

race equality:

the benefits for responsible business

Task Force on
Race Equality
and Diversity in
the Private
Sector

Institute for Public Policy Research
30-32 Southampton Street
London WC2E 7RA
Tel: 020 7470 6100
Fax: 020 7470 6111
postmaster@ippr.org.uk
www.ippr.org

Registered Charity No. 800065

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executive summary

In early 2003, the Prime Minister hosted the launch of the business-led Race Equality and Diversity Task Force. He asked members to ensure that the Task Force came up with practical recommendations for business and government to make a real difference. The result is this report, which outlines a change model for business leaders and government, who the share the challenge of actively promoting race equality and diversity.

What's in it for me?

In October 2003, Patricia Hewitt, Secretary of State for Trade and Industry reminded a group of business leaders that ethnic minority communities are worth '£32 billion a year. They're keen to spend it, keener to take advantage of new technologies...twice as likely to start up businesses.'

The benefits for large and small businesses in having a well thought out and well-implemented policies on race equality are straightforward: they will gain competitive advantage.

Such businesses are more likely to be marketing effectively to customers among the 7.9 per cent of the population who are from ethnic minority communities. They also will access a wider pool of customers, labour and skills. They will increase their potential for government contracts while potentially becoming a preferred employer and supplier. In other words, integrating race equality into overall business strategies makes good bottom-line sense.

Why now?

Between 1999 and 2009, ethnic minority communities will rise from 6.7 per cent to 8 per cent of the total working-age population, accounting for half of its growth.

There is a wealth of evidence, which demonstrates the size of the challenge:

- White graduates are three times more likely than graduates from ethnic minority communities to be offered a position by a top British company.
- A survey in 2000 completed by 40 FTSE 100 companies showed that only 1 per cent of senior management positions were held by people from ethnic minority communities.
- Unemployment rates for ethnic minority communities are on average two to three times those of white communities.

Jobseekers do not share the view held by many businesses that discrimination is not an issue. One in six ethnic minority individuals apply online for a job because they believe that this will decrease their chances of being discriminated against.

So what is being done?

The Government has a plethora of activities in this area: virtually every department has a role to play and a task to perform. Some large and small businesses are grappling with the issue and working with government and non-government organisations to make progress.

For example, Race for Opportunity (RfO), the Business in the Community (BiTC) initiative, has been working with large companies to help them take on the agenda and benchmark progress. The Confederation of Business Industry (CBI) has been working with the Commission for Racial Equality (CRE) to inform businesses about race equality in public procurement. The CRE intends to engage business further in taking forward its work to promote race equality. Through ACAS, a number of resources for advice and information are available to business. There are numerous initiatives aimed at promoting race equality at local and regional levels.

Yet, too many chief executives of large companies and managing directors of small businesses continue to go about their business as if race equality is not relevant to them. They say that it is not their fault if they cannot recruit ethnic minorities; that they are doing a good job on race equality (but do not have a way of measuring their progress); that it simply is not an issue for them. These are comments that can and should be easily challenged.

Recommendations

Comprised of large and small businesses across a range of sectors, including retail and non-retail, the Task Force commissioned research, issued a Call for Evidence, co-ordinated seminars, and consulted with a broad range of stakeholders. After eighteen months of probing, discussion and research, we have concluded that both business and government need to make better use of the existing infrastructure and levers available in four key areas:

- leadership;
- education, information and support;
- incentives and rewards;
- measuring progress.

What all four areas share, is the need for a far more consistent and robust communications strategy from both business and government to harness more effectively the existing vehicles for change. There should be no reason for chief executives and managing directors to say they do not know what the issue is; they aren't aware of the business case for race equality; they don't know where to go for advice; or they are not sure as to how to engage with the host of government race equality initiatives which are looking for business partners.

We look forward to the CRE continuing its existing work in supporting public bodies to promote race equality in their public procurement functions, in engaging business with community cohesion and in using general investigations as valuable learning and developmental tools to assist business in making change. There are also major enhanced roles to be played by the Confederation of British Industry (CBI), Business in the Community (BiTC), Race for Opportunity (RfO), Investors in People UK (IiP UK). We encourage other organisations to join them in taking on a bigger role to promote race equality in business.

A summary of top-line recommendations is as follows:

Leadership

Chief executives should put race equality onto the boardroom agenda by appointing an equal opportunities champion at Group Board level with a nominated race equality champion immediately below. These figures should internally generate the business case and connect race equality strategies to overall business objectives. There should be a demonstrable commitment, supported by a strategy and plan, to create a 'culture of inclusion' throughout organisations.

Government should demonstrate leadership by ensuring it has a coherent strategy on race equality, implemented through a powerful cross-departmental structure co-ordinated at Cabinet-level. This strategy should ensure that government is giving clear, consistent and co-ordinated messages to business and the public sector on its commitment to race equality.

Education, information and support

Businesses should mentor and provide information and other resources for their suppliers, particularly smaller ones, to set up and implement systems of 'good practice' on race equality and diversity.

Government should maximise the impact of the existing infrastructure for education and support to ensure one to one advice is available to all businesses that need it. This includes exploring options to work with business-led bodies such as RfO and its parent organisation BiTC to expand capacity and in particular extend their capability to meet the needs of small business. The CBI should work with government to contribute to the creation of a virtual one-stop-shop, which can point businesses seeking advice on race equality issues in the right direction, and provide case studies which highlight 'good practice' and the bottom-line benefit of having race equality policies.

More attention needs to be given to prepare business for the future, by ensuring that education institutions and training bodies promote good practice in managing race equality and diversity within the private sector.

Incentives and rewards

Businesses should use their procurement power to incentivise the organisations within their supply chains to have effective race equality practices.

Government should demonstrate a clear commitment to promoting race equality in public procurement by faithfully implementing the Race Relations (Amendment) Act 2000, holding suppliers to high standards in workplace practices while also providing the support necessary to meet those standards.

Government should incentivise business to be more pro-active by ensuring there is a recognised kite mark which sets high standards in its accreditation process for race equality across recruitment, retention and promotion. Government should first work with Investors in People UK to see if the iP standard can become this kite mark.

Measuring progress

All companies with more than 50 employees should publicly report on race equality and diversity. We propose that this should minimally include information, statistical or otherwise, which demonstrates effective commitment to promoting race equality in recruitment, retention and promotion.

Government should require all listed companies to report on race equality and diversity in their OFRs.

Government should host an annual Leadership Summit on race equality and business to measure the extent to which businesses are being more effective in promoting race equality and to develop more ideas for achieving outcomes on race equality in employment. Ideally, the Prime Minister should host the first Summit.

Next steps

The full list of recommendations can be found in the report.

At the time of writing this report, CBI, CRE, RfO, BiTC and liP UK have expressed support for working together to take forward this agenda, including the roles identified for them:

The CRE confirms that 'we think there is value in this report and look forward to working with other stakeholders to take forward the recommendations.'

liP UK has concluded that 'we will undertake research to establish the impact of the Standard on race equality in liP accredited organisations and strengthen this where necessary, both in the Standard and the assessment process. liP UK looks forward to working with other key stakeholders to take forward the agenda.'

CBI 'welcomes the opportunity to work with other stakeholders in moving forward the race equality and business agenda, through leadership, education and advice, generating incentives and measuring progress. CBI does not believe further legislative measures are necessary.'

RfO, and its parent organisation, BiTC, 'welcome this report and look forward to working with other stakeholders and using their existing networks to play a greater role in supporting business to promote race equality, including SMEs.'

The Race Equality and Diversity Task Force proposes that a group led by a senior Minister and involving all of the above organisations should swiftly take forward issues of funding and logistics of implementing specific recommendations, as well as the setting of specific targets for measuring progress.

If business cannot demonstrate a 'step change' in its commitment to race equality in recruitment, retention and promotion after three years, the Task Force recommends government consider using legislative measures to ensure businesses take stronger action. These should include, for example, stronger public procurement requirements for suppliers or extending to the private sector an appropriate form of the public sector duty to promote race equality, should it be shown to be a successful lever for change.

Of course, the challenge of decreasing unemployment rates and increasing opportunities for upwards mobility among ethnic minority communities is by no means restricted to business. However, business has an opportunity not only to reap the long term benefits generated from taking pro-active steps to promote race equality and tackle discrimination. It can also play a key role in creating a more unified, integrated and wealthier society.


Peter Ellwood
ICI


Peter Davis
J Sainsbury plc


Andy Duff
RWE npower

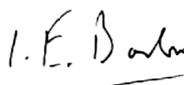

Paul Thomas
Ford Motor Company Ltd

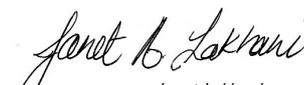

Chris Lendrum
Barclays plc


Mike Cutt
B&Q


Ben Verwaayen
BT


Mike Farey
Lloyds TSB Group


Ian Barlow
KPMG LLP (UK)


Janet Lakhani
IXL Laundry Group


Maggie Lee
Limehill Consulting


James Reed
Reed Executive plc


Kieran Poynter
PricewaterhouseCoopers LLP


Madi Sharma
The Ethnic Trail


Apurv Bagri
Metdist Ltd

1 the context for the Task Force

Workforce and employment patterns

British society is changing and so is its workforce. The 2001 Census recorded that 4.6 million people or 7.9 per cent of the total UK population were from an ethnic minority community¹, and the demographics show the scale of change to come (Strategy Unit 2003).

Between 1999 and 2009, ethnic minority communities will rise from 6.7 per cent to 8 per cent of the total working-age population, accounting for half its growth. Britain's ethnic minority communities generally have a younger age profile than the white population and are predominantly located in urban areas. The last census, for example, showed that 38 per cent of Bangladeshi communities were under the age of 16, compared to 19 per cent of white communities. Ethnic minority communities tend to live in Britain's major cities and conurbations, with the majority in Greater London, the West Midlands, Yorkshire and Humberside, and the North West and Merseyside (Strategy Unit 2003). According to Stephan Bevan, Associate Director of the Institute of Employment Studies, by 2011 only 20 per cent of the UK workforce will be white, able-bodied men aged under 45 (Hilpern 2001). Appendix 2 gives more detailed projections of working-age population by ethnic group.

Yet, while this growth in the ethnic minority population is occurring, ethnic minority communities are significantly under-represented in the overall workforce, particularly at more senior levels.

- A survey completed by 40 FTSE 100 companies found that 5.4 per cent of their employees were from ethnic minority communities, but only one per cent of their senior management positions were held by ethnic minority individuals (Sanglin-Grant and Schneider 2000).
- Higher education statistics in 2001/02 revealed that Chinese, Indian, Black African and Asian-Other are more likely to have a degree compared to their white counterparts. Yet, despite these statistics of achievement and representation, the Commission for Racial Equality has found that white graduates are three times more likely to be offered a position by a top British company (CRE 2004).
- Unemployment rates for ethnic minority communities are on average between two or three times higher than those of white communities (Strategy Unit 2003).

The picture is a complex one, and there are markedly different experiences across ethnic minority communities and between women and men. As well as ethnicity, a wide range of other factors affect individuals' success within the labour market, including their education, where they live, access to transport, age and patterns of housing tenure. Government research has found that, even when all these factors are taken into account, ethnic minority individuals are facing an 'ethnic penalty' in the UK labour market. All ethnic minority groups,

¹ The Census 2001 asked people to categorise themselves according to the following ethnic groups: White, Mixed, Asian or Asian British, Black or Black British, Chinese or Other (www.statistics.gov.uk).

Our research and analysis has focused on communities of Afro-Caribbean, African, Indian, Bangladeshi, and Pakistani descent, and throughout the report 'ethnic minorities' primarily refers, though is not limited, to experiences from these groups. Though we use the broad term 'ethnic minority/ies', we are fully aware of the different labour market experiences among communities, including between men and women.

even those enjoying relative success, are not doing as well as they should be compared to the white population, given their education and other characteristics (Strategy Unit 2003).

Racial discrimination in the workplace

An important factor contributing to the 'ethnic penalty' is the persistence of racial discrimination in the workplace: personal experience of discrimination in employment remains a reality, and progress towards race equality in the workplace appears slow.

- Almost one in three ethnic minorities believe that racism has cost them a job (BBC News 2002).
- A survey by the recruitment specialists Reed Executive plc found that one in six Asian employees and one in five black and Chinese employees reported experiencing racial discrimination at work in the past 12 months (Reed Executive plc 2002).
- In 2002 there were 89 awards made in race discrimination tribunal cases, an increase on previous years (*Equal Opportunities Review* 2003b).

Direct and indirect racial discrimination and lack of opportunity can cost individuals an interview, a job, an equal chance of promotion. But it is not only individuals who are paying this high price. High levels of ethnic minority unemployment are damaging to social cohesion, to communities' stability, and – as this report will discuss in more detail – to businesses, because they miss out on the talents of large sections of the UK population and new opportunities to answer increasingly diverse customer needs.

The need for 'break out'

There is evidence that individuals from certain ethnic minority communities, including self-employed people and business owners, tend to be 'trapped' in low-growth and low-income sectors with limited opportunities for mobility. For example:

- One in eight male Pakistani workers is a taxi driver or chauffeur, compared with a national average of one in 100.
- 52 per cent of male Bangladeshi workers are in the restaurant industry (Strategy Unit 2003).

While this appears to be changing over generations in certain communities, it is an important issue that needs to be considered in efforts to stop cycles of deprivation. To harness the breadth of talent found across all ethnic minority communities, action is needed to help individuals 'break out' of these kinds of employment and move into different sectors. This includes initiatives that contribute to skills development and can open up networks for ethnic minority job seekers. Such initiatives should aim to both expand the aspirations of young people while also ensuring they have the necessary contacts to pursue employment opportunities across a range of sectors. This might entail, for example, business engagement with mentoring in schools and working with community youth groups or providing work experience and holding job fairs that target ethnic minority graduates.

An important dimension of urban regeneration is the growth of ethnic minority owned businesses. Key initiatives (identified by this Task Force and other research) that enable 'break out' by ethnic minority small business owners into diverse sectors are those that improve their access to new markets and to different support networks (Task Force seminar: 'Ethnic Minority Entrepreneurship'). Such initiatives include mentoring, training, and networking as well as answering their needs as customers, for example through business and financial services.

The public policy response

Recent policy developments to address race inequality and social injustice have included legislation, at both national and European level, designed to promote change across the public and private sectors.

The Race Relations Act 1976, as amended per European anti-discrimination legislation, now requires employers to prove that any difference in treatment was not due to discrimination or harassment on the grounds of race, ethnic or national origin, if a racial discrimination case is brought against them. To do this, businesses need sound internal race equality policies and documented good practice.

Following the Race Relations (Amendment) Act 2000, public authorities in the UK have a legal duty to promote race equality, including through public procurement. They are beginning to hold suppliers to higher standards when they tender for government contracts.

Currently, private sector employers have a legal obligation not to discriminate, directly or indirectly. There is no legal obligation on the private sector to take positive action in relation to recruitment, retention and promotion and other business operations, but it is considered 'good practice'. In 1984, the Commission for Racial Equality issued a statutory Code of Practice for Employment, a revised version of which is currently being drafted and is expected to be submitted for parliamentary approval during 2004.

Research and co-ordinated strategy

The Government's recent Strategy Unit report has given welcomed and thorough consideration to the demographic changes that underlie the challenge, the extent of the problem and the complexity of factors affecting employment opportunities for ethnic minorities. Setting out policy initiatives that could promote race equality and diversity in the labour market, it included detailed recommendations on a broad range of areas including education and skills, employment, entrepreneurship, public procurement, advice and information for employers and regulation (Strategy Unit 2003).

The Government has undertaken to implement this programme, which a new inter-departmental Task Force is leading and monitoring: the Ethnic Minority Employment Task Force. It has ministerial membership from the Department of Work and Pensions (DWP), the Home Office, the Department for Education and Skills (DfES) and the Department for Trade and Industry (DTI), alongside senior official membership from these departments as well as from HM Treasury and the Office of the Deputy Prime Minister (ODPM). The Task Force is focused on implementing the 28 recommendations in the Strategy Unit report and will have its effectiveness reviewed after three years. We welcome that the Task Force is interdepartmental and is eager to engage with business. For details of the Strategy Unit recommendations see Appendix 4.

Central and local government are currently devoting considerable resources and political energy to a range of measures designed to improve ethnic minority participation in the labour market, including tackling educational disadvantage. Appendix 5 has more details of these measures.

Business and government partnership

The Strategy Unit recommendations involve the private sector in three ways that are relevant to the work of Task Force. A number of these recommendations:

- highlight the important role business can play as a partner for delivery of government programmes, such as Welfare to Work.

- address the issue of advice, support and information for employers on race equality in the workplace.
- focus on documenting the problem of racial discrimination in the labour market and maximising existing levers such as the work of Employment Tribunals and public procurement to change employer behaviour.

Our own research has confirmed the potential for business engagement with initiatives that can play an important role in improving individuals' access to opportunities. Some small and medium enterprises (SMEs), for example, are engaged with Modern Apprenticeships and Work Based Learning for Young People, and have found them to be rewarding in terms of providing long-term, appropriately skilled employees (Task Force Survey). Intermediary organisations, often funded by government and based in the voluntary sector play an important role in engaging business in programmes such as those in skills development of disadvantaged jobseekers or supporting ethnic minority entrepreneurs (Task Force seminar: 'Employability and Skills').

Increasingly, activities to support employers in addressing race equality in the workplace are integral to ensuring effective engagement of business in the range of government initiatives. For example, the National Employment Panel recognises that for Welfare to Work programmes to succeed in impacting upon ethnic minorities, employers need to be better equipped to manage a diverse workforce (Jobs for the Future 2004).

The challenges and opportunities for business

Business needs to look at the make-up of its workforce. If it doesn't reflect the make-up of the community it serves then the business is unlikely to be a preferred employer, or a preferred supplier.

Peter Ellwood
Chairman, ICI

According to the Office of National Statistics (ONS), the private sector accounts for over 80 per cent of total jobs (ONS 2003). Small and medium size businesses (defined by the DTI's Small Business Service as under 250 employees) account for 45 per cent of private sector economic activity and employ twelve million people in the UK (SBS 2003). Evidence from the Welsh Development Agency SME Equality Project suggests that while smaller businesses are unlikely to recognise how race equality is directly relevant to their success, it is possible for targeted initiatives to tackle this ignorance and successfully provide impetus for organisational change (Welsh Development Agency 2003).

Employment

Many businesses are overlooking the opportunities that arise from being more pro-active in tackling direct and indirect racial discrimination in their organisations. Current approaches to race equality within businesses, however inadvertently, are adversely affecting recruitment, retention and promotion of staff.

Inaction by employers on race equality also affects the success of job-training programmes. According to the Strategy Unit report, ethnic minorities are much less likely to benefit from work placement initiatives. For example, while 31 per cent of SMEs surveyed participate in Work Based Learning for Young People (WBLYP) and claim to acquire skilled employees this way (Task Force Survey), the proportion of ethnic minority trainees entering jobs from WBLYP is 23 percentage points below that of white trainees (Collins 2003)

With traditional recruitment pools shrinking, competition to become and remain an employer of choice is fierce. Ethnic minority groups represent a source of talent that businesses cannot afford to ignore. The ethnic minority community is also a rapidly growing market, with increasing disposable income and often with particular needs.

Shareholder scrutiny

Public confidence in business today can be easily shaken by perceived poor practice, whether it is false accounting or health and safety scares. With increasing shareholder activism, many businesses are aware of the need to build public trust and earn the respect of the communities in which they operate.

Companies, for example, already take social and environmental risks into account when assessing the bottom-line, as the Head of Investment Affairs at the Association of British Insurers recently confirmed. At a briefing to launch the report Risk Returns and Responsibility, he cited pharmaceuticals as an example of industries affected by this type of risk to their share prices, because of their unpopular policies on drug pricing in developing nations (Webb 2004).

Given the demographics of the UK, we may expect inaction on race equality to become increasingly considered as an area of potential risk, though currently it tends only to be perceived in this way after particular discrimination problems have been exposed.

Reputation and 'corporate citizenship'

Government and the public are increasingly recognising that business leaders are genuinely influential corporate citizens, whose activity to create sustainable employment is at the heart of greater social cohesion. An independent review of the 2001 Oldham disturbances suggested that 'a more prosperous Oldham for the future would do more than any other single thing to improve community relations within the town and to break down the climate of envy between neighbourhoods' (Independent Review Team 2001).

