where cards were put in six or seven languages, saying that staff were available to assist in these languages.

Employees provide an important source of product ideas, which are passed to Head Office. This was developed most formally at East Dulwich, where the Staff Student Council (on their own impetus) established a focus group to consider ethnic minority foods and proposed some novel ideas. In addition, in establishing the stores in high ethnic minority areas, the consultations with City Challenge, the Task Force etc. provided combined benefits in relation to staffing and custom. Focus groups were run which helped identify potential customer needs. Sainsbury's experience of new stores in areas of high ethnic minority population has led to a reconsideration of the product ranges in existing stores and to increased tailoring to the local population. Sainsbury's are currently working on their brand perception and aim to reposition themselves reflecting diversity.

Finally, at Dalston, with improvement in fairness and race equality and better working relationships, service has improved and customer complaints declined.

³⁶ It should not be assumed that this is always the case, as people may wish to take holiday over the main Christian festivals as this is the period when friends and family are likely to have holiday.

Sun Microsystems Ltd

Sun Microsystems' main approach to Equal Opportunities is a highly formalised approach to recruitment, grading, development and promotion. This results in a highly meritocratic approach, which leaves little room for discrimination. This, combined with the type of people who are recruited (amongst whom racism is unacceptable), results in an atmosphere of racial fairness and lack of tension at work. The absence of monitoring is a problem, as this prevents the company ensuring that there is no discrimination.

1 Business background

Sun Microsystems Ltd manufactures, sells, installs and services computer hardware. The company is US owned and employs 2000 across the UK. The Head Office is at Bagshot, with other offices across the country and manufacturing is based at Linlithgow. The majority of non-manufacturing employees are based in the South East.

The company has seven Divisions and (due to the organisational structure) the case study was based on part of one Division, covering Sales. Interviews were also held with Head Office administrative and finance staff. Most employees in the Sales Division are professionals and highly qualified with several years experience on joining Sun.

Human Resourcing and Equal Opportunities are operated entirely independently of the US parent. There is some degree of autonomy across Divisions. The company has well-defined practices for recruitment and development of staff, but implementation is devolved, with line managers exerting extensive discretion.

2 Activities affecting race equality

Sun Microsystems may be regarded as having neither a formal race equality policy nor procedures aimed at race equality, nor is monitoring conducted. Although the company does have an Equal Opportunities Policy (which is available to employees on the Web), this is considered outdated and is not brought to people's attention. Recent changes in organisation (to bring the Scottish and English offices closer) prompted an examination of all Human Resources policies, which has led to a new Equal Opportunities policy being developed. As part of this, a Harassment Policy has been developed, which includes details of procedures in the case of harassment and counselling. Thus, apart from the Harassment Policy, race equality at Sun is determined by Human

Resource policies and practices which are not specifically aimed at race equality. The following describes some of the most important Human Resource practices which affect race equality at Sun.

Recruitment

Sun uses standard good recruitment methods, i.e. posts are openly advertised, selection is based on skills required for the job. Much recruitment is done through agencies. Two steps which relate to Equal Opportunities specifically are taken. Firstly, Recruitment Agencies are supposed to have an Equal Opportunities policy. The policy is requested, but there is no check either on whether the policy is submitted, nor whether it is effective. Secondly, managers receive recruitment training. The website contains full information for managers on best practice in recruitment. This includes information on Equal Opportunities and the law and gives examples, for example, of interview questions which are acceptable. In addition, Sun provides a course for managers on interviewing. Although it is not mandatory for managers to have completed this course to participate in recruitment interviewing, it is a core course, and almost all will have done.

Sun instituted a graduate recruitment and training programme two years ago. Recruitment includes a milkround, in which nine universities are included, and advertising nationally as well as through the university careers services. The programme combines a period of training with project experience.

Grading, pay and appraisal

Sun has 12 job grades and all employees are paid on the salary band for their grade. Employees' position within this band is dependent on performance. The determination of pay is formal. In part this is done through the appraisal system. Appraisal focuses on job requirements. In addition, for sales jobs, there is a highly structured grading system, with four or five levels of competences. Each employee is tested against the competency criteria and progression to a higher grade requires employees to demonstrate their achievement of the next level of competences. The competences closely reflect the skills required for the job. Sun is now looking to introduce the same system for after-sales jobs.