An active approach to promoting race equality and diversity in employment is increasingly being recognised as a key factor in developing good community relations and enhancing a corporate reputation. For example, the Oldham United Campaign, co-ordinated by the Commission for Racial Equality (CRE), is designed to raise awareness in the private sector of its role in promoting community cohesion. The campaign has begun to engage businesses in practical activities, such as new approaches to recruitment and community based activities, which improve integration and race equality as well as deliver business benefits. Appendix 11 has more details about Oldham United.

Calls for stronger legislation

Other investigations into race equality and employment have called for the public sector's legal duty to promote race equality to be extended to the private sector. The TUC made this recommendation in 2003, at its Black Workers Conference, and in 2000 the Commission on the Future of Multi-ethnic Britain recommended that the Government place a statutory duty on all employers to create and implement employment equity plans (CFMEB 2000). In 1999, the business-led Better Regulation Task Force (BRTF) recommended that business and government should make full use of existing mechanisms to deliver change in the private sector before additional legislation was considered. It also stated, however, that if a 'step change' does not occur voluntarily, government should be forced to consider further legislation (BRTF 1999).

The Task Force and this report

As this report documents, government and many businesses are already taking proactive steps to improve the diversity of the private sector workforce. It is clear, however, that business needs to be more committed to promoting race equality if the Prime Minister's vision is going to be met:

Addressing racism at work is important for individuals, organisations and wider society, and business has the opportunity to take the lead

James Reed
Chief Executive
Reed Executive plc

in ten years' time ethnic minority groups should no longer face disproportionate barriers to accessing and realising opportunities for achievement in the labour market (Strategy Unit 2003).

The business-led Task Force on Race Equality and Diversity in the Private Sector was set up to examine this situation, to develop a strategic framework for changing current practice, and to make practical recommendations, for both government and business, to raise ethnic minority participation at all levels in the private sector workforce. We intend for our research and recommendations to complement the work of the Strategy Unit and the work of the Ethnic Minority Employment Task Force.

We have consulted widely in the development of this report. Our work has included extensive reviews of existing research, a series of seminars, consultations with individuals across the voluntary, private and public sectors, including a call for evidence, and a survey of 250 SMEs in Newcastle, Leicester and Cardiff. We have also drawn on the considerable experience and expertise of our members and their companies. Appendix 1 includes details of the membership of the Task Force, the methodology for our investigations, a full list of consultees, the papers we commissioned and the seminars we hosted.

This report is written with the starting point that businesses need to integrate race equality objectives into their overall business strategies, making an important contribution to increasing participation of ethnic minorities in the labour market. Our overall conclusion is that the current infrastructure of public policy and of government and non-government bodies and networks should be harnessed more effectively to generate 'step change' in the private sector. We are not convinced at this stage of the case for stronger legislation, beyond introducing mandatory reporting in OFRs on race equality and diversity as part of the currently proposed reporting reforms. We propose instead that business and government need to work together to help businesses realise it will give them a competitive advantage to have a well thought through and well implemented race equality policy. We aspire for business and government to be ambitious in tackling racial discrimination in the labour market and set a rigorous timetable for change in business behaviour, namely, three years.

The report sets out the findings and conclusions of the Task Force as follows. Chapter 2 considers the business case for action to promote race equality. In Chapter 3, we analyse the barriers to change, and in Chapter 4 we set out practical recommendations for business and government, which address these barriers and build on existing good practice. Finally, in Chapter 5 we outline how we can sustain the momentum to see these changes through.

2 the business case for action

Every business is different, and every business needs to identify, as part of its own business strategy, the particular opportunities and challenges that race equality presents. However, our analysis identified a cluster of factors that merit consideration by any organisation in developing its own strategy and building its business case. (See Appendix 3 for more detail.)

The benefits apply to large and small businesses. Of 500 companies surveyed in 2002, 73 per cent of the SMEs and 70 per cent of the large businesses which had policies in 'changing the profile of its workforce in relation to minority ethnic groups' agreed that they experienced business benefits from them (Joseph 2002).

Stable democracies yield shareholder confidence; business simply cannot afford to marginalise any community in the world we share.

Maggie Lee
Managing Director
Limehill Consulting

case study: why diversity is core to business strategy: Reed Executive plc

James Reed, Chief Executive of Reed Executive plc, outlines their approach to building race equality into the overall business strategy

'You don't start with race equality as something you need to work into your HR policy and procedures. You start with your organisation's business strategy. Any strategic analysis of your business environment has to include the social, economic and political trends. It's instantly apparent to us that race equality and diversity present increasingly significant opportunities and threats for any UK organisation. The exact nature of these opportunities and threats depends on where you perceive your competitive advantage to lie.

'As a recruitment and HR services company, the opportunities and threats are significant across all our areas of business: our success depends on our ability to respond to client needs and to create positive social change in the labour market. Our businesses:

- Improve people's labour market prospects
- Make the labour market fairer and more efficient.

'It is both our ethical responsibility and the source of our profitability, to ensure that we recognise and develop talent and match it with business need - whatever the ethnic, religious or other background of the individual.'

A broader recruitment pool

Traditional recruitment pools are shrinking and businesses can no longer afford to ignore ethnic minority communities as a recruitment source.

- By 2009, it is estimated that the overall the number of working age people will increase, but the percentage of the working age population that is white will fall by 1.2 per cent (to 92.1 per cent), while the percentage from an ethnic minority will rise by 21.4 per cent (to 7.9 per cent). These increases have been calculated against a baseline of data for 1999 (Metcalf and Forth 2000, in Strategy Unit 2003).

In some parts of the UK, the impact of demographics will be particularly significant:

- In the academic year of 2002–03, it was calculated that 55 per cent of all children in both primary and secondary schools in London were from an ethnic minority group (DfES 2003b).
- In 2002 a local business body, Birmingham Forward, looked at the projected growth in professional services of 60,000 employees over the next ten years. It calculated that this would not be achievable without higher levels of recruitment from the ethnic minority population (Guthrie 2002).

case study: recruiting ethnic minority graduates: Lloyds TSB Group

A review of graduate recruitment identified that ethnic minorities were 12 per cent of all university graduates, but only four per cent of the graduates recruited into Lloyds TSB Group.

The company undertook research to investigate the external image of Lloyds TSB Group as a potential employer and ethnic minority graduates' choices. The findings showed that ethnic minorities tend to:

- go to newer universities
- be more influenced by their parents in career and employer choices
- be less aware of the range of different roles banking can offer
- look for real evidence that the company is an equal opportunities employer – for example, in the case studies in recruitment literature.

As a result, Lloyds TSB Group:

- targeted more and different universities
- revised recruitment literature to promote the diversity of roles, to highlight successful Black and Asian graduate recruits, and to appeal more to parents
- advertised in ethnic minority publications as well as existing recruitment channels.

Now, on average, 20 per cent of graduates are recruited each year from ethnic minorities.

The bottom line impact of this work is that Lloyds TSB Group now has a more diverse talent pool to recruit from for future vacancies.

Talent

All businesses need talent. If they do not recruit, retain and promote from all sections of the community, they miss out on potential sources of talent at all levels of an organisation.

For example, 16 per cent of higher education students in construction are from ethnic minority communities. On the other hand, only two per cent of workers in the construction industry as a whole are from those communities. (Gidoomal, Mahtani and Porter 2003)

Ensuring that all employees have equal chances of promotion can reduce turnover and the high cost of replacing skilled employees.

case study: promoting talent: Barclays plc

Employing a diverse range of employees, allows the bank to better meet the needs of an increasingly diverse customer base, resulting in improved customer service, the attraction of more customers and an increase in customer loyalty. Ensuring ethnic minorities are in senior positions also sends out a message to communities that Barclays plc is a fair employer, which has reputational benefits that generate more business and attracts more talent. The best and the brightest come from all backgrounds.

Barclays plc was concerned to find that ethnic minority employees were disproportionately represented in less senior positions, and less happy than white employees about equality at work. Best practice has found that home grown talent is more loyal, which reduces attrition rates, and failure to promote internal talent is demotivating for existing ethnic minority staff.

To act on this, Barclays plc held career development events for ethnic minority staff, to give delegates a safe environment for tackling these issues. Barriers to career progression that were identified included lack of business awareness, demotivation, and few role models in senior roles.

Outcomes have included promotions for some delegates, greater career aspirations and more confidence. Delegates have become more aware of their own strengths and of how their ethnicity can be an advantage in a global organisation. Line managers have noted improved business awareness and enthusiasm.

Positive role models help to attract future employees, and retaining motivated employees will also result in better customer service. Barclays plc will have a wider diversity of staff to promote into senior customer-facing roles where employees particularly need to reflect the communities they serve.

case study: retaining talent: KPMG LLP (UK)

According to Ian Barlow (Senior Partner, KPMG LLP (UK)), 'KPMG seeks excellence in all we do. We need to attract the brightest and best of contemporary talent – and then we need to make them feel that KPMG is where they belong. Without that, every element of our business, from sales to staff costs, will suffer.'

At KPMG it costs as much as £35,000 to replace a key employee who leaves. If talented people from ethnic minorities leave before they reach senior levels, the firm loses the cost of training them, potential sales to clients and all the knowledge and efficiencies they have built up – before the direct cost of replacement.

In a series of confidential focus groups with white and ethnic minority employees, KPMG addressed issues including:

- What does it take to be a successful senior manager or partner?
- What are the barriers for ethnic minority staff and are they different for white staff?
- What is the difference between our official policies and the real-life experience of our people?

A task force of senior ethnic minority staff from across the business now meets monthly to discuss policy changes. So far it has revamped the mentoring system to make it more accessible to junior people, formed strong links with the Corporate Social Responsibility community partnership teams, and is now debating the firm's response to celebration of faith festivals.

We are committed to involving, listening and learning from colleagues and understanding how we can better value difference and welcome both employees and customers from different ethnic groups. Our own employees from different cultural and religious groups have contributed enthusiastically and we have learnt an amazing amount.

Mike Cutt
Human Resources Director
B&Q

Meeting customer needs

Ethnic minority communities, now around 7.9 per cent of the population in the UK (Strategy Unit 2003), represent a growing market, with increasing disposable income. According to the Secretary of State for Trade, Patricia Hewitt, ethnic minorities are now 'worth £32 billion a year. They're keen to spend it, keener to take advantage of new technologies – more likely to have mobile phones and internet access. Twice as likely to start up businesses too' (Hewitt 2003).

For many businesses, particularly in the retail sector, it is essential to their success that they understand and meet the needs of this increasingly diverse customer base. A workforce drawn from diverse communities is one important element of a business strategy to do this.

Companies' own research into the ethnic market in the UK can reveal real differences between ethnic groups in customer requirements and satisfaction. BT's focus on the needs of its customers has, for example, included providing customer advice services in different community languages. BT reports that this has led to increased revenue, reputation and levels of satisfaction (Schneider-Ross 2003b).

Conversely, companies that do not take positive measures to understand a diverse customer base and to tackle direct and indirect racial discrimination against customers, increase the risk of damage to their reputation. This can apply to the business-to-business marketplace as well as to retail companies. Smaller ethnic minority businesses, for example, are often located in clusters in the community, doing business and sharing information in a similar field. Companies without a pro-active and positive strategy for servicing a diverse customer base may miss out if they do not get things right for new customers, such as these small businesses: they may not get another opportunity. Or as one African businesswoman put it: 'in our community, word gets round' (Gidoomal, Mahtani and Porter 2003).

case study: understanding customers results in social and business benefits: West Bromwich Building Society

At each of its branches, West Bromwich Building Society monitors the number of ethnic minority customers with accounts, their probable language and the penetration for each language and ethnicity within the branch catchment area. Staffing schedules ensure that employees with the right language skills are available throughout the day.

Employees are regularly heard on local radio stations in a variety of community languages. Phone-ins have ranged over mortgages and job search, through to looking after friends and family back home, and how to cope with financial arrears. Branch employees now report that when new customers make enquiries, they're often quoting from the adverts or talk shows.

Recognising financial exclusion as an important issue for their business, the Society's research and product development has resulted in new services to reach communities who are often marginalised. It was the first high street financial services organisation to work with the National Bank of Kuwait, introducing a Sharia-compliant email mortgage, compatible with Muslim beliefs about interest.

Case study: client demands are driving change: KPMG LLP (UK)

The world is changing for KPMG's clients, and KPMG needs to be with them as they manage that change, providing professional guidance and support as for any major business issue.

Private and public sector clients are increasingly expecting KPMG to show leadership on diversity. For People Services, part of KPMG's network, globalisation is having a significant impact on its clients' demands, as teams work increasingly on a global scale and need to understand different nationalities' working cultures.

Clients are beginning to realise the value of actively managing issues of diversity and cross-cultural working. If an organisation can build a reputation as a champion of diversity, it will enhance its ability to attract and retain the best talent. Active diversity management also builds investors' confidence in the sustainability of the business and reinforces the brand in the market place.

KPMG has recognised clients' needs for assistance on diversity issues, and provides training and education on cultural difference at work, and how to help manage it effectively. Workshops are tailored to each individual client situation and use real workplace examples. This develops cross-cultural people management as a core organisational competence, which enhances productivity and relationships in global teams through our international networks.

The creative mix

There is evidence that diversity can bring a wider range of viewpoints, which can enable some businesses – multi-national and multi-lingual businesses, for example, as well as retail and services businesses in the UK – to innovate and differentiate themselves. Research has shown that successful teams need to include a balanced mix of people, which can often be achieved by including people from different or diverse backgrounds (Task Force seminar: 'CSR – a help or hindrance to delivering the race equality agenda?').

The skills and talents of ethnic minorities can play a powerful part in promoting and enhancing stakeholder value.

The Hon Apurv Bagri,
Managing Director
Metdist Ltd

case study: innovation brings advantage: PricewaterhouseCoopers LLP (PwC)

PwC believes that its leading market position depends on unlocking the creativity and potential of its entire staff. Diversity is an integral part of their strategy for competing in the marketplace.

To grow and develop, it is important to be open to different perspectives and changing expectations. PwC has found that emerging opportunities are often better recognised by people from minority communities, who can bring a new and innovative perspective to the firm.

For example, after PwC's research showed the potential of the Asian-owned business market, two senior managers of Asian origin at PwC started a business development initiative, specifically targeting Asian business. Their target market is privately owned companies where the founder or the majority stakeholder is of Asian origin. While advisers to the Asian business community are often from small firms, working with the business founder from the outset, PwC identified an emerging change in the market as first-generation Asian entrepreneurs hand their business on.

Suneel Gupta, Assurance Senior Manager explains: 'We are seeing these businesses becoming more dynamic and recognising the need to use top-tier firms to expand and grow. These are the sort of companies that PwC wants to work with, as we feel that we can add real value.'

In short, PwC's internal efforts to promote race equality have enhanced its capacity to innovate, as individuals feel empowered to draw on their personal background and experiences – to identify alternative markets and new business leads.

Access to government business

Each year, local government spends £40 billion a year externally (ODPM 2003). Public authorities, as part of their legal duty to promote racial equality, are responsible for building relevant race equality considerations into the procurement process. As a result, businesses increasingly need to demonstrate sound race equality practices in order to secure public sector contracts. This also may include the capacity to demonstrate commitment to supplier diversity.

- The Mayor's Office in London has had an impact on the supply chains of its contractors in London. Martin Bennett (Senior Development Manager at Supply Chain) noted, in his contribution to a study commissioned by the Task Force:

There has been a very strong agenda put forward in the public sector in London, saying that they simply must engage more with SMEs in London and particularly bringing diversity in their supply chain. This is a very strong clear message, so we are targeting ethnic minority communities (Ram and Smallbone 2003).

- Groundwork St Helen's is an environmental regeneration agency and registered charity, commissioning private sector contractors to carry out much of its programme. Its constitution requires that every contractor must be an equal opportunities employer, which has changed local SME race equality practice (Gidoomal, Mahtani and Porter 2003).

case study: winning the public sector's confidence: Reed Executive plc

Public sector organisations are required by law to promote race equality and need recruitment partners who can help them deliver on this duty.

It is increasingly important to be able to demonstrate commitment to diversity. In the early stages of a tender, this may simply involve a questionnaire from the procurement department. In the later stages, HR departments can require detailed plans for translating policies into reality and evidence of in-depth understanding of the Race Relations (Amendment) Act 2000.

Reed Executive plc has found that diversity policies and practices that exceed legal requirements have given them a distinct advantage. Their work to consolidate their own diversity policy with their overall business strategy has secured potential clients' confidence, as has their ability to provide a senior diversity expert for consultation.

Public sector HR departments are increasingly concerned to meet the obligations of the Act and procurement and purchasing departments are catching up with them fast. Diversity practices will soon be a prerequisite for developing and winning any business with public sector organisations.

Public reputation

Business' standing in society can be damaged by perceived poor practices or unethical behaviour, as recent controversies show (think of Equitable Life or the McLibel case). To be sustainable, business needs the confidence of the public and its permission to operate. An important factor in gaining this is business's ability to play its full role in building a more diverse Britain, and also to communicate this effectively.

- Race for Opportunity and Opportunity Now were both set up (under the umbrella of Business in the Community) with a focus on employment-related issues and encouraging the spread of best practice. Since their inception their focus has opened up to include

companies' external communications about their activities (Task Force seminar: 'CSR – a help or hindrance to delivering the race equality agenda?').

- The independent FTSE4Good index measures the performance of companies that meet globally recognised corporate responsibility standards, designed to facilitate investment in those companies.

When asked how important business owners find race equality to the community involvement aspect of their business, as part of the survey of SMEs commissioned by the Task Force, 55 per cent of respondents agreed that race equality was 'fairly important or a priority'. While SMEs have yet to engage fully with the business case for race equality, there is evidence that SMEs are already recognising the benefits to reputation that can result, particularly that of being seen as a fair employer (Task Force Survey).

DTI research found that SMEs 'judge the success of their business in terms of not only profit but also lifestyle, their reputation with their customers and a commitment to their staff' (DTI 2003a).

case study: building a local reputation: B&Q

B&Q wanted the workforce in its new store in Bolton to reflect the local community, and discovered that levels of interest from all ethnic minority groups was low, although minority groups made up ten per cent of the local population.

With help from the Bolton Ethnic Minority Business Centre the team organised a presentation evening for the local Muslim community, where the HR Advisor outlined the opportunities on offer and B&Q's diversity policies. Her approach proved disarming: after initial scepticism, community leaders left with copies of recruitment leaflets to distribute and an improved awareness of B&Q as a socially responsible business.

By the time the store opened, B&Q had recruited 12.5 per cent of staff from an ethnic minority background – compared to the original level of interest of 2.5 per cent. Staffing the store with more ethnic minorities led to a greater understanding of local customer needs and increased sales. This learning has developed into company policy and all new and existing stores are proactive in understanding and responding to local demographics from both an employment and customer perspective.

Building a modern brand

Companies are starting to recognise that communicating their activity on equalities externally brings benefits to their reputation, brand and attractiveness to potential employees. A diverse workforce can help to build and enhance a company's reputation as modern, forward thinking and socially responsible. KPMG LLP (UK) CEO John Griffiths-Jones notes how a positive stance on equalities is increasingly part of this:

I want us to be a distinctive firm with a contemporary brand that could win us a competitive advantage. It is not only our public sector clients who expect us to show leadership in this area: increasingly our private sector clients see it as an essential part of their corporate brand and want the same responsible and forward-looking attitude from their advisers. Being proactive on diversity can help us in this (Schneider-Ross 2003b).

Increasingly, diversity is something that is expected by customers. Cummins Inc is a large corporation, designing and manufacturing engines and related technologies. They note that

'we are subject to big customers, particularly American ones, which place an expectation on their suppliers who, like us, practice diversity' (Schneider-Ross 2003b).

case study: race equality is part of brand management: J Sainsbury plc

Race equality plays an important part in how customers perceive the Sainsbury brand. For the stores to be successful, they must complement their local area, which often involves links to the company's diversity strategy.