Promotion, training and development

Employees are expected to take responsibility for their own development. Progression is clearly defined, but the structure in the organisation is fairly flat. Sun provides extensive support to assist development. Firstly, Sun provides training on developing one's career at Sun, which helps employees identify their skills profile. In addition, Sun assists by a) expecting managers to have regular goal-setting and development meetings with their staff b) providing skill training c) providing development information on the web and d) advertising almost all vacancies on the web.

Most vacancies are advertised and the procedure for filling these is the same as that for external recruitment. However, promotion is also possible (without advertising) when an employee has developed their skills to the next job level.

Promotion is a structured process, with a Board consisting of, for example, a manager, Human Resources and, depending on the grade, a Director. The employee's current manager is not involved in the decision process. Feedback is given to all unsuccessful applicants in order to assist them with their development and to avoid demoralisation.

The feedback of the career development system was very good. Respondents considered that extensive support was given to assist them with career development (although problems might occasionally arise due to difficulties in personal relations between individuals). They also considered assessment was fair and that contribution was recognised and rewarded. Feedback for unsuccessful applicants was valued.

Cultural diversity

Holidays Sun holiday entitlement is not generous: employees get 24 days holiday rising to 26 after three years. In addition, no more than two weeks may be taken at a time, although managers have discretion over this. Thus employees are not normally able to take more than two weeks to visit relatives abroad. None of the respondents saw two weeks as a limiting factor on trips to visit relatives. This appeared to be due to the income levels of respondents (i.e. annual short trips were feasible) and also because of the strong dedication to work: respondents saw that holidays had to be fitted around work and felt that their work would suffer were they to take more than two weeks at a time. Taking holiday for religious festivals was not an issue: staff are professional employees who were expected to manage their own time and so taking a single day's holiday was under their own control.

Religious observance and clothing At Sun, practices requiring time (such as prayer) were under employees' own control and praying at work was described as '*not a problem*', although no special facilities were provided. In respect of clothing and religious artefacts, the only consideration was that employees should be smart. A problem did seem to arise with socialising, and, hence, networking, with both colleagues and clients. Most importantly, retiring to pubs with clients and colleagues could be a problem for strict Muslims. This did affect networking and, as one respondent said, networking could affect promotion. In addition, it was reported that social functions with food did not take into account dietary requirements of all employees and that this could be alienating.

3 Effectiveness of policies

Ethnic profile of employees

In the absence of monitoring, it was not possible to determine the ethnic composition of the company. Estimates from respondents for their Division, ranged from five to ten per cent of employees from ethnic minorities, with most from an Asian (mainly Indian) background. In the first year of the Graduate

Programme, about 25 per cent of the trainees were from ethnic minorities. This declined in the second year.

Fairness

With one exception, respondents felt that they were treated fairly at Sun and that there was no discrimination in regard to race. The details of the exception were such that it was not possible for the researchers to form an opinion.

Employee/management relations

Racial tensions are not a problem for Sun. None of the respondents believed there were any racial tensions and very little racism was described. A couple mentioned that employment was 'very white' or that they were conscious of being in a minority, but this was not a problem – except that some found it more interesting to work in a mixed work force. On the other hand, another respondent said that because their group was mixed, they had never thought about race. One respondent expanded on this, he said, *'I'm aware I'm in a minority, but it is not an issue. I'm not sure my colleagues would be conscious of this. I do notice discrimination, in conversation etc. Most basic is the joke, but this is very rare in Sun due to the type of people they employ – they're politically correct. I've never seen explicit discrimination or anything I felt the need to do anything about. There've been one or two instances where colleagues (who have now left) said something, but very insignificant; not had any effect.'* Importantly, socialising was not segregated, colleagues mixed across ethnic groups both inside and outside work.

Dealing with problems

Despite little knowledge of whether Sun had an Equal Opportunities Policy or not, staff seemed to be confident that, were they to counter problems of racism at work, that this would be properly dealt with by the company. They all seemed happy to take such problems to their manager and, if this did not resolve the issue to turn to Human Resources.

4 Benefits

Sun gained business benefits from race equality at work in relation to staffing and, to a small extent, in relation to customer service.