J Sainsbury plc carried out research to help them understand this better, which highlighted many opportunities where Sainsbury's could ensure their products and services match local community's needs. It provided information about customers' pricing perceptions, brand awareness and pack size opportunities. They have developed product ranges that offer alternative meal solutions, and have successfully advertised them in different languages and media, strengthening the brand by presenting it in a different way.

The images and language that describe the brand also represent the diversity of the company's customers and workforce, and J Sainsbury plc is confident that understanding diversity helps to build their brand.

Access to a growing SME marketplace

There are rewards for businesses that meet the needs of SMEs, including those which are ethnic minority owned, and help them do business more quickly and easily. For example, as ethnic minority owned small businesses are often clustered together, larger businesses can gain benefits from choosing to purchase from them locally: they contribute to the area's economic activity, make it a more attractive place to live and work, and in turn attract and retain better staff from an increasing pool of local labour (Ram and Smallbone 2003).

case study: increasing SME market knowledge: BT

Through its Supplier Diversity initiative, BT is developing a keener understanding of the diverse SME marketplace. By tapping into the understanding of a diverse range of customers and suppliers, it can increase organisational knowledge and deliver products and services of value to a wider range of customers.

Working with business partners, often BT's own larger suppliers, the Supplier Diversity Initiative creates two-way or three-way mentoring partnerships, enabling Minority Business Enterprises (MBEs) to:

- develop their business infrastructure
- develop skills necessary to conduct business more competitively
- enhance their ability to work with large organisations
- access business networks
- attend business development seminars on key issues of concern to small business: cost control; improving customer service, efficiency and productivity and cash flow.

MBEs and mentors develop close relationships over time, which extend to giving advice on other key areas such as marketing, contracting, health and safety and HR. In time, the MBE and mentor can determine whether MBEs have made the grade as 'fit to supply'.

The key issue is the creation of long-term relationships. On this basis the advantage is gained in terms of market penetration, future employment opportunities and community involvement. Further, with the advent of the Race Relations (Amendment) Act 2000 and its 'public duty' more public bodies are asking during tendering processes about how BT operates responsibly and contributes to cohesive communities. BT strengthens its competitive advantage by being able to respond to such questions positively and has the evidence to support its claims.

The bottom line

Finally, there is evidence that businesses that value and use diversity as they grow are more competitive, productive, and profitable.

A multi-ethnic workforce encourages flexible working practices, which not only enhance employee relations but also have a direct impact on productivity. IXL Laundry Group, for example, reports that as employees of different backgrounds work together their business benefits because staff want to take time off at different times. Muslim and Hindu staff can help to cover peak business periods such as Christmas and New Year, for example; non-Muslim staff cover Friday afternoons (Schneider-Ross 2003b).

Responsible supply chain management initiatives can reduce costs for purchasers by improving the productivity of their suppliers. B&Q's parent company, Kingfisher, explains:

Anything that improves staff recruitment, morale and retention increases the quality of our customer service and saves costs. We can take these savings even further if we encourage our suppliers to follow our example, so we can continue to provide great value for our customers and investors (NRU and BRC 2003b).

Canute Simpson, Chair of the Holloway Report for the construction industry, comments:

I am often asked, 'Does cultural diversity contribute directly to profit?' Of course it does: for example, in some areas of London, having a black site manager is a huge benefit to the business (Gidoomal, Mahtani and Porter 2003).

According to the latest figures, 'employers are having to pay higher awards in race discrimination cases [and] 2002 also saw a record award in a race discrimination case of £761,867' (Equal Opportunities Review 2003b).

case study: raising awareness of race equality leads to increased productivity and profits for small business: IXL Laundry Group

Senior management recognised that there was a lack of understanding between members of staff from different cultures and backgrounds. This was creating tensions between different ethnic groups and directly affecting productivity.

Many employees had little understanding of their co-workers' basic customs and beliefs or of each other's different cultural and religious needs. Frequent misunderstandings arose from this – for example, when members of staff requested leave at times of the year that were important to their community, but different from the needs of others.

There was a clear need for information about different communities. As a small business, management decided that the best way to communicate was informally, by talking directly with colleagues. So they held informal meetings providing opportunities for staff to learn about the significance of religious festivals, dietary preferences and the general principles of different cultures. This helped to create better working relations and ultimately a more productive atmosphere.

An open door policy with on-going communication between owners and staff resulted in reduced absenteeism, increased productivity and the ability to run the business for longer hours and on more days per week. Improved co-operation and empathy between staff members lead to better teamwork and ultimately to increased profitability for the business.

A survey of 350 large businesses (over 500 staff) and public sector organisations found that tribunal claims are a major drain on management time. Over 40 per cent of respondents had spent up to a week dealing with a tribunal claim, with consequent loss of productivity (Pinsents 2003).

There is clear evidence of the business benefits of taking action, so what gets in the way of change? This question is addressed in the next chapter.

3 so what's standing in our way?

Notwithstanding the business benefits of promoting race equality, too many businesses are not being pro-active on this agenda. Our analysis points to the following factors being behind inaction.

'Not an issue for our business'

There is evidence that some businesses do not take positive action to improve the diversity of their workforce, because they believe there is no need. This perception, that racial discrimination is not an issue, is often based on partial information or none at all.

- In a survey of 500 large and small companies, 89 per cent of the large companies had a policy on equal opportunities, 64 per cent of which collected information on the number of their employees by ethnic minority group. Only 39 per cent, however, collected information on job title or grade by ethnic minority group. Only 25 per cent said they had a policy on 'changing the profile of the workforce in relation to minority ethnic groups.' (Joseph 2002)
- In our survey of SMEs, 48 per cent of SMEs consider their practice 'very good' on race equality, but only one in five undertake ethnic monitoring in recruitment and the same was found for retention and promotion (Task Force Survey).
- Research into FTSE 100 companies concluded that

many companies are operating in a vacuum and are simply not taking steps to find out whether there are any problems (let alone opportunities). They therefore feel able to state that their policies and procedures do not discriminate unfairly.

The same research also found that ethnic minority staff in those companies had a different view from their employers on the success of policies (Sanglin-Grant and Schneider 2000).

- Jobseekers do not share the view held by many businesses that discrimination is not an issue. One in six ethnic minority individuals apply online for a job because they believe that this will decrease their chances of being discriminated against (Reed Executive plc 2002).

According to Stephen Williams, Head of Equality Services at ACAS, the work of the Race Equality and Advisory Service (REAS) on implementing race equality strategies in larger businesses has revealed that sometimes the basic underlying messages about race equality are really not understood. This, he explained, is despite nearly three decades since the base legislation.

Sustainable businesses of the future must be built on the aspirations of society as a whole. Taking action to ensure that we are in tune with the diverse aspirations of this demanding marketplace is not a choice it's a business imperative.

Ben Verwaayen
Chief Executive, BT

For smaller businesses, it is often assumed that barriers to change are primarily practical: they lack knowledge about the issues or about good practice, or they do not have the resources to implement effective systems. Our survey of SMEs indicated this is not always the case, as:

- only 29 per cent agreed that 'We do not have enough knowledge about race equality issues to implement policies effectively'
- only 26 per cent agreed that 'We do not have enough financial resources to set up effective systems'

Instead, we found that many SMEs do not see a business case for race equality and diversity in their workforce: 60 per cent of our respondents did not have formal race equality or equal opportunities strategies in place, and of those without policies 70 per cent agreed that 'A race equality policy is not needed as it is not an issue for our business' (Task Force Survey).

Misconceptions and fears

The question around race equality is not why you should act, but given the demographics of the UK now and in the future, why would you not want to act?

Sir Peter Davis
Chairman
J Sainsbury plc

Our research has identified that many businesses perceive there are risks associated with action on race equality. Race equality is a sensitive area, but it can be and is often managed successfully. Within the parameters of the law, business has much scope to promote race equality effectively through pro-active steps, as the case studies from our own organisations demonstrate.

Positive action or 'positive' discrimination?

Underlying some of these fears is confusion between positive action and positive discrimination, which leads to anxieties about which activities are legal and which are not. Positive action, which the law permits and the CRE Code of Practice encourages, aims to ensure that people from under-represented ethnic minority groups can compete on equal terms with other applicants. 'Positive discrimination' means treating a person favourably on the basis of their racial group in selecting them for a job. This is unlawful in Britain.

At all times, selection must be based on merit. Selecting a person solely because she or he is from a particular racial group is unlawful discrimination, even if the preference might have been well intentioned (CRE 2004). Contrary to popular belief, positive action does not require quotas, though some companies find target setting helpful. Positive action might include, for example, taking steps to encourage people from under-represented ethnic minority groups to apply or offering pre-recruitment training to equip them to do particular work in which they are under-represented, thus enabling them compete on equal terms.

Companies may respond to their fear of falling foul of the law by simply avoiding the issue. It seems that some businesses, particularly SMEs, see employment law in this area as presenting difficulties:

He [Bill Harrington, founder and chairman of Harringtons] has given up trying to keep abreast of the new rules on matters as diverse as working time and sexual or racial discrimination. Instead of trying to dodge the pitfalls that they present, he avoids them altogether by refusing to hire any more staff (Stone 2003).

Tensions among staff

Within the workplace, a common fear is that race equality policies will create tensions among staff, partially because some people will see them as affording special treatment to individuals from certain groups. At the same time, ethnic minority employees are wary of 'tokenism'. While there are no inherent problems in race equality policies, the way they are implemented is important. Success depends on a shared ownership of the agenda, which can often be missing. Research with large companies has identified that white employees may not be convinced that a particular problem exists in relation to race; rather, they believe that ethnic minority individuals misunderstand the situation (Sanglin-Grant forthcoming).

Even managers who are familiar with implementing race equality strategies can be anxious about saying or doing the wrong thing. Managers need to feel there is a safe space in which to engage with issues, and individual businesses need to feel they can engage with this issue without facing more scrutiny or a greater risk of negative publicity (Hudson and Parry 2003).

It's a supply-side issue

Many businesses see race equality as a supply side issue: 'there aren't enough skilled people', or 'they don't apply and that's their choice'. To view the problem of racial inequality in this way is also a misconception, as the case studies on recruitment and promotion demonstrate (see Chapter 2).

case study: empowering managers: Lloyds TSB Group

A diversity consultation at Lloyds TSB Group showed that some white line managers felt uncomfortable managing ethnic minority staff. They did not understand cultural differences, were uncertain about appropriate language and etiquette, and feared that performance management could be misinterpreted, putting them at risk of claims of discriminatory treatment.

Lloyds TSB Group introduced a range of training programmes to equip managers with the skills to manage diverse teams, to enhance their understanding of diversity and to raise awareness of the benefits of a progressive diversity strategy. They produced strong results.

The bottom line impact of this work is that white line managers reported that they felt more comfortable, better able to manage staff performance and more aware of cultures and needs. They also reported improved business performance: a workforce that better reflected their customer base led to better customer service. Ethnic minority staff felt their contribution was more valued, and since undertaking this work the ethnic minority composition of Lloyds TSB Group's workforce has dramatically improved.

	<i>Jan 1999</i>	<i>June 2003</i>	<i>% increase</i>
Ethnic minority employees	1861	2710	+45.6%
Ethnic minority managers	254	468	+84.3%

case study: managing fears about race equality: Barclays plc

The investment in managing race equality effectively, including the fears around it, pays off continuously. When employees realise that in promoting race equality Barclays plc is promoting management practices that benefit everyone, they work more effectively together and the business becomes more productive.

A majority of staff – mainly white, middle-class men – did not feel part of the company's Equality and Diversity (E&D) Strategy. At best they didn't understand what it meant for them; at worst they felt something was being done to them.

Barclays plc now provides a Learning Framework for all employees on equality and diversity. It combines workshops, learning from practical experience and open learning materials.

Employees consider:

- how equality and diversity can contribute to Barclays plc's business success
- their own case for pursuing equality and diversity
- how they will 'walk the talk' – and put it into practice.

Transformation starts at the top. If leaders are not clear and articulate about it, E&D risks being seen as a 'passing fad' and employees would simply get on with business as usual.

So Barclays plc's training is leader-led: when a senior manager has completed the training, he or she cascades it to the team. To train convincingly, managers have to internalise the message, and share the belief that race equality is critical to their business.

It's not just about recruitment

While many organisations have made progress in attracting ethnic minority employees, race equality receives uneven priority on the business agenda. While equality policies cover recruitment, they are less likely to cover activities related to staff development, promotion and retention (Pearn Kandola 2003), and informal promotion procedures can disadvantage ethnic minority staff:

One HR/Diversity specialist thought that informal policies for promotion were most likely to occur in organisations that had multiple sites, as this increased the difficulty of 'policing' how promotional policies were being utilised... Related research, conducted on informal selection has shown how an employer's views of the characteristics of a 'good employee' can act as a barrier to promotion (Pearn Kandola 2003)

Lack of data on progress

Individual businesses vary greatly in how they monitor their workforce by ethnic group. Without monitoring systems for recruitment, retention and promotion, businesses can neither identify problems nor document their successes. For example, with 22 per cent (on-average) of SMEs carrying out monitoring of their workforce and only 31 per cent having formal equal opportunity policies in place, it is hard to gauge the success of small businesses in this area (Task Force Survey). As Race for Opportunity, an organisation of public and private sector employers committed to race equality, asks its members: 'How can you manage what you can't measure?' (RfO 2003).

There is currently no legal requirement for companies to be transparent about workplace policies. The Better Regulation Task Force identified this problem in 1999 and encouraged all listed companies to report voluntarily on equality policies and workforce composition in

their annual reports, as part of good corporate governance (BRTF 1999). More recently the Task Force on Human Capital Management recommended reporting on workforce policies and practices in Operating and Financial Reviews (Task Force on Human Capital Management 2003).

In a survey in 2002 of 500 companies, only a fifth of large companies (200+ employees) and 6 per cent of SMEs publicly report on their social impacts (Joseph 2002). Of these, only a very small amount collect data on the number of employees by ethnic group (27 businesses) and even fewer (11 businesses) are willing to make this information public. Similarly, only 20 of these businesses collect data on the positions of ethnic minorities within their organisations and of these only 4 are willing to make this data public (Joseph 2002).

Numbers on workforce composition are an important starting point, but alone tend to be limited in their use. Qualitative information, particularly acquired through employee focus groups and surveys, is also important to accurately assess the effectiveness of race equality policies (Sanglin-Grant and Schneider 2000).

Business perceptions of government activity

At local and national levels, considerable resources and political energy are focused on improving ethnic minority participation in the labour market, including a welcome commitment to tackle the education disadvantage some communities currently face.

Lack of leadership

Government policies to reduce the employment gap are designed to improve overall levels of participation in the economy, increase productivity, and help to encourage greater social cohesion and stability. Our Task Force began work with many members unaware of the range of government initiatives to promote race equality in the labour market. While we are pleased that government is so active, we are concerned that business leaders are not aware of these initiatives and fear that the government programmes for promoting race equality in the labour market are widely perceived as ad-hoc and confusing.

As we understand it, lead responsibility for race equality and employment matters rests jointly with the DTI and DWP, with both departments sharing a joint Public Service Agreement target that includes reducing the difference in employment rates between the majority population and ethnic minority communities. Policies for promoting ethnic minority progression in the labour market, however, rightly cut across a range of government departments, including ODPM, HM Treasury, DfES, DWP, DTI and the Home Office. Appendix 4 sets out the full range of initiatives in this area, which cover activities in education, skills, training, employment, entrepreneurship, public procurement, advice and information, regeneration and regulation.

The Home Office sponsors the CRE and is the location of the Parliamentary Under Secretary for Race Equality, Community Policy, and Civil Renewal who is responsible for developing policies in relation to race equality and community cohesion. The Home Office, under the responsibility of the Home Secretary, has a Public Service Agreement which includes bringing about measurable improvements in race equality and community cohesion. As noted previously, the Government has established a Ministerial interdepartmental task force, chaired by DWP, to take forward the recommendations from the Strategy Unit's report on ethnic minority participation in the labour market and co-ordinate policy programmes.

Based on the experience of Task Force member companies, however, there is little awareness among business of the breadth of government action on race equality in the labour market,

let alone that activities are being co-ordinated with final accountability at Cabinet level for delivering change. If business leaders are going to be asked to locate accountability for race equality at Board level and push it down through their organisations, evidence that government is doing the same can play an important role in providing an extra impetus for action. Conversely, the absence of such information can be used by business as an excuse for inaction.

Confusion over plethora of initiatives

There is clearly a very broad programme of action under way within government to address the issue of race equality in public and private sector employment.

We have looked at programmes that support job seekers and entrepreneurs, which often have specific race equality components, and require business involvement for their success. They include, for example, training programmes for job seekers, mentoring of start-ups and small businesses, and supplier diversity initiatives. From a business perspective, they appear difficult to engage with, in part because it is not clear how the plethora of initiatives relate to one another and whether or not they are succeeding in their intended outcomes. There is evidence that the people and businesses targeted by government programmes can be confused by the programme infrastructure. It is said, for example, that these measures are too numerous, potentially confusing and that the speed with which initiatives may start and stop is an added disincentive for businesses to participate.

The British Chambers of Commerce (BCC) commented on skills development initiatives that:

employers are confused and frustrated by the plethora of programmes ... business requires simple, streamlined projects that are available locally through established links, are easy to access and are available in the long term. (British Chambers of Commerce 2003)

BCC went on to welcome the Government's expressed a commitment to consolidating skill development programmes.

Research by this Task Force into programmes supporting entrepreneurs came to similar conclusions about rates of start and stop and confusion, and likewise welcomed efforts to integrate and consolidate existing programmes in this area as well (St Paul and Victory 2003). There is a clear and strong sense that considerable value could be added to the existing programme of work if information about government activity in this area was better co-ordinated and disseminated to business and others with an interest in increasing ethnic minority participation in the private sector.

Connections with other policy areas

Another potential barrier to the success of government race equality policies, is the complexity of issues around race equality and the range of factors which can influence attitudes towards race equality more broadly, and thus impact on employers' and employees behaviour towards ethnic minorities in the workplace.

A good example of this is the influence of government policies on asylum and migration on employment practices. For example, research undertaken by the Institute for Employment Studies (IES) and the Employability Forum highlights the difficulties faced by those employing refugees. According to Ram Gidoomal, Chair of the Employability Forum, 'the most worrying feature of this research is the level of anxiety that employers experience over the employment of refugees. The public discourse around asylum policy has created a climate of

fear and confusion that has masked the fact that the UK has benefited from the contribution of refugees and other migrants over a very long period of time' (Hurstfield *et al* 2004). One of the most striking findings of the research is that despite the positive attitudes of the case study employers, there is still a reticence about speaking publicly on this issue or being identified because of the fear of receiving hostile media coverage. This is in turn affecting their customers and the rest of their business. The report concludes that the success of any strategy for ensuring that refugees are able to access employment is to create a more positive climate in which employers can be confident that the business benefits of employing refugees - already clear in terms of their commitment and productivity - are not outweighed by negative feedback or attitudes from outside the business.

Our work has not focused on race equality and employment in relation to refugees or the overall labour migration debate, as we did not feel we could do it justice. However, experience in our own companies suggests that messages emanating from public and political debates about the employment of migrants, including refugees, may have wider implications for perceptions of race equality issues and an impact on the experiences of ethnic minorities in the labour market. We believe it is important for government to ensure that inter-departmental collaboration in race equality and employment takes into account policies and practice in other areas such as asylum and migration. This, in turn, needs effective cross-departmental public communication that can help create a more positive environment for business to take a leadership role in promoting race equality in employment.

Procurement is underused to incentivise change

Public and private procurement policies have the potential both to encourage suppliers to adopt 'good practice' on equal opportunities in the workplace and to encourage pro-active steps to opening up supply chains to more ethnic minority owned businesses (often known as supplier diversity). The Strategy Unit report suggested that public procurement be used more strongly in promoting race equality (Strategy Unit 2003). So, too, did the Better Regulation Task Force in 1999, additionally recommending strong leadership from the private sector in promoting equal opportunities throughout supply chains (BRTF 1999).

With local government alone spending an estimated £40 billion externally (ODPM 2003) and the NHS spending £11 billion in 2002 (NHS Purchasing and Supply Agency 2004) there is a great incentive for private sector organisations to want to win government contracts. This gives public bodies an important opportunity to generate 'good practice' by enhancing the business case for race equality in the private sector.

To date, however, there is little evidence that public bodies and large businesses are using their purchasing power to promote race equality. This section outlines our understanding of some of the reasons why. Chapter 4 offers solutions for addressing the barriers to using public procurement and responsible supply chain management to promote race equality.

The policy framework

There are a number of legal frameworks governing procurement practice in the UK. All officers engaged in public procurement are guided by EC procurement law. This legislation focuses on the need to apply consistent and fair standards; avoid discrimination between UK and non-UK providers; and ensure transparency within the procurement process (CRE 2003a). EC procurement directives (implemented through UK regulations) prescribe procedures for contracts above certain value thresholds to achieve these aims.

All public bodies are required by the Race Relations Act 1976, as amended by the Race Relations (Amendment) Act 2000, to promote race equality in carrying out all their functions, including procurement.

Additionally, many public bodies including local government are subject to the statutory requirements of 'Best Value' (Orton and Radcliffe 2003). While not subject to statutory regulation, central government departments, in carrying out procurement, are expected to achieve 'value for money,' as is outlined in Chapter 22 of Government Accounting (Office of Government Commerce 2004). 'Value for money' refers to 'the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement' (Office of Government Commerce 2002).

The 1988 Local Government Act imposed restrictions on local authorities taking non-commercial matters into account in carrying out compulsory competitive tendering (CCT), but nevertheless permitted councils to ask six prescribed questions of suppliers in relation to race equality and workforce matters. The current 'Best Value' framework opens up the possibilities for an even more pro-active approach to considering workforce matters in local government contracting (Orton and Radcliffe 2003).

The Race Relations (Amendment) Act 2000 is not prescriptive as to how public bodies should ensure race equality is promoted through public procurement. This is in contrast with the US (Hepple 2000) where government suppliers (subject to certain thresholds) are legally required to demonstrate their commitment to tackling the under-representation of ethnic minorities in their workforce.

In our view, the legal duty to promote race equality in procurement should mean that public bodies not only ensure they are not using public money to support discriminatory practices, but that they are consistently using their purchasing power to encourage and support 'good practice' in race equality. Promoting race equality should be considered integral to achieving 'value for money' and 'Best Value.'

Current practice is limited

The CRE's audit of public authorities' compliance with the legal duty to promote race equality concluded that little is being done in relation to public procurement (Schneider-Ross 2003a).

For many years, central government departments have included as a standard condition of contract (HM Treasury, undated) a requirement that the supplier will comply with the Race Relations Act 1976 in relation to their employment practices and will take all reasonable steps to secure similar compliance by all sub-contractors. What has been lacking, according to Barbara Cohen, former CRE Head of Legal Policy, is any effective monitoring or enforcement.

We recognise, however, the important initiatives that do exist in this area. The CRE has issued detailed guidance to public authorities (CRE 2003a), including specific guidance for local government (CRE 2003b). The CBI and CRE have jointly developed a briefing for suppliers on race equality in procurement (CRE-CBI 2003). The Office of the Deputy Prime Minister has created a *National Procurement Strategy for Local Government* with an explicit commitment to race equality (ODPM 2003). The National Assembly for Wales has taken a pro-active stance and connected public procurement with 'core values', including a commitment to equal opportunities in the workplace and supplier diversity (National Assembly for Wales 2003).

The West Midlands Forum, comprised of six local authorities, has devised a 'Common Standard' on race equality that contractors are required to meet if they want to do business with any of the councils (see Appendix 9).

The NHS has shown a commitment to promoting race equality in relation to both workplace practices of suppliers and supplier diversity. For example, according to Chris Uden, Director of Corporate Management of the Purchasing and Supply Agency (PASA), an NHS audit team has been appointed to review a national contract on the use of staff (for example, nurses) from recruitment agencies, which is organised at regional level. The role of the audit team is to check the equal opportunities compliance of contractors.

In June 2003, the Rt Hon Paul Boateng MP, Chief Secretary to the Treasury, championed supplier diversity when he launched two pilot schemes in Haringey and the West Midlands looking at ways of ensuring there is easier access by SMEs, including those owned by ethnic minorities, to government contracts (see Appendix 9 for details). The Chief Secretary also spoke at the first workshop of the member-led European Supplier Diversity Project, being run by the Migration Policy Group and working primarily with the private sector, in January 2004 (See Appendix 10 for further details).

Confusion and lack of leadership

Given that the obligation to promote race equality in carrying out public procurement under the Race Relations (Amendment) Act 2000 is relatively new and the CRE guidance was only issued in 2003, perhaps it is not surprising that activity in this area is low. However, we are concerned that there are other factors impeding progress in this area, namely, confusion and lack of leadership.

As the activities outlined above show, at local and central government levels, in some areas of government, it is believed that there are ways within the current policy framework to harness the legal obligation under the Race Relations (Amendment) Act 2000 effectively and creatively to generate change.

Unfortunately, this does not appear to be a consistent position across government. In talking with some government officials, for example, we encountered the opinion that EC procurement rules place restrictions on how forcefully race equality can be promoted through public procurement. This was particularly in relation to fair competition between suppliers from different EC countries. It was also suggested by a senior official that because what constitutes 'value for money' must be decided on a case by case basis, there can never be a clear message sent out about race equality and procurement.

Notwithstanding the CRE guidance, a clear message seems to be precisely what is needed. For example, Loraine Martins, Head of Diversity at the Audit Commission, told us that government is not giving consistent messages on the significance of race equality in public procurement. She explained that those public authorities that do not see the importance of race equality in their procurement practices can use such inconsistencies to validate their own inaction, or indeed claim a confusion about what is expected of them. She suggests that the rationale for integrating race equality into procurement practices should be clearly articulated from government. As some public authorities appear to have a limited recognition of the fact that the duty under the Race Relations (Amendment) Act 2000 applies to procurement, it seems that positive leadership from the top is required to push the race equality in public procurement agenda throughout both central and local government.

In relation to supplier diversity specifically, Task Force-commissioned research suggests that there 'is a need for government to clarify and give clearer guidance with respect to "Best Value" rules, since there is currently too much scope for differences in interpretation, thereby leaving too much scope for some authorities to hide' (Ram and Smallbone 2003).

Fears over bureaucracy

The Common Standard isn't a stick to beat contractors. It is a carrot. We want the firms who do work for us to have good [race equality] policies. We aren't just looking to get rid of firms that don't have a policy (Orton and Radcliffe 2003).

As the West Midlands Forum experience shows, when business thinks public procurement and equal opportunities, it thinks paperwork (Orton and Radcliffe 2003). The potential for requirements to become overly bureaucratic can be found internationally. US government suppliers, for example, surveyed in other British research, expressed concern about the statistical reporting on workforce composition becoming burdensome (Hepple 2000). A Canadian review of anti-discrimination legislation had a similar finding (SCHRDSPD 2002). As we show in Chapter 4, however, documentation requirements may have some resource costs, but they do not have to be a problem for business.

Private sector supply chain management

Large and medium sized companies have an important role to play in influencing the practices of their suppliers, particular SMEs who have rather limited access to government contracts. Nearly 75 per cent of SMEs surveyed said they would not be applying for government contracts (Task Force Survey).

Promoting race equality in supply chain management provides an opportunity for larger companies to demonstrate leadership while also receiving the benefits, for example, of working with smaller suppliers that may have greater flexibility, specialised skills or experience as well as a potentially more diverse customer base. We are aware that some companies do apply high race equality and equal opportunities standards to their suppliers, but these are not well publicised and this appears to be very under-developed activity in Britain.

In terms of supplier diversity, research from the Haringey supplier diversity pilot (details in Appendix 9) suggests that a key barrier to opening up contracting to SMEs, including ethnic minority owned ones, is reluctance from large companies' to open up supply chains (Haringey Council Corporate Procurement Unit 2003). The trend towards supplier consolidation appears to be a key issue. We do not address this area in detail, but it is worth noting that the practice of supplier consolidation by government and business needs to be addressed (Ram and Smallbone 2003).

Though the demographics and policy framework are very different, it is notable that in the US, public procurement requirements have led to private sector supplier diversity programmes that include development support for ethnic minority businesses and that have actively shaped opportunities for ethnic minority entrepreneurs (Ram and Smallbone 2003).

Existing awards are not strong incentives for change

The Strategy Unit report highlights a range of existing award and kite marks schemes for recognising leadership on this issue, but concludes that their coverage across sectors is not wide enough. Previous investigations into race equality and employment have pointed to Investors in People (IiP) as a key tool for recognising achievement in race equality. The Better Regulation Task Force (BRTF) recommended in 1999 that IiP and other quality standards should integrate equal opportunities into their assessments (BRTF 1999). We welcome that IiP UK has since integrated equal opportunities as a core principle of its Standard.

BRTF hoped that liP could become a 'kite mark' for effective equal opportunities practices. However, it remains undocumented as to whether or not the integration of equal opportunities into the Standard has had a significant impact/outcomes in terms improving race equality in the workplace. It is also important to note that within liP, assessment on recruitment and selection is within a voluntary and optional model. This means an liP accredited organisation will not have necessarily integrated race equality into its recruitment practices.

It is our observation that the range of CSR awards that are developing are not setting a high enough standard for businesses on race equality and diversity. Having spoken at length with the organisations running them it appears possible to gain recognition for social responsibility from FTSE4GOOD and the BITC Corporate Responsibility Index, for example, without necessarily having a clear race equality strategy.

Limited resources for advice and information

While there are a number of government bodies that can provide advice and support to business, given the scope of the challenge ahead, the infrastructure needs to be expanded. This is particularly the case for SMEs. Both the Race Equality Advisory Service (REAS) and the business-led Race for Opportunity (RfO) work with large business to be pro-active on race equality. SMEs have access to Equality Direct, the ACAS a help-line for specific queries. Our research in Newcastle, Leicester and Cardiff suggests that among SMEs no one organisation is identified as the source of advice and information. SMEs are likely to contact a wide range of organisations for support, with the top ones being solicitors (16 per cent), ACAS (15 per cent), and numerous trade organisations (Task Force Survey). Notably 18 per cent said they did not know where they would go if they had a problem with racial discrimination in their organisation (Task Force Survey).

In this context, it is important that existing initiatives that hold promise are evaluated and replicated wherever possible. These include long term services such as ACAS or campaigns by the CRE. Some are the domain of central government, while others are run regionally or locally. There are, for example, long-term and pilot projects which we are keen to see evaluated and if appropriate replicated in other regions:

- DTI and ACAS are running a pilot on promoting diversity in small and medium sizes businesses. We expect that it should be evaluated in terms of its impact on workplaces rather merely on number of clients served, and its potential to be replicated elsewhere.
- Equality Northeast, active since 1994, appears to provide a successful regional infrastructure for advice and support. The Operations Director would welcome further involvement from the DTI in its activities: not only because they fall within the DTI's equalities remit, but because the DTI could also play a key role in spreading good practice through Regional Development Agencies (RDAs). For details of the project, see Appendix 8.

As stated in Chapter 2, success of government programmes seeking to get individuals from all communities into work, relies in part on employers having effective race equality policies in their organisations. Access by all businesses to the necessary information and advice to promote race equality is therefore key to meeting policy targets.

We are optimistic that the barriers identified in this chapter are not insurmountable. In Chapter 4 we outline a change model with specific recommendations for business and government to take the race equality agenda forward.

4 making change happen

Business needs to recognise its responsibility to act and ensure that society – the source of its markets, customers and employees – is inclusive, mutually supportive and peaceful, within which all can look forward to achieving their potential.

Chris Lendrum
Vice Chairman
Barclays plc

One study commissioned by the Task Force concludes that:

the alert CEO will now take racial diversity as a given – an important part of the business context in which he or she operates. The choice is whether to ignore it – and potentially trip up over some aspect – or whether to seek to leverage it for commercial advantage (Schneider-Ross 2003b).

We agree. More and more businesses have made the choice to engage with racial diversity and seen the benefits of doing so. For example, 66 per cent of 68 private sector organisations that participated in the 2003 RfO Benchmarking survey, claimed to have a clear case for race equality linked to their business objectives (RfO 2003).

We began Chapter 2 by stressing that each company's individual analysis and business strategy will identify the opportunities and how to make the most of them: there is no one-size-fits-all or bolt-on business case. What should be available to all private sector firms, however, is the appropriate support and encouragement from government to help them attract and retain a diverse labour force. Government and business need to work together therefore to make full use of all available levers: public policy, incentives for good practice, and advice and support.

In our recommendations, we tend to refer to business or government bodies. We are aware, however, of the important role the voluntary sector plays in taking this agenda forward. This includes, for example, the work of organisations such as Project Fullemploy which acts as an intermediary between private sector companies and job-seeking ethnic minorities as well as ethnic minority small business owners. Another initiative is that of London Accord which works to engage businesses with schools, including for example, student mentoring (Task Force seminar: 'Employability and skills').

Lasting, sustainable improvements in race equality are not only in businesses' interests, they are also key to achieving the wider policy benefits that come from belonging to wealthier, healthier and more inclusive communities.

Our model for change focuses on four areas:

- leadership;
- education, information and support;
- incentives and rewards;
- measuring progress.

Within these areas, we identify the steps that both businesses and government need to take to overcome barriers to change and deliver significant and lasting improvement.

Effective communication underpins all four of these areas. For these recommendations to have maximum impact, government and business will need to:

- publicise existing race equality initiatives, including advice support services, more effectively;
- raise awareness of the problem of direct and indirect racial discrimination and how they are manifest in business practices;
- raise awareness of the business case for action;
- ensure that achievements by both business and government are recognised and shared.

Where possible, DTI, the Home Office and the CRE should communicate to business jointly and work with business in doing so. As DTI is seen as a key interface between government and business and is responsible for enhancing business competitiveness, a joined up communications strategy strengthens the message that race equality is about good business management and enhanced competitiveness, as well as social responsibility.

Why leadership matters

The evidence both from the work of this Task Force and others' research points to the critical importance of strong business leaders at the top of organisations as agents of change.

Race for Opportunity's experience of working with businesses, encouraging them to take on the race equality agenda confirms that leadership is key to them doing so. Of the 120 private and public sector organisations that participated in Race for Opportunity's annual benchmarking survey in 2003, 87 per cent have Board level champions for their activities on race equality.

As well as leaders at the top, the development of a more diverse workforce requires managers who can drive the change down through the organisation. Clear programmes of action and training are needed to translate the top-level commitment into behaviour and results at every level.

Clear business leadership is also important to ensure that race equality, when it is connected with a broader diversity agenda, does not get lost. Diversity management and equal opportunities can complement each other. At the same time, research in the US and Europe shows that there have been some criticisms of diversity diluting equal opportunities. In particular, some critics argue that within the framework of diversity management, managers pick and choose which issues they address and in doing so avoid more 'unpopular' areas. The same study notes that the literature suggests that race and ethnicity are aspects of 'managing diversity' that are most likely (say, in comparison to gender) to be unpopular with employers (Wrench 2002).

Government can support business leaders by taking steps to challenge the perception that government activity is *ad hoc* and without definitive accountability at the top of the policy pyramid. The Ethnic Minority Employment Task Force, based at DWP, is a welcomed step in this direction. It reports to the Cabinet, ultimately, via the Secretary of State for Work and Pensions, who sits on the Ministerial Cabinet Committee on Economic Affairs, which in turn is chaired by the Chancellor of the Exchequer. This structure, which focuses on the Strategy Unit recommendations, is not enough, however, to demonstrate to business that a joined-up race equality strategy is being co-ordinated across departments and policy areas.

We believe that more visible Cabinet-level leadership of the total race equality agenda is needed. Such leadership should send a clear message to business that Government is

We have had anti-race discrimination legislation in place for nearly 30 years but, if we take a look around the business world, the impact is, quite frankly, disappointing. I believe we, as business leaders, need to take a far more proactive approach, setting an example in our own organisations.

Kieran Poynter
Chairman
PricewaterhouseCoopers
LLP

taking the same steps which business is being encouraged to take; ensuring the equivalent of 'Board level' accountability for delivery of race equality, and where appropriate making connections and co-ordinating messages among relevant policy areas across government. What we are advocating is a Cabinet Minister who has responsibility as 'first among equals' to ensure that a cohesive, comprehensive series of policies on race equality not only exist and are joined-up, but are communicated to business and the public sector as comprehensively and as simply as possible.

case study: senior leadership drives action: J Sainsbury plc

J Sainsbury plc believes that race equality and diversity, like all changes in business, depend on senior level commitment and leadership.

Equality and diversity are sponsored at Board level, and the Supermarket Board receives regular updates on the progress of the diversity strategy. Race, disability, gender, age and sexual orientation each have a Director level sponsor, who works with practitioners to integrate diversity into business as usual: behaviours change when senior management is engaged.

Senior managers understand that they are role models for the company and they play an important part in listening to colleagues' and customers' needs. Store managers, in turn, play a part. The results of annual 'colleague engagement' surveys are analysed by different demographics, including ethnic groups; store managers, with an accurate picture of satisfaction levels within ethnic groups, can take action to make improvements. The results form part of their reward package.

J Sainsbury plc has a diverse staff and customer base, so for them there is no question: positive action on diversity is good business sense.

case study: top level commitment

Kieran Poynter, Chairman PricewaterhouseCoopers LLP (PwC), outlines their approach to leadership

'Managing diversity requires leadership, policies, active two-way communications and people who want to make it happen – it has everything to do with leadership. It encompasses the firm's processes and systems, its culture and, most importantly, the people management and relationship-handling skills of all our partners and staff. It is an integral part of our business strategy.

'Our approach has included visible changes such as networks and mentoring, and also high-level organisational development, which absolutely requires top-level commitment to diversity within PwC. As the key skills required to manage diversity are interpersonal skills, it is critical for leaders to understand how they themselves are perceived by others. Self-awareness marks a turning point for each individual and, depending on their position, for the wider environment.

'The entire Board of the UK firm has asked for and is receiving diversity awareness training during 2004. We have realised that leaders who recognise now the benefits of diversity are those who have looked to the future. Those who will succeed are the ones who are truly committed, and have achieved that commitment through personal insight.'

Leadership: recommendations

Chief executives employing more than 50 people should:

- put race equality onto Boardroom agendas by appointing an Equal Opportunities Champion at Group Board level with a nominated Champion for Race Equality one level below. Together they would internally generate the business case. Senior management should connect race equality strategies to overall business objectives, including increased competitive advantage as a result of current trends in workforce and consumer demographics and changing public expectations of business
- promote race equality by actively driving change down through their organisations, challenging negative attitudes and establishing a 'success through inclusion programme' for employees, customers, and suppliers. This will require making a clear business case to managers and holding them accountable for change.

To all SME owners Drop your prejudices and open your eyes. For diversity read: growth, expansion, enhancement, enrichment. Take the challenge and grab the opportunity to be one step ahead.

Janet Lakhani
Managing Director
IXL Laundry Group

Managing directors of small (11-49) and micro (1-10) businesses should:

- recognise the potential business benefits of promoting race equality, including a wider recruitment pool, increased chances at government and big business contracts, increased customer base, and enhanced reputation
- apply a simplified change model, appropriate to their size and resources.

Government should:

- demonstrate leadership by ensuring it has a coherent strategy on race equality, implemented through a powerful cross-departmental structure co-ordinated at Cabinet-level;
- ensure through this strategy that it is giving clear, consistent and co-ordinated messages to business and the public sector on its commitment to race equality.

Why education, information and support matter

At both central and local government level, considerable resources are focused on improving ethnic minorities' participation in the UK labour market, within the broader overall policy objectives of achieving full employment and reducing the marginalisation of particular communities. Government programmes are aiming to close gaps in education and skills levels, improve access to opportunities in areas of high unemployment with high ethnic minority populations, and to address discrimination.

The policy maps in Appendix 5 show the range of government activity. Many programmes have specific race equality strategies and targets: for example the New Deal for Young People and the Minority Ethnic Outreach scheme. (Collins 2003). As noted in Chapter 3, these initiatives have at times been a source of confusion within the business community, making it difficult for businesses to engage with programmes.