Staffing

The main benefit to Sun of race equality lies in staffing. Sun needs to employ the best people to have a competitive edge. Its fair recruitment practice and apparent lack of discrimination result in it being able to recruit the best candidates (rather than rejecting good ethnic minority candidates). However, race equality probably most benefits retention. Respondents were enthusiastic about working for Sun. Although race equality was not the main factor affecting their enthusiasm (the work hard, play hard culture was often quoted, as was

development, meritocracy and support), this enthusiasm would be hard to imagine from employees who felt discriminated against or who worked in a racist atmosphere. In addition, some recruitment benefit may be derived as employees recommended working for Sun to friends.

Customer service and sales

Very few customers were from ethnic minorities. One respondent estimated the percent he encountered was about two percent, although the number of Asian senior managers he dealt with was growing. Whilst most respondents felt that there was no difference in their dealings with ethnic minority and majority customers, a couple did say that relationships could be easier with those from the same ethnic background. A few examples were given of customers responding better to the individual because they were from the same ethnic background. For example, one respondent said, *'we do strike up an empathy more quickly and just slightly more comfortable. It applies especially to Hindu Indians. Although I won't speak Gujarati to my customers, the language link affects how we relate.'* Another respondent said, *'A couple of customers have been Persian. With one I arranged to take another customer on a reference visit. The fact I was Persian probably helped.'*

A retail company

This retail company is an example of a company which has used centralised policy and procedures to develop race equality, through developing standard good Human Resource practices, combined with some actions aimed at ethnic minorities. The company is currently overhauling its approach to embed good practice throughout the business. The benefits to the company lie in both staffing and sales.

1 Business background

The retail company employs more than 20,000 people in branches across Britain. Its Head Office is located in an ethnically mixed area. The company is part of a larger group. Until a few years ago Human Resource policy and practices were determined at group level. Now, this is devolved to the retail company, to enable them to identify policy and practice relevant to their business but within the framework of the Group's values.

Most recruitment and development is conducted locally, according to each company's procedures. Thus recruitment for most store staff is local. However, the following recruitment (and promotion) is conducted at group level:

- senior recruitment and succession planning;
- graduate scheme recruitment and development: there is a single scheme across the group to which graduates are recruited; graduates are then developed through moves across companies;
- a single scheme covers young people for recruitment to Head Office and branch employment local to Head Office. School and college-leavers with A Levels are recruited to logistics and commercial posts and those with GCSEs are recruited to clerical posts. Young people have a four month placement and are then taken on for two years as a trainee, with employed status after two years. In this time they are expected to gain an NVQ the level above qualifications already held and to move into permanent employment with the company.

2 Race equality activities

The company introduced its first Equal Opportunities policy over 20 years ago. The policy and resultant procedures have been periodically revised and the company has been moving towards a diversity approach. The stress has been on standard, good Human Resource practices, including treating people with respect, but the company has also introduced special measures to tackle under-representation of ethnic minorities in parts of its workforce. The company is currently working embed equality throughout the business. This includes evaluating good practice and spreading knowledge of good practice across the business. In discussing race equality actions in the company, links were frequently made between employment, marketing and community involvement/image, suggesting that the diversity approach was gaining ground.

Recruitment

Advertisements

Job advertisements are sometimes placed in the ethnic minority press. In addition, the company supports a number of education and training projects aimed at ethnic minorities, which, indirectly, convey the image that the company welcomes ethnic minority applicants. These include, for example, support for ethnic minority students at university and sponsorship of an anti-racism project in schools.

Recruitment of young people in the Head Office area

The company had identified a lack of ethnic minority applicants to its young people's recruitment and development scheme (only available in the Head Office locale). Research showed a lack of awareness of the scheme, and of its career potential, amongst ethnic minorities. The company already had extensive contact with schools and colleges and decided to target additional activities on three schools with high percentages of ethnic minority students. Discussions were held with the schools and community groups about providing careers talks and advice on job application. Parents participated alongside young people. This was seen as important due to parents' influence on young peoples' job choice and had the added benefit of raising awareness of employment in the company for the parents. Community sessions were given in Urdu and Punjabi.

Training

On introduction of the latest Equal Opportunities policy, all employees were briefed about the contents. Awareness of the importance of Equal Opportunities is included in the induction programme for all employees, whilst training for young recruits in the Head Office locale has been extended to cover stereotyping and respect for others.