At the same time, as was highlighted in the Chapter 3, there are a number of initiatives to provide advice and support for business in addressing race equality issues. We welcome the fact that the capacity of the Race Equality and Advisory Service has been expanded to serve more large organisations and that there is an ACAS pilot on promoting diversity in the

workplace to SMEs, including by raising awareness of the business case (for details see Appendix 7). Our preference is that there be a greater role for business in educating and supporting 'good practice'. Our research suggests, for example, that SMEs would welcome mentoring coming from larger companies that have race equality policies and systems in place, with 50 per cent saying they would find it 'useful to very useful'. (Task Force Survey). This should complement the work of existing agencies, and wherever possible government and business partnerships should be utilised.

Tackling the 'fear factor' and confusion

Our recommendations aim to build on existing mechanisms in order to enable knowledge sharing and provide support. Clear messages will help to reduce businesses' fears about race equality issues and the legal framework. As Mohammed Ansar, of Aslam's Beautiful Interiors in Bradford, puts it:

They should promote awareness like they did with the minimum wage – they had banners and billboards and everybody knew what was happening... There needs to be a more user-friendly atmosphere. 'You need to do this because we are telling you to do it' is the wrong way to do it (Gidoomal, Mahtani and Porter, 2003).

The experience of the West Midlands Forum, working with suppliers to meet public procurement requirements, is consistent with findings of our own research. Namely, they conclude that businesses tend to not understand the purpose of equal opportunities requirements and that it is important to communicate clearly to suppliers the purpose of the requirements. Evaluation of their work identifies education and awareness raising (through seminars, for example) as an important part of working with business (Orton and Radcliffe 2003).

Skilled managers

Improving the skills of managers is also an important part of achieving change. For example, in a survey of over 1300 personnel experts, carried out by the law firm DLA, 62 per cent claimed that they did not think their line managers had the skills to deal with diversity issues (Equal Opportunities Review 2003a). International reviews of the private sector's effectiveness in promoting equality also confirm the importance of government's role in providing tools and support for implementing good practice. (SCHRSPD 2002; US EEOC 1997)

SMEs

Different businesses have particular communication and advice needs. We welcome that CRE has developed an information guide for the SME sector, in consultation with the Federation of Small Businesses, CBI, ACAS and HSBC and a plan for widespread dissemination. Business intermediaries are an important route to influencing SMEs. The Health and Safety Executive (HSE) in targeting SMEs, for example, focuses on intermediaries that include trade associations, chambers of commerce, insurance companies and banks. According to Stephen Alambritis of the Federation of Small Businesses, 60 per cent of SMEs belong to a trade association. Business Links, which provides practical help and advice to business also, potentially, has an important role to play in providing information on 'good practice' in race equality to their customers.

Information to SMEs needs to be accessible: suggestions made to us, for example, included mail drops and email updates. The Welsh Development Agency, in its SME Equality Project, has found that what SMEs often need in the first place is the 'basics' that can demonstrate to them why they should consider embracing diversity and equality (Welsh Development Agency 2003).

Further to the work of the Employers Forum for Work-Life Balance, the DTI set up the Challenge Fund. Employers of any size and from any sector – public, private or voluntary – can submit applications for funding, to assist with the development and introduction of flexible working arrangements. Notably, DTI chooses the consultant as a means of assuring quality. Successful applicants also receive a work-life balance toolkit known as a 'Specific Solution.' Government may wish to consider a similar approach to facilitate robust adoption of race equality policies within the SME community.

Commission on Equalities and Human Rights

We welcome the direction the Task Force on the Commission on Equalities and Human Rights appears to be taking in relation to business (CEHR Task Force 2004). In summary, it corresponds with our own conclusions, highlighting the importance of:

- meeting the needs of SMEs;
- separating out enforcement from promotion;
- working closely with trade associations, professional bodies and other key influential organisation among business;
- working with regional and local networks;
- having a sector specific knowledge-base;
- making the business case for equality and diversity;
- playing an educative and developmental role (more so perhaps than a 'name and shame' role);
- creating a 'one stop shop' for basic information and sign-posting.

Education, information and support: recommendations

Chief executives of companies employing more than 50 people should:

- mentor and provide information and other resources for businesses, particularly smaller ones, in their supply chain to set up and implement systems of 'good practice' on race equality and diversity.
- encourage private sector trade associations and other intermediaries to maximise their capacity to spread good practice.

Managing directors of small and micro businesses should:

- work with trade associations to spread good practice among SMEs.

Government should:

- create a clear strategy for communicating the importance of this issue to business and providing information (in a single, accessible and widely disseminated document) about the existing initiatives and work already being undertaken. This should include both information about race equality initiatives that require business participation and

sources for advice on promoting race equality in the workplace and business operations more widely.

- work with CBI to establish a virtual One-Stop Shop that provides basic information on race equality and diversity in business and signposts to other organisations including RfO, the CRE and ACAS for further support. The site should provide case studies which highlight 'good practice' and the bottom-line benefit of having race equality policies.
- ensure that all businesses have access to an independent source of one-to-one advice and information on race equality and diversity matters. This should include discussion with Race for Opportunity on the possibility of support to expand its capacity and provide a free or low-cost service to work with small and medium size businesses in using a modified change model to promote race equality. This work should complement the existing work of the Commission for Racial Equality, ACAS and other bodies in meeting the needs of SMEs. Government should also consider the ways in which a 'Challenge Fund' equivalent might be set up to support SMEs.
- ensure that the enforcement and promotion functions of the new Commission for Equalities and Human Rights (CEHR) are separate and conduct a comprehensive formal consultation with business on its structure.
- work with business to prepare for the future, by ensuring that education institutions (for example, those providing MBA programmes) and training bodies promote good practice in managing race equality and diversity within the private sector.

The CRE should:

- continue to engage business in recognising its role in social cohesion and should ensure that good practice is spread across regions.
- continue to support public authorities in effectively promoting race equality in their procurement practices and explore possibilities for working with key partners to assist businesses in promoting race equality throughout their supply chains.
- continue to maximise use of intermediaries such as banks and other financial intermediaries to promote good practice, particularly among SMEs.

Why incentives and rewards matter

Quite apart from compelling legal and moral arguments, RWE npower would fail to enhance its reputation amongst stakeholders and miss out on a significant and valuable source of talent and customers, if it did not include people from ethnic minorities in its business practices.

Andy Duff
Chief Executive
RWE npower

The work of this Task Force has shown that many business leaders remain unconvinced of the seriousness of direct and indirect racial discrimination, and of the action that needs to be taken. We consider that government, through its vast purchasing programme, as well as in its other relationships with the business community, could do more to establish and maintain a consistent and coherent approach to secure the elimination of discrimination and good equality practice in every workforce. We would specifically like to see more government emphasis on promoting 'good practice' in relation to public procurement and equal opportunities in the workplace. While we are setting a clear timetable for change, for now we want to proceed with an educative and incentives-based, rather than legislative, approach.

It is our view that incentives offer a 'win-win' route for shifting business practice from thinking of race equality only when they receive a complaint, towards taking proactive steps

to dismantle cultures of exclusion and advance opportunities for all communities. A framework of incentives and rewards, be they kite marks and awards such as recognition by FTSE4Good and the BiTC index, or increased access to government contracts, allows businesses to opt in or out of taking maximum action on race equality. They will soon recognise, however, that proactive steps can give them a competitive advantage, including in relation to reputation and recognition as employer of choice.

For SMEs, local and regional awards which provide tangible business benefits, such as free advertising in local press and website design, can be important incentives. They need not come from government. In a scheme co-ordinated by Equality North East, SME awards are provided by large businesses (see Appendix 8).

Public procurement and supply chain management

Effective race equality policies are a core element of good governance – ‘the litmus test of the efficiency of an organisation’ as Trevor Phillips puts it (TUC 2003) – and as such should be a requirement for any business receiving government monies.

TACKLING THE CONFUSION

In addition to EC procurement law, public and private sector employers will increasingly be aware of the EC race directive which sets a common minimum standard for the prevention of racial discrimination in employment across Europe. An important way to demonstrate leadership would be for Government to clarify in communications across departments, and with business, the relationship between the EC race directive, EC procurement law, and the duty on public authorities under the Race Relations (Amendment) Act 2000. It would be unfortunate if confusion about the law impeded effective use of public procurement to help businesses change their behaviour.

Similarly, central government should raise more awareness of race equality in the context of ‘value for money’. We welcome that race equality has been integrated into the ‘Best Value’ framework. It is important that procurement officers will understand that this is not about supposedly ‘add-on’ non-commercial, social objectives.

POTENTIAL IMPACT

There is already evidence in Britain that race equality requirements in public procurement can be a powerful motivator for business change when they are applied. As one manager in a construction firm explains:

your race equality practice and equal opportunities are all part of the tendering terms and are written into the agreements: you can't get work in the [public housing] sector without being an equal opportunities employer...Best practice is necessary to ensure your survival (Gidoomal, Mahtani and Porter 2003).

case study: competing for public sector contracts: Denne Construction

Where it is applied effectively, building in race equality objectives into public procurement can have an impact on changing business behaviour.

Denne Construction works as a contractor with housing associations, charitable organisations and public sector bodies. The Race Relations (Amendment) Act, and the resulting need to adopt good practice on race equality, has had a direct impact on the tendering processes of these organisations. Their procurement paperwork now contains detailed questions on the contractor's race equality policies and practices, which are written into the agreements.

Denne Construction has found that being an equal opportunities employer is critical to its ability to compete for public sector contracts. Nicholas Fowler, Project and Development Manager, explains: 'You can't get work in that sector without being an equal opportunities employer.'

(Gidoomal, Mahtani and Porter 2003)

According to West Midlands Forum research into its own activities, as a result of their procurement requirements some companies created an 'equal opportunities policy for the first time; others progressed from the reliance on a simple equal opportunities statement to developing a formal policy. Yet others which had already introduced a policy were encouraged to fine-tune it' (Orton and Radcliffe 2003).

In the US, federally contracted employers are required to submit details of their commitment to hiring from communities traditionally under-represented in the workforce. In this system, employers claimed that without the procurement requirements for taking positive action, they would not have sustained significant increases of ethnic minorities in the workplace (Hepple 2000).

MINIMISE BUREAUCRACY

Public procurement policies are more likely to be perceived as an incentive for change provided the requirements in demonstrating commitment to race equality are reasonable. The 'Common Standard' used by the West Midlands Forum is a good example of ensuring that supplier documentation requirements are proportional. For example, the documentation authorities require from suppliers to demonstrate effective race equality policies differs according to the size of the business. As this Standard is shared by six authorities, it cuts down on the paperwork of tendering organisations. The Forum's research suggests that where the criteria are clear, companies do not perceive the process as burdensome (Orton and Radcliffe 2003).

SET A CLEAR STANDARD

Including requirements in all contracts for suppliers and any sub-contractors to comply with the Race Relations Act 1976 should be seen as a minimum standard to be set by all public authorities, regardless of the service or product being delivered. The contract conditions should also make clear how the public authority will deal with non-compliance. Such requirements should also apply to businesses seeking to access preferred supplier lists.

The more standardised the process is across all public sector contracts, the more likely it will have an impact on changing behaviour among suppliers. It would be helpful for authorities to include standard questions regarding compliance with the employment provisions of the Race Relations Act 1976 in their pre-selection questionnaires. A minimum standard will send the clear message to suppliers that commitment to 'good practice' is required for getting and retaining contracts, while assuring them that their competitors are having to meet the same criteria.

The Canadian experience suggests that success relies on public bodies making their expectations of employers clear and consistent. According to employers in Canada, for example, where – as in the UK – no direct legal requirements have been placed on federal contractors, ad hoc implementation of employment equity requirements have undermined their effectiveness. Employers are unclear of what constitutes compliance and non-compliance. A legislative review concluded that more needed to be done to ensure that federal contractors be held to the same scrutiny as federally regulated employers, who must have clear criteria for documenting progress in tackling workforce under-representation. (SCHRDSPD 2002).

Fiscal incentives

We recognise that fiscal incentives also may have a role in enhancing the business case. Our work indicates that while there is some support for tax incentives among smaller businesses (Task Force Survey), such incentives would need careful consideration, particularly because of the difficulties in administering them effectively. With our focus on trying to maximise the existing policy infrastructure for promoting race equality, fiscal incentives have not formed part of our recommendations.

Kite marks

In their submissions to the Task Force Call for Evidence, Working Links, Welsh Development Agency, UNIFI, London First and ACAS all highlight the importance of assessment associated with a good practice standard that is a symbol of recognition as a key way to promote good practice. It is worth noting that these might be more suitable to large companies given the cost, and that there is a limit to how many even a large company can take on. In this context, we would seek to make the most of existing kite marks, rather than create a new one.

The Better Regulation Task Force report (BRTF 1999) and our own discussions highlighted that such a kite mark can play the role of confirming to customers, potential employees, other businesses and investors that an organisation meets high standards in relation to race equality and equal opportunities more broadly. The existence of such a kite mark, therefore, could play an important role in facilitating the use of public procurement and private sector supply chain management as key vehicles for change in business behaviour.

Investors in People would seem to be the logical standard to become a kite mark that is a symbol of recognition on race equality in the workplace. The liP UK remit is to improve the UK economy through better business performance by promoting people management 'best practice.' At the time of writing this report, liP UK is currently reviewing the Standard and the results will be known in the autumn. We understand, however, that liP UK is committed to encouraging best practice and continuous improvement as a core element of the review. In the case of equal opportunities, particularly race equality, we suggest this should be done through strengthening the current indicator and evidence requirements.

liP UK has developed a Recruitment and Selection model for use by any organisation, whether recognised as liP accredited or not. According to liP UK, this model strongly reinforces best practice in diversity. Whilst take up is voluntary and optional we believe the model should be much more strongly promoted by liP UK and its partners, including government.

Ideally a kite mark which signifies commitment to race equality should cover recruitment, retention and promotion. Thus, the Task Force hopes that liP UK will integrate recruitment into the main Standard or find another way to ensure that liP can become a kite mark which signifies that an accredited business has effective race equality policies across recruitment, retention and promotion.

Enlightened businesses will integrate diversity into the mainstream of their business strategy and thereby gain competitive advantage.

Ian Barlow
Senior Partner
London Office
KPMG LLP (UK)

Incentives and rewards: recommendations

Chief executives of companies employing more than 50 people should:

- use their company's procurement power to incentivise their suppliers and potential suppliers to have effective race equality practices within their business and throughout their own supply chains.
- should undertake focused activity to support ethnic minority owned businesses and bring them into their existing supply chains
- encourage FTSE4GOOD and the BITC Corporate Responsibility Index to strengthen existing indicators to ensure that having effective race equality policies is necessary for any business to gain recognition for social responsibility .

Government should:

- incentivise business to be more pro-active by ensuring there is a kite mark which specifically signifies to government, other businesses, and potential employees that an organisation has effective policies for race equality in recruitment, retention and promotion. Investors in People, as an existing standard for 'best practice' in people management, should take on this role. If this is not possible through IIP, a separate kite mark should be established.
- promote regional and local awards schemes which provide direct business benefits to SMEs that demonstrate effective commitment to the race equality agenda.
- strengthen the message to public bodies that they are expected to comply with their legal obligations under the Race Relations (Amendment) Act 2000 in relation to procurement as in all of their other functions. One key vehicle for doing this should be the forthcoming Sustainable Procurement Guidance being prepared in 2004 by the OGC. This guidance should reinforce the importance of promoting race equality effectively as integral to achieving 'value for money' and 'Best Value.'
- ensure that all public bodies meet their obligations under the Race Relations (Amendment) Act 2000 at each stage of their procurement procedures to achieve good race equality practice . This should include short-listing and preferred supplier lists. After a reasonable period of time, the National Audit Office and the Audit Commission should assess how effectively central and local government are implementing their legal requirements and the impact on suppliers.
- ensure that all public bodies include as a condition of every contract an explicit requirement on all suppliers to comply with the employment provisions of the Race Relations Act 1976 and a requirement to impose comparable obligations on any sub-contractors. All public bodies should ensure that suppliers' compliance with these conditions, and any additional specified race equality requirements, are monitored and enforced.
- implement a training programme for public procurement officers in central and local government on promoting race equality in procurement. Race equality should be integrated into procurement related training generally. At the same time, central and local government should offer support measures for potential suppliers (particularly smaller businesses) to meet required standards.

- evaluate and publicly report on what action to promote race equality is currently permitted within EC law, looking at both the relevant procurement and race directives. Where there is strong evidence that EC procurement law is making it difficult for public bodies to effectively implement the Race Relations (Amendment) Act 2000, government should push for amendment to EC law.

If, in three years time, the current approach to public procurement is not proving effective enough in changing business behaviour, government should consider legally requiring all public authorities to make it a condition for any supplier to demonstrate they have an effective race equality action plan to tackle under-representation of ethnic minorities in their workforce and promote race equality throughout their supply chain management. This could be done, for example, by a further order imposing specific duties under the Race Relations (Amendment) Act 2000 or by placing statutory race equality requirements on any organisation taking a government contract.

Why measuring progress matters

The Task Force reviewed legislative frameworks and their impact in other countries, including Canada, Netherlands, Northern Ireland and the United States. International experiences show that monitoring and reporting are often a key part of the change model, and often include legally enforced requirements to create and report on 'equity' schemes as well as breakdowns of workforce composition. Officials at the Equality Commission for Northern Ireland consulted by the Task Force explained that the requirement for reporting on workforce composition, in relation to achieving fair labour market participation of Roman Catholic and Protestant communities, has achieved results. Registered employers (more than 10 employees) monitor and report on their workforce composition and undertake periodic (three years) reviews of employment practices (Hepple 2000). In the United States (EEOC 1997) reporting on progress is a requirement for organisations contracting with the government (within certain parameters in terms of size of companies and the amount of the contract). In Canada, federally regulated private sector employers are required to report on progress of their employment equity schemes (SCHRDSPD 2002). In the Netherlands, companies with more than 35 employees must report annually on the proportion of ethnic minorities in their workforce, and are subject to a fine for failure to report (Wrench 1996).

As case studies in this report show, some companies already recognise that monitoring workforce composition is the starting point and a key continuing element of their strategies to gain advantage from diversity. Members of Race for Opportunity, for example, show a marked difference from the norm (see discussion of collecting data on pages 24-25). Of 68 private sector organisations that participated in the 2003 RfO Benchmarking exercise, 63 (93 per cent) could provide breakdowns of their workforces in terms of ethnic minority employees.

The Better Regulation Task Force, suggested in 1999 that workforce monitoring should be included in companies' annual reports – via an amendment to company law if voluntary compliance was low (BRTF 1999). Since then, the Company Law Review has recommended that UK-listed companies over a certain size should be required to publish an Operating and Financial Review (OFR). This provides more information about factors (including social and environmental) which are material to the company's performance. The purpose of this is to improve corporate reporting to shareholders and other stakeholders.

It's about being able to demonstrate real leadership, at different levels of your business, and about being able to measure what you do on race as you would anything else - that's why we benchmark at RfO.

Allan Leighton
Chairman
Race for Opportunity

In 2003, the Task Force on Human Capital Management made recommendations (*Accounting for People*) about reporting on Human Capital Management (HCM), identifying that HCM is important to overall business performance and therefore relevant to stakeholders, including investors. It suggests that OFRs are the appropriate place for this strand of workforce reporting, including in relation to equality and diversity (Task Force on Human Capital Management 2003). At the time of writing, the government consultation on draft regulations for OFR and its response to the *Accounting for People* recommendations were yet to be published.

Our recommendations propose using existing and trusted mechanisms to extend many companies' currently limited practice of merely stating in annual reports that they have an equal opportunities or diversity policy. Ethnic minority employees are disproportionately concentrated in more junior roles (Strategy Unit 2003) yet very few companies currently carry out ethnic monitoring by job grade (Joseph 2002).

We recommend that companies should provide information in their annual reports that demonstrates commitment to promoting race equality in recruitment, retention and promotion. Ideally, companies should set out the numbers and percentages of ethnic minority staff they employ, the numbers in senior roles, and to compare current data with the previous year. Reporting should not, however, become overly burdensome and certainly not be so time-consuming as to impede action to implement effective race equality action plans. It will take time for businesses to set up the appropriate monitoring systems.

Lack of data, in large and small businesses, plays an important role in perpetuating the common misconceptions that 'race equality is not an issue' or that 'we are doing fine' among businesses. More public information on progress will be important in informing key stakeholders, including shareholders, and creating a level playing field where ensuring 'good practice' is rewarded and inaction becomes a risky business.

Research and general investigations

As we outlined in Chapter 3, part of the problem is directors and managers claiming that 'race equality is not an issue for their business.' Research and investigations into particular sectors or with reference to specific themes, such as promotions and race equality, have an important role to play in documenting progress. The DWP-based Ethnic Minority Employment Task Force confirmed to us that DWP and DTI have already begun to gather more data on the 'ethnic penalty' and the labour market. We hope this information will be widely publicised to both policy-makers and business.

The CRE also has a very useful tool in its capacity to conduct General Investigations. These do not focus on any particular company or organisation. They can be conducted by the CRE

- to promote equality of opportunity and good race relations in a specific area, such as secondary school admissions
- to establish whether discrimination is occurring in a particular sector or area of work, such as the accountancy profession (CRE 2004).

We encourage an approach similar to that of the Equal Opportunities Commission (EOC), which from our observation promotes a learning and developmental – rather than confrontational – process for changing behaviour among business.

Measuring progress: recommendations

Chief executives of companies employing more than 50 people should:

- publicly report on race equality and diversity. We propose that this should include information, statistical or otherwise, which demonstrates effective commitment to promoting race equality in recruitment, retention and promotion.

Government should:

- require all listed companies to include in their OFRs information, statistical or otherwise, which demonstrates effective commitment to promoting race equality within their organisations.
- make an annual progress report on the steps it has taken to address the issues this report identifies and host an annual Leadership summit on race equality and business – ideally chaired initially by the Prime Minister – to measure the extent to which businesses are being more effective in promoting race equality and to develop more ideas for reaching our goals.
- conduct a comprehensive review, in three years time, of race equality in business. If business cannot demonstrate a 'step change' in its commitment to race equality in recruitment, retention and promotion after three years, government should consider using legislative measures to ensure businesses take stronger action. These should include, for example, stronger public procurement requirements for suppliers or extending to the private sector an appropriate form of the public sector duty to promote race equality, should it be shown to be a successful lever for change.

The CRE should:

- work with the Accounting Standards Board which is expected to further the Company Law Review work, on developing guidelines on key indicators and definitions for Operating and Financial Reviews which make clear 'best practice' in reporting on race equality. This should be done in consultation with business.
- conduct more General Investigations – working in partnership with bodies such as ACAS and Employment Tribunals where possible – into sectors or on thematic areas which research and or complaints show to be lagging behind good practice.

If the Board of directors or the management staff of any company of any size is not reflective of society, the likelihood is that the rest of the workforce and the customer base will also not be representative and as a result a company may be less competitive.

Madi Sharma
Managing Director
The Ethnic Trail

case study: don't accept assumptions: Race for Opportunity

Can you manage what you can't measure? No, say 120 organisations that participated in the 2003 benchmarking survey run by Race for Opportunity (RfO), the UK business forum on race. Ethnic monitoring is a fundamental component of any successful race and diversity programme.

The 120 organisations employ approximately two million employees, or seven per cent of the UK workforce and 91 per cent can provide breakdowns of their workforce by numbers of ethnic minority employees, up from 54 per cent of organisations in 2002 (Race for Opportunity 2003).

Organisations are increasingly confident about involving ethnic minority employees in their action plans on race. Nearly 62 per cent of businesses regularly seek feedback from their ethnic minority employees. Monitoring also covers current employees, job applicants, recruitment and employees' progression, as well as their satisfaction levels. Businesses use the information to:

- inform Board discussions, policies and forward planning
- manage on the basis of facts rather than feelings
- identify patterns that show problems or opportunities
- challenge the assumption that nothing needs attention.

5 conclusions and recommendations

We have presented a series of practical recommendations that we believe will deliver change. We propose that to keep up the impetus a senior government Minister should host a meeting as soon as possible to begin co-ordinating activities and develop a concrete action plan for implementing specific recommendations, with well-defined measurable annual goals. Issues of funding should be discussed at this time. Participating bodies should include, but not be limited to the key players identified in this report: the Confederation of British Industry (CBI), Commission for Racial Equality (CRE), Investors in People UK (IiP UK), Race for Opportunity (RfO), and Business in the Community (BiTC).

At the time of writing this report, these bodies have expressed support for working together to take forward this important agenda.

The challenge of decreasing unemployment rates and increasing opportunities for ethnic minority communities is by no means restricted to business. However, business has an opportunity not only to reap the long term benefits to be generated from taking pro-active steps to promote race equality and tackle discrimination, but also to play a key role in creating a more unified, integrated and wealthier society. To achieve this, we need a step change in the racial equality and diversity of the UK's workforce, whether this is achieved through voluntary action or new legislation.

The case for action on race equality is compelling, as the demographics of Britain present business with fresh challenges and opportunities. If we in business are to stay competitive and play our full role in the modern economy, then we have to earn and keep the confidence of all our employees, all our customers and all sections of society.

Leadership

Chief executives employing more than 50 people should:

- put race equality onto boardroom agendas by appointing an Equal Opportunities Champion at Group Board level with a nominated Champion for Race Equality one level below. Together they would internally generate the business case. Senior management should connect race equality strategies to overall business objectives, including increased competitive advantage as a result of current trends in workforce and consumer demographics and changing public expectations of business.
- promote race equality by actively driving change down through their organisations, challenging negative attitudes and establishing a 'success through inclusion programme' for employees, customers, and suppliers. This will require making a clear business case to managers and holding them accountable for change.

Managing directors of small (11–49) and micro (1–10) businesses should:

- recognise the potential business benefits of promoting race equality, including a wider recruitment pool, increased chances at government and big business contracts, increased customer base, and enhanced reputation.
- apply a simplified change model, appropriate to their size and resources.

Government should:

- demonstrate leadership by ensuring it has a coherent strategy on race equality, implemented through a powerful cross-departmental structure co-ordinated at Cabinet-level.
- ensure through this strategy that it is giving clear, consistent and co-ordinated messages to business and the public sector on its commitment to race equality.

Education, information and support

Chief executives of companies employing more than fifty people should:

- mentor and provide information and other resources for businesses, particularly smaller ones, in their supply chain to set up and implement systems of 'good practice' on race equality and diversity.
- encourage private sector trade associations and other intermediaries to maximise their capacity to spread good practice.

Managing directors of small and micro businesses should:

- work with trade associations to spread good practice among SMEs.

Government should:

- create a clear strategy for communicating the importance of this issue to business and providing information (in a single, accessible and widely disseminated document) about the existing initiatives and work already being undertaken. This should include both information about race equality initiatives that require business participation and sources for advice on promoting race equality in the workplace and business operations more widely.
- work with CBI to establish a virtual One-Stop Shop that provides basic information on race equality and diversity in business and signposts to other organisations including RfO, the CRE and ACAS for further support. The site should provide case studies which highlight 'good practice' and the bottom-line benefit of having race equality policies.
- ensure that all businesses have access to an independent source of one-to-one advice and information on race equality and diversity matters. This should include discussion with Race for Opportunity on the possibility of support to expand its capacity and provide a free or low-cost service to work with small and medium size businesses in using a modified change model to promote race equality. This work should complement the existing work of the Commission for Racial Equality, ACAS and other bodies in meeting

the needs of SMEs. Government should also consider the ways in which a 'Challenge Fund' equivalent might be set up to support SMEs.

- ensure that the enforcement and promotion functions of the new Commission for Equalities and Human Rights (CEHR) are separate and conduct a comprehensive formal consultation with business on its structure.
- work with business to prepare for the future, by ensuring that education institutions (for example, those providing MBA programmes) and training bodies promote good practice in managing race equality and diversity within the private sector.

The CRE should:

- continue to engage business in recognising its role in social cohesion and should ensure that good practice is spread across regions.
- continue to support public authorities in effectively promoting race equality in their procurement practices and explore possibilities for working with key partners to assist businesses in promoting race equality throughout their supply chains.
- continue to maximise use of intermediaries such as banks and other financial intermediaries to promote good practice, particularly among SMEs.

Incentives and rewards

Chief executives of companies employing more than fifty people should:

- use their company's procurement power to incentivise their suppliers and potential suppliers to have effective race equality practices within their business and throughout their own supply chains.
- should undertake focused activity to support ethnic minority owned businesses and bring them into their existing supply chains
- encourage FTSE4GOOD and the BITC Corporate Responsibility Index to strengthen existing indicators to ensure that having effective race equality policies is necessary for any business to gain recognition for social responsibility.

Government should:

- incentivise business to be more pro-active by ensuring there is a kite mark which specifically signifies to government, other businesses, and potential employees that an organisation has effective policies for race equality in recruitment, retention and promotion. Investors in People (IiP), as an existing standard for 'best practice' in people management, should take on this role. If this is not possible through IiP, a separate kite mark should be established.
- promote regional and local awards schemes which provide direct business benefits to SMEs that demonstrate effective commitment to the race equality agenda.
- strengthen the message to public bodies that they are expected to comply with their legal obligations under the Race Relations (Amendment) Act 2000 in relation to procurement as in all of their other functions. One key vehicle for doing this should be

the forthcoming Sustainable Procurement Guidance being prepared in 2004 by the OGC. This guidance should reinforce the importance of promoting race equality effectively as integral to achieving 'value for money' and 'Best Value.'

- ensure that all public bodies meet their obligations under the Race Relations (Amendment) Act 2000 at each stage of their procurement procedures to achieve good race equality practice. This should include short-listing and preferred supplier lists. After a reasonable period of time, the National Audit Office and the Audit Commission should assess how effectively central and local government are implementing their legal requirements and the impact on suppliers.
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- implement a training programme for public procurement officers in central and local government on promoting race equality in procurement. Race equality should be integrated into procurement related training generally. At the same time, central and local government should offer support measures for potential suppliers (particularly smaller businesses) to meet required standards.
- evaluate and publicly report on what action to promote race equality is currently permitted within EC law, looking at both the relevant procurement and race directives. Where there is strong evidence that EC procurement law is making it difficult for public bodies to effectively implement the Race Relations (Amendment) Act 2000, government should push for amendment to EC law.

If, in three years time, the current approach to public procurement is not proving effective enough in changing business behaviour, government should consider legally requiring all public authorities to make it a condition for any supplier to demonstrate they have an effective race equality action plan to tackle under-representation of ethnic minorities in their workforce and promote race equality throughout their supply chain management. This could be done, for example, by a further order imposing specific duties under the Race Relations (Amendment) Act 2000 or by placing statutory race equality requirements on any organisation taking a government contract.

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glossary of terms

Commission for Equality and Human Rights (CEHR)

The proposed CEHR will bring together the work of three existing equality commissions – the Commission for Racial Equality, the Equal Opportunities Commission and the Disability Rights Commission – and take responsibility for new laws outlawing workplace discrimination on age and religion or belief. It will also be responsible for promoting human rights. A Task Force comprised of a range of stakeholders, including CBI, is advising government on developing the detail of the new body. This Task Force is administered from the DTI Women and Equality Unit. At the time of writing, a White Paper outlining details of the proposed CEHR was still due to be published.

Direct racial discrimination: treating a person, on racial grounds, less favourably than others are or would be treated in the same or similar circumstances. Racial grounds are grounds of race, colour, nationality – including citizenship – or ethnic or national origins. Groups defined by reference to these grounds are referred to as 'racial groups' (CRE 2004).

Indirect racial discrimination: when a provision, criterion or practice which on the face of it which has nothing to do with race:

- puts or would put people of a particular race or ethnic or national origin at a particular disadvantage when compared with others;
- puts the person bringing the claim at that disadvantage; and
- cannot be shown to be a 'proportionate means of achieving a legitimate aim' (CRE Legal Department).

Promote racial equality: When referring to a legal duty placed on public authorities under the Race Relations Act 1976 as amended in 2000 this phrase refers broadly to a general duty placed on public authorities which requires them to take the lead in promoting equality of opportunity and good race relations, and preventing unlawful discrimination. Within this, there are specific duties which apply to many but not all public authorities (CRE 2004). Used in general terms in this report, with reference to the private sector, the phrase signifies taking pro-active steps in the workplace and across an organisation's functions to ensure the indirect and direct discrimination are not taking place and equal opportunities are being achieved. This applies to recruitment, retention and promotion but also other functions within an organisation, such as procurement and customer services.

Public Service Agreement (PSA) target

PSA targets were introduced in the 1988 comprehensive spending review. The purpose of PSA targets is to improve on the delivery of public services by providing a clear statement of what policy objectives are being pursued with public resources. PSA targets are regularly monitored and responsibility for meeting them is assigned to government Ministers.

Regional Development Agencies (RDAs)

The aim of RDAs is to provide co-ordinated regional economic development and regeneration, reduce economic imbalances, which exist within and between regions and enable the English regions to improve their competitiveness.

Small Business Service (SBS)

SBS is an agency of Department of Trade and Industry (see below). It leads on the delivery of the Government's vision of making the UK the best place in the world to start and grow a business, and works in partnership with other departments to achieve this objective.

Women and Equality Unit (WEU)

WEU aims to reduce and remove barriers to opportunity for all and supports the Minister for Women and Equality in doing so. Based at Department of Trade and Industry, it works with colleagues across government to bring about measurable improvements in the position of women and to promote equality for all, particularly in the development and delivery of government policy and services.

Government Departments*Department for Education and Skills (DfES)*

The aim of DfES is to give children an excellent start in education, to enable young people to equip themselves with life and work skills, and to encourage adults to achieve their full potential through learning. The Parliamentary Under Secretary of State for Skills and Vocational Education in DfES has responsibility for the Investors in People standard.

Department for Trade and Industry (DTI)

DTI drives forward the Government's ambition of prosperity for all, by working to create the best environment for business success in the UK. Key issues that the DTI engages with include increasing productivity, promoting enterprise, innovation and creativity and the protection of the rights of working people and consumers. DTI shares a Public Service Agreement target with DWP that includes responsibility for reducing the difference in employment rates between the majority population and ethnic minority communities. The Minister for Women and Equality is based at DTI.

Department for Work and Pensions (DWP)

DWP is responsible for the Government's welfare reform agenda. Its aim is to promote opportunity and independence for all. It delivers support and advice through a modern network of services to people of working age, employers, pensioners, families and children and disabled people. DWP shares a Public Service Agreement target with DTI to reduce the employment gap between the majority population and ethnic minority communities. The Minister for Work and Pensions currently chairs the inter-departmental Ethnic Minority Employment Task Force.

HM Treasury (Treasury)

The aim of the Treasury is to raise the rate of sustainable growth and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all. It plays an important role in devising the government's welfare-to-work strategy, working closely with the DWP and other relevant departments in doing so, and in addressing cross-government priorities related to social exclusion. One of the department's core objectives is to 'improve the quality and the cost effectiveness of public services', to ensure all central government departments and local authorities deliver value for money when spending tax-

payers money. Part of this objective includes responsibility for the Office of Government Commerce and the Government's procurement policy.

Home Office

The Home Office aims to work with individuals and communities to build a safe, just and tolerant society; to ensure that the protection and security of the public are maintained and enhanced; to empower communities – through active citizenship – to enhance social cohesion; and to manage programmes for dealing with visitors, citizenship and long-term immigration applications and those seeking refuge and asylum. The Parliamentary Under Secretary for Race Equality, Community Policy, and Civil Renewal is based at the Home Office.

Office of the Deputy Prime Minister (ODPM)

The ODPM is responsible for policy on housing, planning, devolution, regional and local government and the fire service. It also takes responsibility for the Social Exclusion Unit, the Neighbourhood Renewal Unit and the Government Offices for the Regions. The department's aim is to create thriving communities in all regions, where no one is excluded from prosperity and progress.

appendix 1: about the Task Force

Task Force methodology

Terms of reference

- To set out the current position on ethnic minority participation and attainment in UK private sector;
- To identify examples of best practice in the private sector and understand the reasons for their success;
- To evaluate the limitations of existing legislation and public policy initiatives;
- To determine what further steps the private sector and government should take to harness the skills and experience of people from minority ethnic communities.

The Task Force consisted of the following member companies:

B&Q, Barclays plc, BT, Ford Motor Company Ltd, IXL Laundry Group, KPMG LLP (UK), Limehill Consulting, Lloyds TSB Group, Metdist Ltd, PricewaterhouseCoopers LLP (PwC), Reed Executive plc, RWE npower, J Sainsbury plc and The Ethnic Trail.

The Secretariat for the Task Force was based at the Institute for Public Policy Research (ippr). It was responsible for conducting research; organising Task Force meetings, seminars and other events; consultation with key stakeholders; issuing a Call for Evidence; drafting the final report; and dissemination of the findings. The scope of the research was limited to England and Wales.

Task Force membership comprised two participating groups:

- The Chief Executives' Forum – brought together representatives from member companies with senior management or Board level roles. Members used their business experience to provide strategic leadership for the Task Force and its public face.
- The Practitioners' Group – brought together representatives from member companies who often have responsibility for the development and implementation of race equality and diversity strategies. The Practitioners worked closely with the Secretariat to define the research agenda.

Both groups have met approximately every six weeks since the launch of the Task Force in January 2003. Meetings were used to analyse existing research and evidence against the experiences within members' companies and identify both key questions and the possibilities for the way forward in this agenda. The final report was drafted by the Secretariat, led at each

stage by Task Force members. Each member company contributed extensive data from internal research (including focus groups and surveys).

Key activities of the Secretariat

Commissioning research

In support of the Task Force, ippr commissioned a series of research papers that provided literature and policy reviews, outlining the key issues and made proposals for policy reforms that could move the debates forward. Commissioned researchers were encouraged to consult widely in their work. A list of the final commissioned papers and their authors is given below:

Ethnic minority entrepreneurship: challenges and opportunities Jeff St Paul and Richard Victory (ACT:e Ltd)

Evaluating the current policy framework and policy levers for race equality and diversity Dr Clare Collins (Elborough Consulting Ltd)

From business case to business imperative Patricia Chale and Robin Schneider, Schneider-Ross (Equality and Diversity Consultancy)

Ethnic minority business: procurement and supply chain management – a review paper Professor Monder Ram (Department of Corporate Strategy, Leicester Business School) and Professor David Smallbone (CEEDR, Middlesex University Business School)

Recruiting and promoting ethnic minority employees Nicola Page and Binna Kandola (Pearn Kandola)

Seminars

In November and December 2003, a series of seminars were held to discuss the Task Force's findings and emerging recommendations:

- *Employability and Skills* 11 November 2003, Lloyds TSB Group (Task Force members only)
Speakers: Jagroop Kaur-Dhillon (BME Development Projects Manager, London Accord), Annmarie Dixon-Barrow (Director, FullEmploy) and Stephen Martin (Policy Adviser, National Employment Panel).
- *SMEs and race equality* 3 December 2003, Business Links Leicester
Speaker: Janet Lakhani (Managing Director, IXL Laundry Group; Task Force member)
- ippr-ROTA joint seminar on *Ethnic minority entrepreneurship* 4 December 2003, ippr
Speakers: Ian Barr (Commissioner and Chair of Private Sector Committee, Commission for Racial Equality), Maureen Salmon (Executive Director, Black MBA Association) and Dr Effiong Akpan (Chief Executive, Haringey Business Development Agency).
- *CSR – a help or hindrance to delivering the race equality agenda?* 12 December 2003, CIPFA
Speakers: Judith Finch (Diversity and Equal Opportunities Officer, University of Oxford; Task Force member) and Lawrence Carter (Head of People Strategy, Reed Executive plc; Task Force member).

Participants in the seminars included representatives from government, voluntary sector organisations, small businesses, large companies, and Task Force members.

The following organisations acted as partners to ippr during the seminars.

- Business Champions, East Midlands Development Agency
- Business Links Leicestershire
- Commission for Racial Equality
- Corporate Social Responsibility Group
- Ethnic Minority Business Forum
- Government Office East Midlands
- Manchester Chamber of Commerce
- Race on the Agenda (ROTA)

Individuals and organisations consulted by the Task Force

The Secretariat has consulted with a broad range of policy makers, voluntary sector organisations and business leaders, a list of which is provided below. This list includes people who attended Task Force seminars.