Harassment

The company has a Harassment Policy. This explains what harassment is and the action which should be taken if harassment occurs. Every employee receives

a copy of this and training is provided. Employees have a number of routes for assistance, both formal and informal: their manager, Personnel and the company helpline, which is staffed by independent counsellors.

General communication

The company newspaper is used to promulgate the company's approach to race equality, i.e. to integrate Equal Opportunities as mainstream. As part of this, Equal Opportunities are regularly covered within the company paper and are not addressed in a separate paper

Monitoring

The employee profile is monitored centrally every six months and reported to the Group Board annually. Data is analysed by store, grade and employment status and store data is compared with the local area population. The process is being shifted down the line (to the business units and departments etc.) in order to embed race equality in the business (as opposed to within Human Resources). In addition, the company conducts a staff attitude survey every three years, which includes questions related to Equal Opportunities.

The company sees monitoring as a powerful tool for quality management to improve the business and to ensure policy and practice are effective. In this context, it has been working to develop employees' understanding and use of monitoring. Ethnic monitoring is part of this and is not regarded as a separate 'equality' add-on. In respect of ethnicity specifically, monitoring did identify a low percentage of ethnic minority employees across the company and led to the initiative to attract ethnic minority young people to the Head Office locale young people's recruitment scheme.

3 Effectiveness of policies

Seven percent of employees are from ethnic minorities, which is higher than the percentage in the working population. However, recruitment of ethnic minorities for the graduate scheme and in some areas is lower than might be expected. The company is still investigating the reasons for this, but believes it may be due to an image problem with the company seen as white and middle class and also the career aspirations of ethnic minority groups.

The company's policies appear to be effective in improving race equality at work. The staff attitudes survey has shown an improvement in the response to the questions related to Equal Opportunities as awareness has increased. The targeting of schools with a high percentage of ethnic minority students substantially increased the percentage of ethnic minority applicants for the young people's recruitment scheme.

4 Benefits

The benefits to the company of race equality were identified in relation to staffing and sales. Whilst race equality is necessary to avoid tribunal cases, the company seeks good practice rather than compliance, because good practice is seen as beneficial to the company irrespective of legislation.

Staffing and profits

Race equality, and treating people well, is believed to reduce staff turnover. The effect of this can be enormous. The company conducted research about five years ago which showed that, if staff turnover in the stores were reduced by one per cent, this would result in a saving of £1 million through reduced recruitment and training costs and improved productivity.

Sales

Two ways in which race equality may affect sales were identified. Firstly, the company sees its employment profile and customer sales as inextricably linked. It has been taking actions to raise its profile with ethnic minority communities, through introducing products aimed at ethnic minorities and through its community activities, as this is believed to increase sales. However, whilst the company would expect this to boost the number of ethnic minority customers in the short-term, the company believes this increase would not be sustained if ethnic minority customers saw white employees only in the stores. The company therefore sees it as important to increase the number of ethnic minority employees to sustain its credibility.

The second way in which race equality is believed to benefit the company is in the development of ideas, for example products and marketing. Developing an understanding of diversity amongst all employees improves the ability to address a diverse customer base. The employment of ethnic minorities at all levels of the organisation is part of this and helps expand knowledge of the whole market.

A financial services company

This financial services company is an example of a company which is developing its race equality programme and provides an excellent example of how a minor change to the recruitment process can have a dramatic effect on ethnic minority recruitment.

1 Business background

The company employs around 4,000 people across the country, with its Head Office is located in an ethnically mixed area. After a period of low recruitment, the company recently greatly expanded and recruited a large number of low skilled workers.

Human Resources

Human Resource policies and practices are centralised. For recruitment, implementation is devolved to line managers who receive recruitment training. Typically, the process is formally structured, with posts advertised, application forms used, shortlisting and interviews. For many posts, applicants are tested. Previously, major recruitment exercises were conducted by Human Resources. However, for the recent major expansion, in order to increase line management ownership, the line conducted recruitment (including the advertising) with Human Resource advice.

The company does not have a graduate recruitment programme. Instead graduates with two to four years experience are recruited with the aim of progression to middle management. This brings in employees with management skills and diverse experience, who can make an immediate contribution to the company. These posts are widely advertised.