Accounting for People Task Force

Rosie Blackham – Secretariat

Jill Cramphorn – Secretariat

Advice, Conciliation and Arbitration Service

John Jeffers – Equality Services (Leeds)

Brenda Roper – Senior Adviser

Steve Williams – Head of Equality Services

Afro-Caribbean Finance Forum

Brenda King – Chair

Alexander Mann Solutions – AMIQUUS

Samantha Lipman – HR & Resourcing Executive

Sharon Pagram – Senior Consultant

Kathryn Ward – Principal

Artwork Company

Avtar Ram

Association of British Insurers

Peter Montagnon – Deputy Director General

ASDA

Sally Hopson – Director of Resourcing and Development

BP

Patti Bellinger – Group Vice President, Diversity and Inclusion

BT

Paul Cook – Supplier Diversity

Claire Ighodaro – Director of Finance; President of Chartered Institute of Management Accountants (CIMA)

Robin Pauley – Race Champion

Chris Tuppen – Head of Corporate Social Responsibility

Barclays plc

Samuel Moore – Business Banking team

Dr Richard Roberts – Research Director, Small and Medium-sized Business, Barclays Business Banking

Black MBA Association UK

Maureen Salmon – Executive Director

Black Training and Enterprise Group (BTEG)

Jeremy Crook – Director

Sheya Shipanga – Youth Policy Officer

Brettonwood Partnership Ltd

Suhail Aziz – Chairman and Managing Partner

British Airways

Alessandra Cuzzoli – Diversity Executive

British American Business Inc.

Alison Homes – Managing Director

British Bankers' Association

Samantha Mitchell – Director, Retail Issues

Business in the Community

Graham Bann – Executive Director

Peter Davies – Deputy Chief Executive

Anne Watts – Director of Diversity and Workplace

Business Links Leicestershire

Tina McEwan – Chief Executive

Cabinet Office

Tom Ellis – Policy Adviser, Strategy Unit

Dr Shamit Saggat – Senior Policy Adviser, Strategy Unit

Museji Ahmed Takolia – Senior Adviser, Diversity Strategy and Equal Opportunities

Cadbury Schweppes plc

Kene Umeasiegbu – International Human Resources Advisor

Centre for Diversity and Business

Graham Shaw – Director

Centre for Social Markets

Malini Mehra – Director

Centrica plc

Lynne Hughes - Group Customer Diversity Manager

Chartered Institute of Personnel and Development (CIPD)

Dianah Worman - Diversity Manager

Cisco Systems

Robert Brownstone - Worldwide Diversity and Ethics Programs

Cobra Beer

Karan Billimoria - Chief Executive

Colourful Network

Kay Adeniran-Olule - Group Sales and Marketing Director,

Commission for Racial Equality

Ian Barr - Commissioner, Chair CRE Private sector committee

Sasha Barton - Policy Officer

Richard Dickson - Policy Officer, Private sector policy team

Farzana Hakim - Principal Adviser to the Chair

Vas Patel - Head of Private sector policy team (until April 2004)

Morag Patrick - Private sector team, CRE Scotland

Trevor Phillips - Chairman

Sheila Rogers - Director, Strategy and Delivery

Sarah Spencer - Deputy Chair

Seamus Taylor - Director, Strategy and Delivery (until January 2004)

Anne-Marie Vincent - Senior Policy Officer, Private Sector team

Confederation of British Industry (CBI)

Dr Neil Bentley - Head of Employee Relations

Ruth Friskney - Policy Adviser, Employee Relations Group

Digby Jones - Director General

Sean McCallion - Advisor to the Director General

Consignia

Steve Newsome - Senior Corporate Relations Manager

Construction Industry Training Board (CITB)

Aaron Mounds - Equal Opportunities and Diversity Adviser

CREATE Research

Professor Amin Rajan - Director

Dalgety Teas & Herbs

Mark Dalgety - Director

Deloitte & Touche

Niamh Bryan - Senior Manager, Human Capital Advisory Services

Department for Trade and Industry

Maria Burroughs – Senior Policy Adviser, Employment Relations Directorate
 Debbie Gupta – Equality Institutions Review, Women and Equality Unit
 Grant Fitzner – Director, Employment Market Analysis and Research, Employment Relations Directorate

Rt Hon Patricia Hewitt MP – Secretary of State

Jane Leavens – Assistant Director, Corporate Social Responsibility team
 Deborah Lincoln – Special Adviser to the Secretary of State
 Kenan Poleo – Policy Adviser
 Angela Mason – Director, Women and Equality Unit
 Cathy Rees – Policy Adviser

Department for Work and Pensions

Des Browne MP – Minister for Work (until April 2004)
 David Drew – Head, Ethnic Minorities Research Team
 Anthony Johnson – Senior Research Fellow, Ethnic Minorities Research Team
 Simon Judge – Head of Labour Market Division
 Jane McLuckie-Townsend – Employment Inclusion, Labour Market Division
 Afsana Shukur – Division Head, Ethnic Minority Employment Unit

Disability Rights Commission

David Sindall – Head of Practice Development

Dynamic Asian Women's Network (DAWN)

Manisha Dahad – Executive Director
 Parminder Vir – Founder Director of DAWN; and Advisor Cultural Diversity, Carlton Television

Equality North East

Elizabeth Reay – Operations Director

Ernst & Young

Mohan Yogendran – Director of Recruitment, Corporate Finance & Structured Finance

Esmee Fairbairn Foundation

Nicola Pollock – Programme Director, Social Development

Ethnic Minority Foundation

Dalvinder Ghaly – Business Planning and Policy Advisor
 Krishna Sarda – Chief Executive

Ethnic Minority Business Forum

Maxine James (member)

Ethical Training Company

Lynne Hunt – Director

Executive & Professional Network

Kuwayne Cain – Chairman

Financial Times

Jonathan Hunt – Editor, Special Reports
 Jonathan Guthrie – columnist
 Alison Maitland – columnist

Fullemploy

Annmarie Dixon-Barrow – Chief Executive
Sam Obeng-Dokyi – Director of Organisational Development

Future Works Institute

Ian Dodds – Managing Director (Europe)

Gleeds

Stuart Senior

Goodmarriott & Hursthouse

Trevor Hursthouse – Managing Director

Haringey Business Development Agency

Dr Effiong Akpan – Chief Executive

Haringey Council

Liz Holford – Procurement Development Manager

HM Treasury

John Allison – Policy Adviser, Labour Market team
Nick Holgate – Director of Welfare Reform
Vikesh Patel – Policy Adviser

Home Office

Jennifer Douglas – Race Equality Unit
Khamani Eze – Head of Priority Projects, Race Equality Unit
Lord Filkin – Parliamentary Under Secretary of State (until June 2003)
Bruce Gill – Head, Race Equality Unit
Fiona Mactaggart MP – Parliamentary Under Secretary for Race Equality, Community Policy and Civil Renewal
Nii Thompson – Labour Market Team, Race Equality Unit
Matthew West – Race Equality Unit

Hunter Systems

Neville Hunter – Managing Director

Institute of Education

Professor Shirley Dex – Centre for Longitudinal Studies

Investors in People – UK

Sue Burn – Research and Development Manager
Carolyn Smith – Director of Development
Ruth Spellman – Chief Executive

Joseph Rowntree Charitable Trust

Stephen Pittam – Trust Secretary

Kerry Ingredients

John Murray – Financial Controller

KPMG LLP (UK)

David Bishop – Senior Adviser; member of the Accounting for People Task Force
Ibrar Dar – Diversity Manager

race equality

Leicester Business School

Mayank Shah – Research Fellow, Small Business Enterprise

Leicester City Council

Daxa Pancholi – Head of Economic Development

Lifeworld

Dr Kemal Ahson

London Accord

Jagroop Kaur Dhillon – BME Development Projects Manager

London First Global Network

Hugh Harris – Director

London Mayor's Office

Huw Edwards – Senior Co-ordinator, Private Sector policy

Leena Patel – Senior Co-ordinator, Private Sector policy

Migration Policy Group

Beth Ginsburg – Deputy Director; lead researcher on European Supplier-Diversity project

Jan Niessen – Director

Stephanie Robertson – European Supplier-Diversity project

Minority Enterprises East Matters (MEEM)

Jelani Ghulam – Regional Manager

No 10 Policy Directorate

Natalie Acton – Policy Adviser

Razi Rahman – Prime Minister's Political Secretary

National Employment Panel

Stephen Martin – Senior Policy Adviser

Alison Richardson – Senior Policy Adviser

Cay Stratton – Director

National Minority Supplier Development Council (NMSDC)

Eric J Vicioso – Director, International Programmes

New Deal for Communities Nottingham

Pam Jardine – Business Support Services

Northern Foods

Jeff Andrews – Head of Technical Services

David Breeley – Asset Management and Engineering

Mark Robinson – Head of Procurement

Phil Ward – Corporate Affairs Executive

Office of the Deputy Prime Minister (ODPM)

Joe Montgomery – Director, Neighbourhood Renewal Unit

Barbara Roche MP – Minister of State

Raj Patel – Head of Research, Neighbourhood Renewal Unit

Office of Government Commerce (OGC)

Mike Davis – Assistant Director, Procurement Policy
Suzy Fenn – West Midlands Procurement pilot

OliveBlue/WDP

Yvonne Ruke Akpoveta – Business Coach and Consultant

One London

Jeffrey Lennon – Project Manager

Organisation Resource Counsellors

Deirdre Golden – Head of Equal Opportunities Practice

Pearson plc

Raphael Mokades – Diversity Project Manager

Pfizer Ltd

Winsome Grigor – Policy Development Coordinator

Pinnacle psg

Emma Barnes – Head of Community Regeneration
Andy Lee – Director, People and Corporate Responsibility

ProspectUS

Sarah Chowdry – Consultant & Diversity Officer

PricewaterhouseCoopers LLP

David Adair – Manager, Community Affairs

Prudential plc

David Coles – Resourcing Manager
David Meere – Relationship Manager, Prudential Resourcing
Lois Sheard – Group HR, Operations and Planning Manager

QED

Dr Mohammed Ali – Director

Race on the Agenda (ROTA)

Floyd Millen – Director
Richard Reddie – Education Policy Officer
Leroy Richards – Senior Policy Officer
Rafiu Williams – MiNet Project Manager

Reed Executive plc

Bonita Bryan

Runnymede Trust

Michelynn Lafleche – Director

R&L Associates

Alice Peters – Associate Consultant

Small Business Service

Anne Adams – Policy Adviser, Ethnic Minority and Women's Enterprise Unit
Sharon Batson – Policy Adviser, Ethnic Minority and Women's Enterprise Unit
Stephen Lyle-Smythe – Deputy Chief Executive
Steve Michell – Policy Adviser, Ethnic Minority and Women's Enterprise Unit

Ken Poulter – Director, Business Services
David Purdy – Head, Social Exclusion Research
Steve Smith – Assistant Director, Regulation and Small Business Policy

SEO London

Roxanne Persaud – Director, Internship Programme

The Good Corporation

Nick Bell – Operations Manager

Translogic Systems Ltd

Suhas Khale – UK Channel Partner

Trend Byte

Leslie McDonald – Director

UnumProvident

Victoria Secretan, Head of Corporate Social Responsibility

Veredus Executive Resourcing

Nancy Scott

Voice East Midlands

Naeem Sheikh – Chief Executive

West Midlands Forum

Alan Butt (Wolverhampton City Council)

Windsor Fellowship

Mark Blake – Director
Kevin Coutinho – Business Development Manager

YFA Associates

Yvonne Field – Managing Director

Zurich Financial Services

Linda Perry – CSR Manager

Call for evidence

To maximise engagement from the broad range of stakeholders, the Task Force issued a Call for Evidence at the beginning of summer 2003.

Through a series of questions related to the key themes of the work of the Task Force, individuals and organisations were asked for evidence and information that would and provide 'food for thought' for Task Force discussions. The Call for Evidence was sent to select individuals and organisations working in different ethnic minority communities and different/intersecting areas of equality (gender, disability, religion etc); in the different layers of central, devolved, regional and local government; in the private sector (including trade unions); and in academia.

The responses were collated, analysed and the findings have been fed into the final analysis.

The Secretariat received written responses from the following organisations:

- Advice, Conciliation and Arbitration Service (ACAS)
- Cabinet Office
- European Monitoring Centre on Racism and Xenophobia (EUMC)
- Government Office for East Midlands
- Institute of Directors
- London First
- NACRO
- Race on the Agenda
- Tomorrow's Company
- UNIFI
- Welsh Development Agency
- Working Links.

Methodology from the Task Force Survey of SMEs

To gain a better understanding of the specific opportunities, challenges, risks and benefits faced by smaller businesses when addressing race equality objectives, the Task Force commissioned Facts International to carry out a telephone survey of SMEs in December 2003. The results from the survey have been integrated into the Task Force's analysis, and have been an important source of ideas for the Task Force's final recommendations.

In total 251 SMEs in December 2003 from Cardiff, Leicester and Newcastle were surveyed. Of the total sample 79 SMEs were from Cardiff, 78 were from Leicester and 94 were from Newcastle. Current data sets mean that it is not possible to know the number of smaller businesses in each city, nor their specific sizes according to the categories below, and as a result the sample used is not weighted to reflect the statistical breakdown of SMEs.

The sizes of the surveyed businesses has been broken down according to the Small Business Service's definition of SMEs:

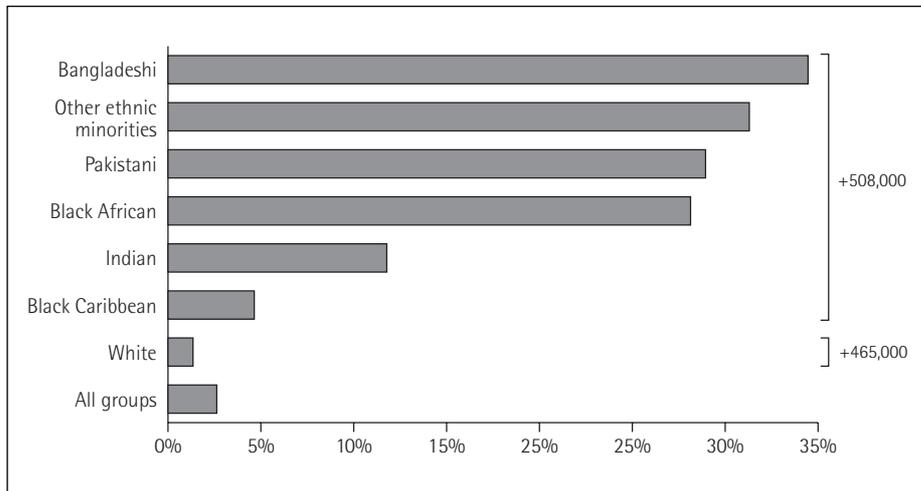
- 55 'micro'-sized businesses (employs 1-9 people)
- 145 'small'-sized businesses (employs 10-49 people)
- 51 'medium'-sized businesses (employs 50-249 people)

SMEs were surveyed using a structured telephone questionnaire. A mixture of both multiple choice and open-ended questions was used.

The questions were chosen according to focused themes that tied in with Task Force research and analysis to date, and were designed to get a better understanding of SME-specific experiences of these topics. The themes:

- How important is race equality? Do SMEs see it as important to the overall business strategy?
- What action have SMEs taken?
- What are the barriers to implementing policies?
- Thoughts/experiences on the provision of information, support and advice on race equality
- Interaction of SMEs with work experience and skills development programmes
- SMEs and public procurement

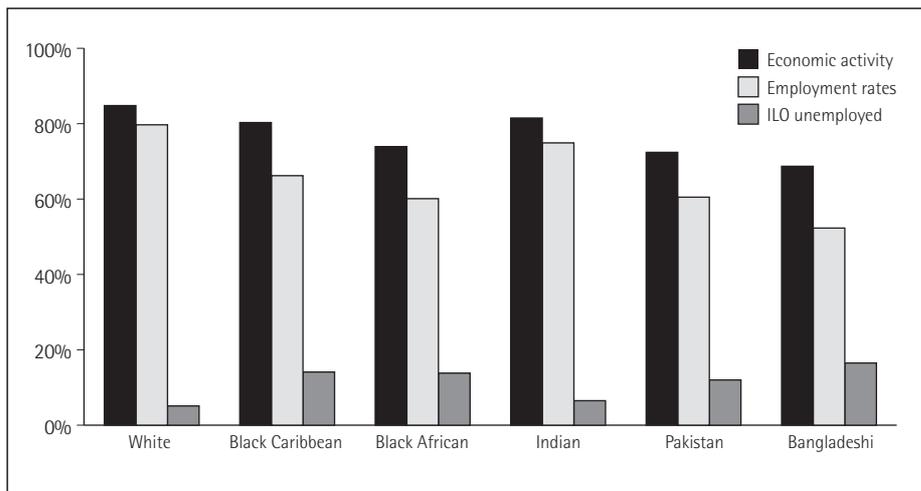
appendix 2: demographic projections



Projected growth in working-age population of all ethnic groups, between 1999-2009

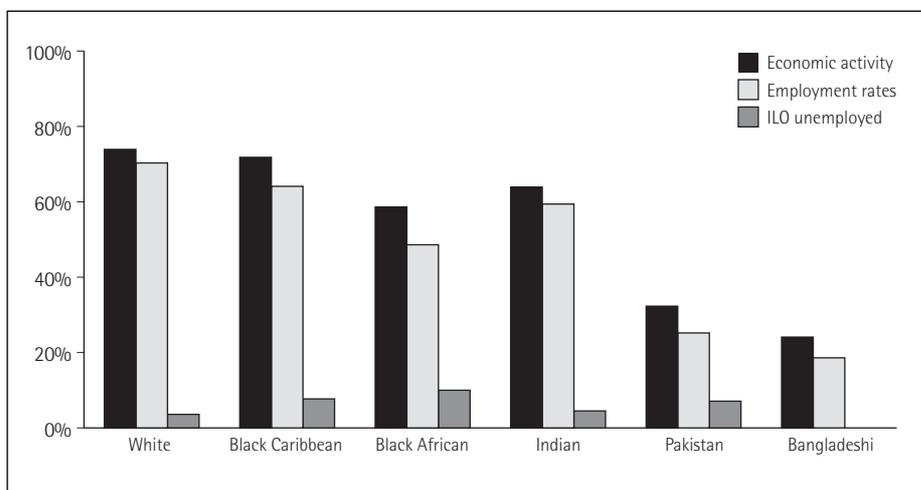
Source: LFS data, cited in D Owen and A Green *Minority Ethnic Participation and Achievements in Education, Training and the Labour Market* Centre for Research in Ethnic Relations and Institute for Employment Research, University of Warwick, 2000, pp16-7

Note: 'Other ethnic minorities' includes 'Black Other', 'Chinese' and 'Other Asian'



Economic Activity, Employment Rates and ILO Unemployment Rates of Men in Britain, 2000

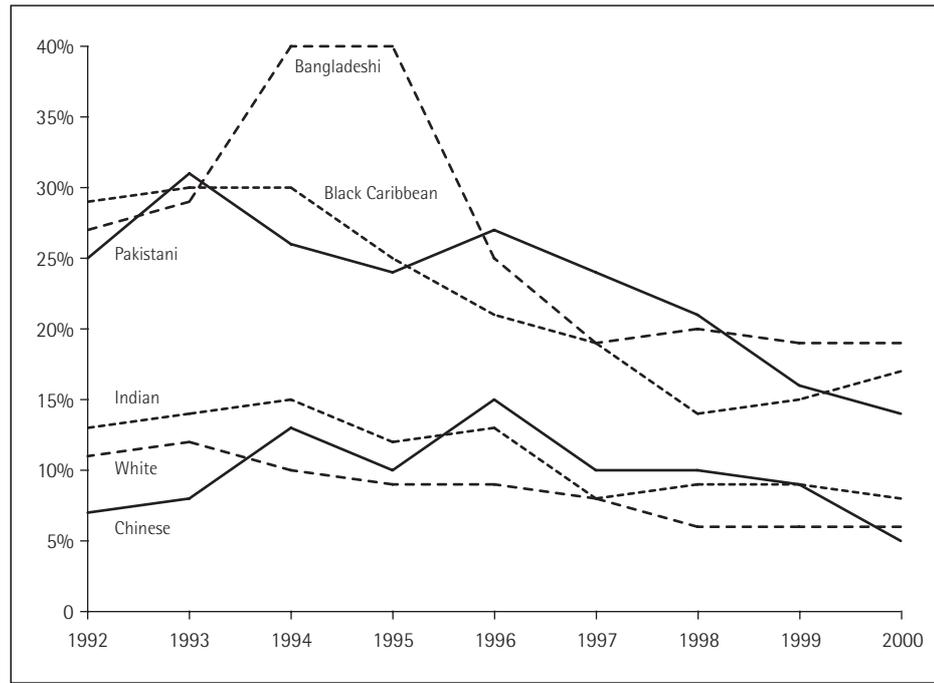
Source: LFS, Spring-Winter 2000



Economic Activity, Employment and ILO Unemployment Rates of Women in Britain, 2000