2 Race equality activities

The company has a long-standing Equal Opportunities policy. Until recently, the company has focused on gender, rather than race, but it has recently recognised the need to increase the percentage of ethnic minorities in the workforce. This was driven mainly by individuals' interests, but also because the recent expansion offered the first opportunity to address the low percentage of ethnic minority employees in the company after a long period of little recruitment. Moreover, Human Resources were concerned that a homogeneous workforce (as existed in other locations) led to much greater fluctuations in employment: with a homogeneous workforce, if there is cause for one employee to leave, there is often cause for many to leave. At the time of the case study, a diversity

policy had been drafted and the intention was to inculcate a belief in the business for a diverse workforce in to line managers.

At the time of the case study, due to the low percentage of ethnic minority employees in the company, recruitment was seen as the main area for race equality action. Progression will become important as more ethnic minority employees are recruited. The company already has a rigorous system of performance assessment, with pay affected by annual appraisal.

Recruitment

General recruitment approaches

The company's structured recruitment process and recruitment training for line managers should ensure that selection is based on job requirements only. Selection approaches have been refined to exclude extraneous criteria, for example, recruitment to the main low skilled occupations does not take into account qualifications. However, posts are only advertised externally, if there are not expected to be suitable internal candidates. Given the ethnic profile of employment in the company, this does not assist race equality.

For some recruitment, recruitment agencies are used. Each agency's approach is monitored for Equal Opportunities. In one case, the company was not happy that selection was not biased and ceased to use the agency until it had amended its selection criteria.

Expansion and the major recruitment exercises

Whilst the company's general recruitment approaches guard against racial bias, expansion was seen as an opportunity to increase recruitment from ethnic minorities. The company believes that a major problem is of perceptions of financial services (white and establishment) and has sought to tackle this.

Human Resources checked all aspects of the recruitment process (including the job specification, person specification and the structured shortlisting procedure) to ensure it was fair and open. Selection criteria (such as communication, patience, numerical information) were developed for relevance and extraneous criteria, including educational qualifications, were dropped from the application form. This prevented the location of education being used to identify ethnic minority (particularly immigrant) applicants. (Consideration was given to removing names from applications, but Human Resource thought this was too large a step at this stage for line managers.) Managers who were to interview had awareness training on general Equal Opportunities and stereotyping. The recruitment exercise was monitored (applications, short-listed applicants and appointees).

Initially, jobs were advertised very locally (e.g. in the local press and Jobcentre). Only one per cent of appointees were from ethnic minorities. Comparison of applications, short-listed candidates and appointees with the local area profile

showed that these were all similar statistically. At this point advertising was extended to a wider area, taking in areas with higher ethnic minority populations. This yielded six per cent of appointees from ethnic minorities. Again, the exercise was monitored for bias and none was found.

Harassment

At the time of the case study, the company was developing a harassment policy. This was in draft form and was due to be launched within a few months.

Other approaches

The company tries to be flexible in respect of cultural differences and different needs amongst its employees. For example, the company does not have a policy on extended holiday leave or holiday for religious festivals, but both types of leave may be granted. The issue of clothing has never arisen.

Monitoring

The company conducts an annual audit of employment by ethnicity, which is reported to management. However, data is only about 75 per cent complete, as the initial exercise was voluntary, with recruits only being added later. Therefore some longer service staff are missing.

For recruitment, monitoring data is collected from applicants (on a detachable part of the application form), but has only been analysed for the recent major recruitment exercises. The Personnel Data System is not appropriate for monitoring the composition of the workforce and it is hoped that a new system will improve this.

3 Effectiveness of policies

Evidence on the effectiveness of policies was limited to the employment profile. Almost two per cent of employees were from ethnic minorities, compared with about four per cent of the population. Until the recent expansion, there was little opportunity to improve this profile due to low recruitment. The recent major recruitment exercises were highly successful in increasing recruitment amongst ethnic minorities.

4 Benefits

The company identified a number of business benefits to improving race equality.

Recruitment

The main benefits were in terms of recruitment quality. The company needs to recruit the best people for the job and any form of discrimination reduces the likelihood of this. This is particularly important when a large number of people are being recruited at one time. In addition, they find that diversity in recruits brings a

diversity of ideas. (This has been most noticeable with their experienced graduate recruits.)

Retention

The company has problems of retention for some low-skilled occupations. This is exacerbated by employing an homogeneous workforce, as similar people tend to respond in the same way to changes (e.g. new employment opportunities), so there can be sudden large outflows of employees. A diverse workforce, in terms of ethnicity (as well as age, gender etc.), reduces this homogeneity.

Customers

The company sees two types of benefits from improving race equality. Firstly, the company believes there is a growing interest in ethical businesses (particularly from individuals and the public sector) and for this to include ethical employment practices. Therefore, race equality is seen as a potential attraction to customers. Secondly, having an ethnically diverse workforce increases understanding of a greater range of customers.

The company has an ethical purchasing policy, but, as yet, this does not include Equal Opportunities. However, recruitment agencies and temp agencies are expected to comply with Equal Opportunities standards. This is checked and those that do not comply are not used.

Improved Human Resource systems

The expansion recruitment has led to the establishment of a resource base of job specifications, which will lead to better and more cost-effective recruitment in the future.

A small engineering company

This company provides a good example of a small engineering company, with high ethnic minority employment. Due to its location and willingness to employ people with low fluency in English, almost half its employees are from ethnic minorities and most are long-standing immigrants. Like most small companies, its Human Resource policies tend to be informal and, although its race equality practices are not perfect, its general approach of responding to individuals seems to reduce the problems which can be encountered in a highly ethnically mixed workforce, reducing harassment and resulting in low staff turnover.

1 Background

The company is a small engineering company, whose customers lie in industry and commerce. The company was founded in 1934 and, though a public company since 1970, retained a family firm culture until 1991, when it was taken over by a small Japanese company. The company now employs just over 150 people at its one site in Slough. The local labour market is tight and particularly difficult for skilled engineering workers. However, the company has no difficulty recruiting unskilled workers, but does encounter major difficulties recruiting skilled and managerial staff. Pay is about average for the area. The local population includes a significant proportion of Asians and there is also a small Italian community.

Personnel policy, including Equal Opportunities, is developed by the Personnel Manager in agreement with the Directors. As in many smaller companies, Human Resourcing is fairly informal and reactive. Many issues are dealt with flexibly, informed by knowledge of the individuals involved. It was suggested by managers and supervisors that the company is fairly easy going in its treatment of staff '*give something, get something back*' and that it is flexible to accommodate staff needs.

Just under 100 employees work on the shopfloor and about 80 are unskilled. Unskilled work is fairly segregated by gender. The remainder of shopfloor workers are tool makers, fitters and semi-skilled workers. Non-shopfloor workers are employed as supervisors and managers, in administration and in other office functions. The skill requirements for the unskilled are minimal: the company prefers employees to be able to read, write and perform simple calculations.

2 Race equality activities

In line with the company's general approach to Personnel, race equality activities tend to be informal and the main way that the company appears to promote EE at work is through a flexible approach adapted to individual needs and circumstances. However, the company does have a written Equal Opportunities Policy and a Harassment Policy. The Equal Opportunities Policy was developed about five years ago and states the company's support for Equal Opportunities, its opposition to "*unlawful or unfair discrimination*" against people on the grounds of "*colour, race, nationality, ethnic or national origin, religious belief, sex, marital status or disability*" and the company's intention to take action against employees who infringe this. The policy is very much a statement of policy and is not used with staff as a means of promulgated Equal Opportunities (e.g. it is not communicated to staff).

The Harassment Policy was developed recently and addresses both sexual and racial harassment. It states the company's policy and responsibilities and gives examples of harassment and the procedures to seek redress. In practice, incidents are dealt with informally as well as formally. For example, the Personnel Manager described how, if a grievance were taken up about "*mumbling*", then the offender would be told not to treat people differently. However, racial harassment does not appear to have been an issue, with problems confined to sexual harassment. The company also has a policy that, whilst working, employees should only speak in English (except when necessary to explain instructions). This is intended to prevent other employees feeling excluded or believing they are being talked about.

Recruitment

The company adapts its recruitment practices to circumstances and the effect of the different practices on race equality varies. Formal recruitment (advertising, shortlisting etc.) is conducted for skilled and senior posts but only for unskilled posts when a number of vacancies exist. Otherwise speculative applications and word of mouth advertising is used.

Selection criteria reflect job needs. For unskilled jobs, this results in minimal demands and does allow those with limited fluency in English to be employed. On occasion, when no recruits could be found, training was provided for fork-lift truck drivers. This appeared to open recruitment to immigrants amongst whom this skill was reportedly rare.

Cultural diversity

The company's holiday regulations accommodate staff wishing to take long periods of leave to visit relatives abroad and staff felt the company was very good in this respect. Under its holiday entitlement, employees may take up to three weeks at one time. In addition, after two years service, employees may apply for extended leave every three years, enabling them to add a further one or two weeks unpaid. Allowing extended leave is at management's discretion.

Religious holidays were more difficult, as they entailed a substantial number of staff being away at the same time. The company had accommodated this by merging two shifts for major holidays. However, changes in the shift system meant this was no longer possible and it was not clear how religious holidays would be handled in the future.

The company was happy to allow people to pray at work and a supervisor's office was used for this. However, it was not clear that all employees were aware of this policy.

Monitoring

The company does not formally monitor the ethnic composition of its workforce, although, given the size of the company, the Personnel Manager had a good idea of the composition across different jobs.

3 Race equality in the company

In the main, the company's approach seemed to result in fairness at work and to minimise racial tensions. As far as the departmental composition allowed, work groups were highly mixed and there was no tendency towards segregation or concentration based on ethnicity. However, nearly all ethnic minority employees were in unskilled manual employment. However, it was not possible to check whether this was due to recruitment practices or the lack of a pool of appropriately qualified labour force to work for the company. There was only one ethnic minority supervisor, but this may have resulted from very low turnover in this post.

The ethnic minority employees interviewed did not feel that race affected how anyone was treated. This extended to promotion, which was not seen as a likelihood for most employees but some were receiving additional experience to assist with promotion. Additional support for the lack of discrimination was given by the lack of accusations of racism where redundancy or action on absenteeism particularly affected ethnic minority employees. Apart from one case of racist graffiti, which was dealt with quickly by Personnel, no interviewees reported any form of racial harassment or racial tension. Further support that the company's approach worked was that turnover, amongst all employees, was low, despite a buoyant labour market.

The company's informality encouraged responsiveness to individual issues and allowed flexibility in response, which is useful in managing a diverse workforce. However, this was not always combined with great degree of cultural awareness. For example, the need for extended holidays to visit relatives was recognised and responded to; similarly there was an awareness of the religious needs of Muslims and some responsiveness to this (e.g. over Ramadan and, to date, over religious holidays). However, amongst some managers and supervisory staff, lack of knowledge of the ethnic group from which employees came (e.g. not

knowing whether people were Indian or Pakistani, or Muslim, Sikh or Hindu) seemed to suggest a lack of recognition of the importance of differences and therefore, potentially, a lack of appropriate response. There also was evidence of stereotyping of groups.

4 Business benefits

The main benefit to the company of its approach to Human Resource affecting race equality was in staffing. Its restricting of recruitment criteria to those necessary for the job, combined with practices which result in employee relations being reasonable and the company being seen as reasonably fair, pre-empted shortages of unskilled workers. Moreover, the low turnover not only reduces recruitment costs but also results in employees being skilled at all jobs, aiding deployment.

This approach is not entirely without cost. The pool of labour accessed in this way was primarily long-standing immigrants, whose fluency in English was not always good and whose needs sometimes differed from those of white British employees. This affected holiday requirements. Long holidays could be accommodated without cost, but changes in work organisation and production methods meant this was no longer the case for religious festivals, when a large number of employees wanted the same day off. In addition, there appeared to be communication difficulties (which may have been cultural as well as linguistic), resulting in slightly greater demands on management. Real linguistic problems were avoided through other employees interpreting.

There appeared to be benefits to the company of having ethnic minority employees in supervisory positions. Having a Pakistani supervisor in the Press Shop, where most employees were Pakistani, was described as working well, as he seemed better able to get people to work. He was also able to speak to people in their own language.

In relation to customers, the only advantage was in customers which required their suppliers to offer race equality as ethnic minorities did not form a noticeable portion of the customer base. Few of the company's customers demanded this, but the number had increased and, as the company is developing commercial relations with the US, they expect this to be more often required.

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