Source: LFS, Spring-Winter 2000

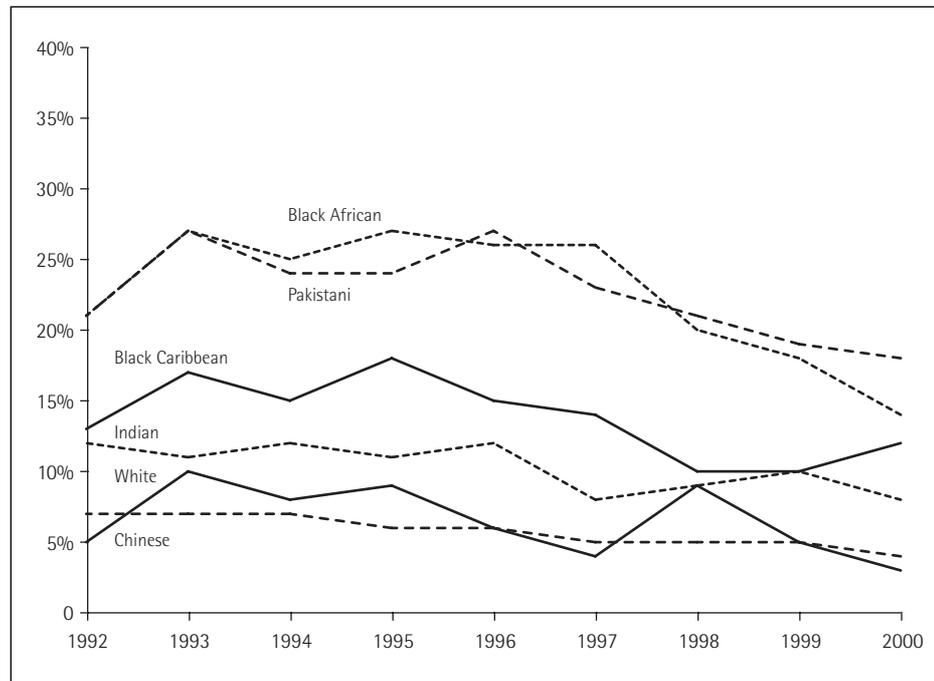
Unemployment Rate of Men in Britain, 1992-2000



Source: LFS, 1992-2000

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

Unemployment Rate of Women in Britain, 1992-2000



Source: LFS, 1992-2000

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

appendix 3: information required to build a business case

In the table below the consultants Schneider-Ross list the business benefits from engaging with race equality. They also identify the data required in order to develop a related business case and the current sources of such data (Schneider-Ross 2003b).

Business benefit	Data required	Sources
<i>Recruitment and attraction of talent</i>	Demographic split by ethnicity of: <ul style="list-style-type: none"> ● total UK population ● local catchment areas ● specific skill profiles ● graduates Perception data of external recruits	ONS for 2001 Census CRE Some professional associations Some RDAs, LSCs Universities UK Sunday Times '100 Best Companies To Work For' Think tank research on shifts in values across generations INTERNAL RESEARCH with applicants
<i>Utilising and developing latent potential in company</i>	Minority ethnic employee satisfaction Minority ethnic employee profiles at different levels Minority ethnic employee retention rates Promotion & appraisal profiles analysed by ethnicity Analysis of 'high flyer' pool by ethnicity	INTERNAL DATA
<i>Building cross-cultural competence/ understanding of different markets</i>	Spending power for minority ethnic communities Spending power for minority Household incomes Minority ethnic customer satisfaction, complaints etc Cultural data associated with JVs, Mergers and Acquisitions	IPA London Research Centre General Household Survey Policy Studies Institute INTERNAL DATA on own customers. JVs etc
<i>Increasing innovation and capacity to manage change</i>	INTERNAL INDICATORS of current capacity	INTERNAL
<i>Enhancing/protecting corporate reputation</i>	Legislative requirements Requirements of SRI indices CRE	CRE INTERNAL – cost (£ and time) of cases Centre For Tomorrow's Company Socially Responsible Investments
<i>All</i>	Case studies	Race for Opportunity CRE Some RDAs and LSCs

appendix 4: recommendations from the Strategy Unit report¹

¹ *Ethnic Minorities and the Labour Market* (Strategy Unit, 2003: 139-147)

Recommendation	Action	Lead responsibility
	<i>Objective 1: Building employability</i>	
1	DfES has already implemented, and will continue to implement, a series of policies which are directly and indirectly targeted at closing the attainment gap between low-achieving ethnic minority groups and the White average. These policies include Excellence in Cities, Extended, Specialist and Beacon Schools, Sure Start, the whole of the Standards agenda, and DfES' ethnic minority achievement strategy. If, despite these programmes, new data sources reveal persisting and disproportionate attainment gaps between ethnic groups, DfES should factor ethnicity into education floor targets.	DfES
2	Where differential achievement between ethnic minority groups is of serious concern, Ofsted should identify this weakness of the school in its summary report to parents.	DfES & Ofsted
3	DfES funding arrangements should be reviewed to ensure that: <ul style="list-style-type: none"> ● Funding through the Ethnic Minorities Achievement Grant is lined to the pupil need not simply ethnicity. ● Funding systems are flexible enough to help LEAs and individual schools through periods of high pupil turnover. 	DfES
4	DfES should carry out a review of school's use of information on best practice methods of raising ethnic minority educational attainment, focussing particularly on the lowest achieving LEAs with a view to improving access to guidance and advice.	DfES
5	DfES should ensure that all LEAs with significant low attainment problems for particularly ethnic groups have parental engagement processes that take ethnic specific factors into account. Actions should include: <ul style="list-style-type: none"> ● Helping teachers and schools to identify ethnically related drivers or disengagement. ● Using methods of engagement which are tailored to specific employment, religious and cultural needs. ● Encouraging schools to monitor and analyse parental engagement by ethnicity, to see if some ethnic minority communities are consistently disengaged. 	DfES
6	DfES should draw up a communications strategy to inform, advise and support ethnic minority parents about opportunities for greater parental choice in school selection.	DfES
7	DfES should conduct research to answer several key questions of central relevance to the attainment of different ethnic groups in the education system and in the labour market: <ul style="list-style-type: none"> ● What problems do new migrant pupils face when they enter the education system? What impacts do these migrant pupils have on schools and existing pupils? 	DfES

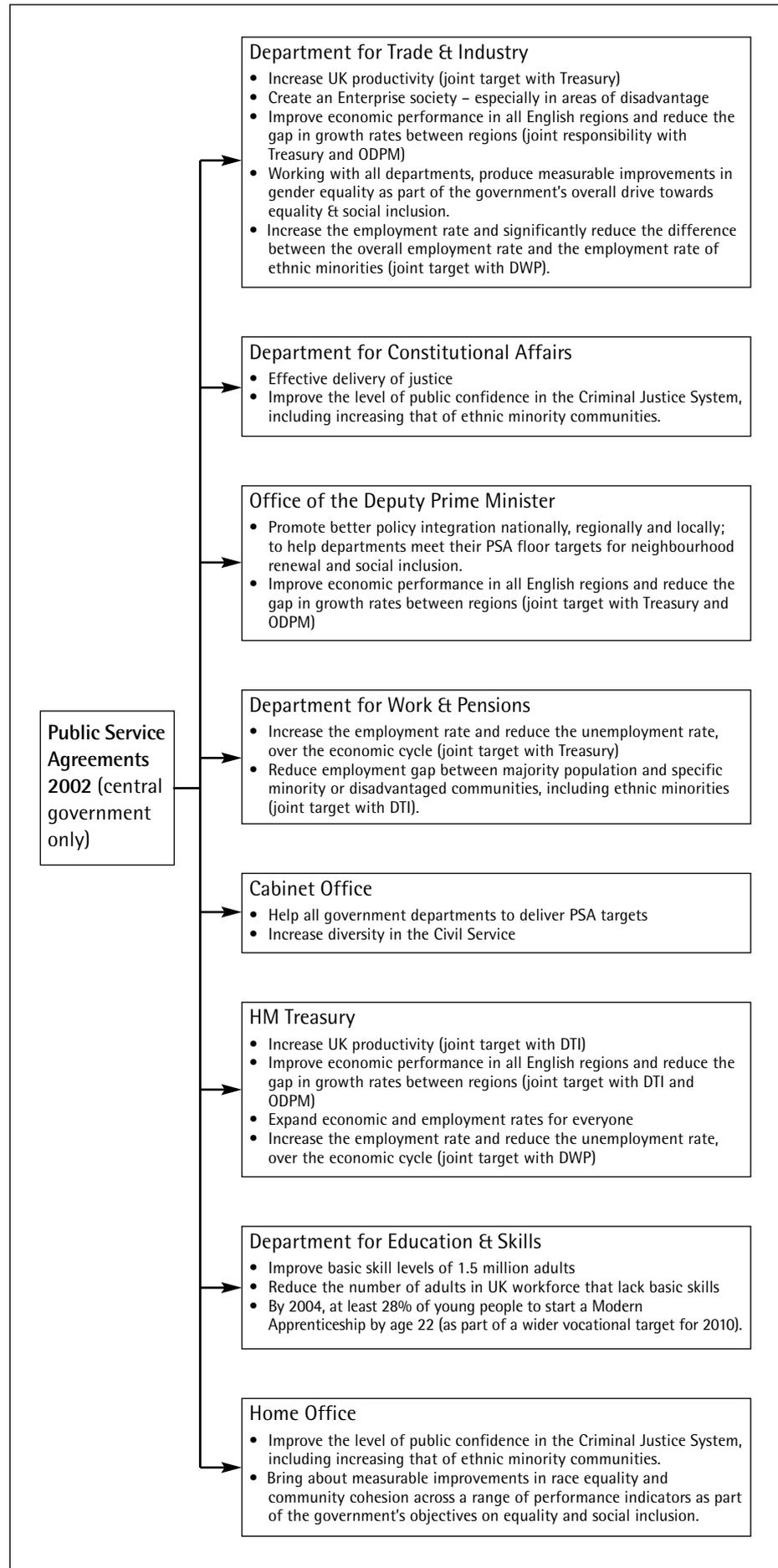
Recommendation	Action	Lead responsibility
	<ul style="list-style-type: none"> ● What skill sets do ethnic minority graduates have? Do they have a mismatch of subjects, skills or 'soft' skills that makes them less successful in the labour market? ● To what extent do different ethnic minority parents know the basic structure of the education system and how to 'work' it, through an understanding of school interaction, league tables, school assessments, streaming and so on? 	
	<i>Objective 2: Connecting people with work</i>	
8	A Jobcentre Plus Action Plan to improve performance for ethnic minorities should be developed to incorporate best practice lessons form existing outreach and area based initiatives.	DWP
9	DWP should review the Jobcentre Plus target points system, both to ensure that it gives incentives to place people into sustainable employment and to determine its capacity for increasing the number of job entries for ethnic minorities.	DWP
10	DWP should use the evaluation of the current round of New Deal 'Tailored Pathway' pilots to review the effect of increased programme flexibility and greater Personal Adviser discretion in delivering better job outcomes for ethnic minorities. The findings of this review should be used to inform future Jobcentre Plus strategy.	DWP
11	Pilots were announced in SR2002 to extend the Employment Zone approach to New Deal for Young People 'returners'. Evaluations of these pilots should incorporate ethnic monitoring of clients in order to determine whether parity of outcomes is achieved between ethnic minorities and Whites. If parity is achieved, consideration should be given to rolling out the Employment Zone model to 'first time' New Deal clients aged 18-24.	DWP and HMT
12	DWP should, in 60 priority districts (the 30 areas with high concentrations of ethnic minorities and the 30 areas with high unemployment rates), encourage Jobcentre Plus offices to develop employment interventions in partnership with social housing providers.	DWP
13	The Office of the Deputy Prime Minister should begin to roll-out the Housing and Employment Mobility Service to promote inter-regional mobility, ensuring that ethnic minority Registered Social Landlords are not excluded.	ODPM
14	DfES, working with Inland Revenue, should carry out analysis to find out the degree to which low levels of formal childcare use are a result of cultural preferences, financial constraints, accessibility and information issues, family size or other factors. The information should be used to consider whether policy changes are needed. Over the same period, measures should also be taken to raise awareness of the childcare element of the Working Tax Credit amongst ethnic minorities.	DfES and Inland Revenue
15	<p>The Small Business Service (SBS) should adopt a range of measures to increase the effectiveness of its support to businesses, including:</p> <ul style="list-style-type: none"> ● developing a strategy to enable each Business Link operator to draw on data on its ethnic minority business customer base. This database should not be limited just to those businesses that have received 'significant assistance', and should be established at a national level. ● a strategy to deliver focused and tailored information on its services to ethnic minority entrepreneurs, and, with Business Link operators, forge closer working relations with those institutions that evidence has shown are utilised by ethnic minority entrepreneurs. ● consistent with its commitment to help ethnic minority entrepreneurs overcome any specific barriers to entrepreneurship, each Business Link should set year on year improvement targets to improve the proportion of ethnic minority businesses served until it reflects the business composition of the areas which each Business Link operator serves, and the proportion of ethnic minorities within that area. 	DTI and SBS

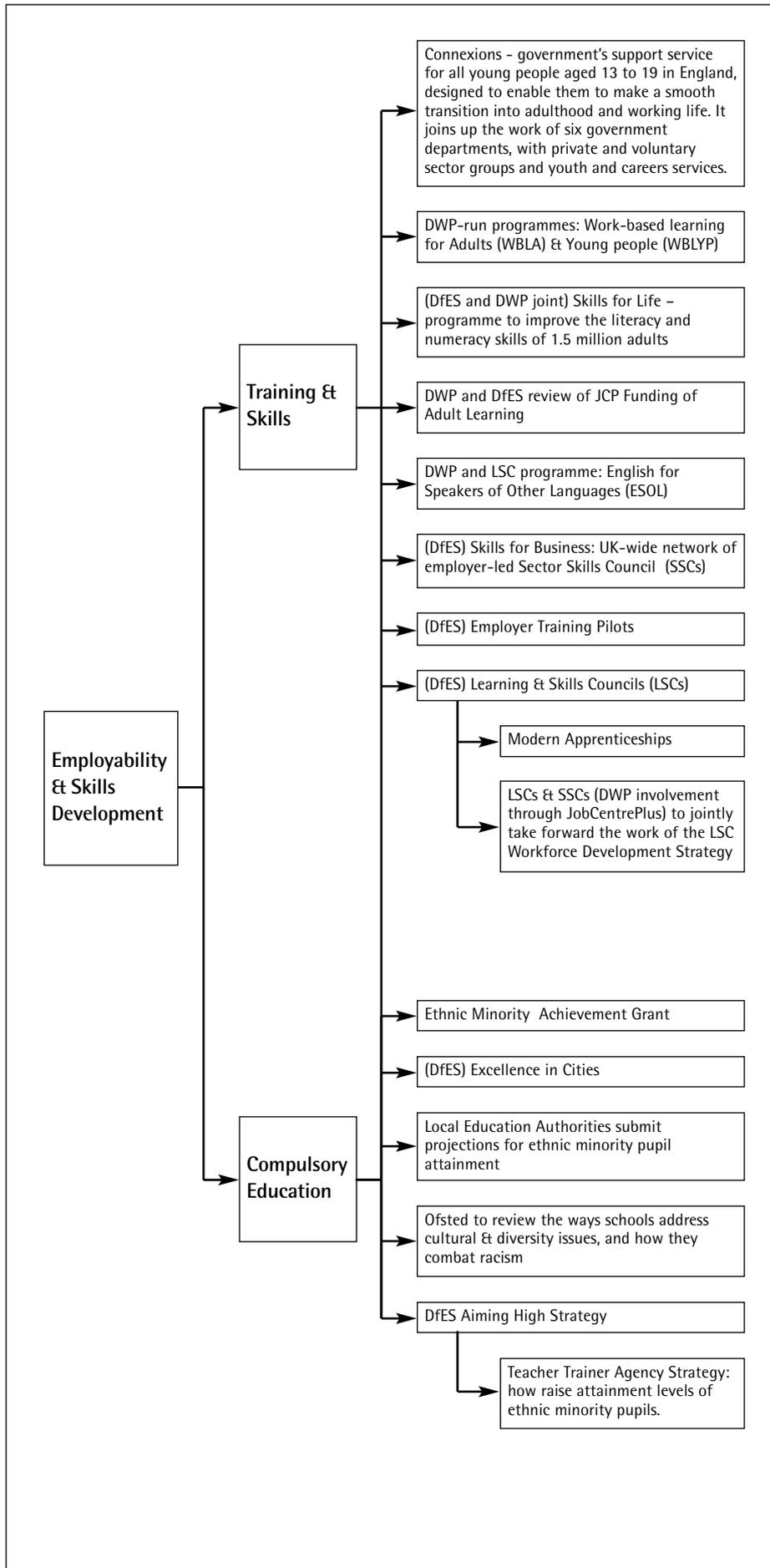
Recommendation	Action	Lead responsibility
16	DTI and NRU should report on a regular basis on how funds aimed at promoting economic growth and supporting businesses in deprived neighbourhoods are benefiting ethnic minority communities. This information should feed into future strategies designed to benefit ethnic minority communities.	DTI and NRU
	<i>Objective 3: Equal opportunities in the workplace</i>	
17	<p>In order to provide better information, support and guidance to employers:</p> <ul style="list-style-type: none"> ● ACAS should double the size of, and publicise the support it offers through, REAS. Consideration should also be given to further expansion of REAS; ● Field Account Managers and Vacancy Filling Managers in Jobcentre Plus should be proactive in delivering information, raising awareness about the importance of race equality and promoting the support services available to the employers with whom they work; ● The CRE should disseminate best practice in the implementation of the 2000 Race Relations (Amendment) Act to the private and voluntary sectors; ● The Small Business Service (SBS) should raise awareness among small business owners of the importance of race equality policies and practices by incorporating the issue into all aspects of the guidance that they provide to small businesses. 	DTI, ACAS, DWP and SBS
18	DTI and DWP should conduct an independent review of how the information and support mechanisms available to employers about race equality can be strengthened as well as the extent to which, once strengthened, they meet the needs and influence the practices of employers.	DTI and DWP
19	The CRE should update its Code of Practice in Employment, consulting widely amongst all relevant stakeholders, to ensure that it accurately reflects existing race relations legislation and that it is known extensively by, is accessible to and is able to meet the needs of employers.	Home Office and CRE
20	The CRE should examine the options for more high profile award and recognition schemes to encourage employers to offer equality of opportunity to ethnic minorities.	Home Office and CRE
21	In order to raise levels of labour market achievement, DWP and NEP should examine the feasibility of Job Opportunity Compacts in the five cities with the largest concentrations of ethnic minorities. The objective of the Compacts should be to engage employers in developing a strategy and action plan for increasing recruitment and retention rates in each of the key sectors, and for ensuring that local education and training provision is relevant to labour market demands.	DWP and NEP
22	<p>In order to ensure that patterns and trends in Employment Tribunal cases are properly noted and addressed, DTI should:</p> <ul style="list-style-type: none"> ● Collect and publish data on repeat offences by specific employers in cases of racial discrimination that have been upheld. ● Mandate the Presidents of Tribunals to monitor racial discrimination cases (including cases that have been abandoned and dismissed) and report findings to the Secretary of State at DTI. This should take the form of an annual report and, in response to key issues that are highlighted, should seek an action plan from relevant departments. 	DTI
23	DTI should carry out a review of the most effective means to tackle systemic racial discrimination among employers. Part of this review should examine the case for adapting the powers of Employment Tribunals to make wider recommendations to effect change both for the complainant and the work environment more broadly.	DTI

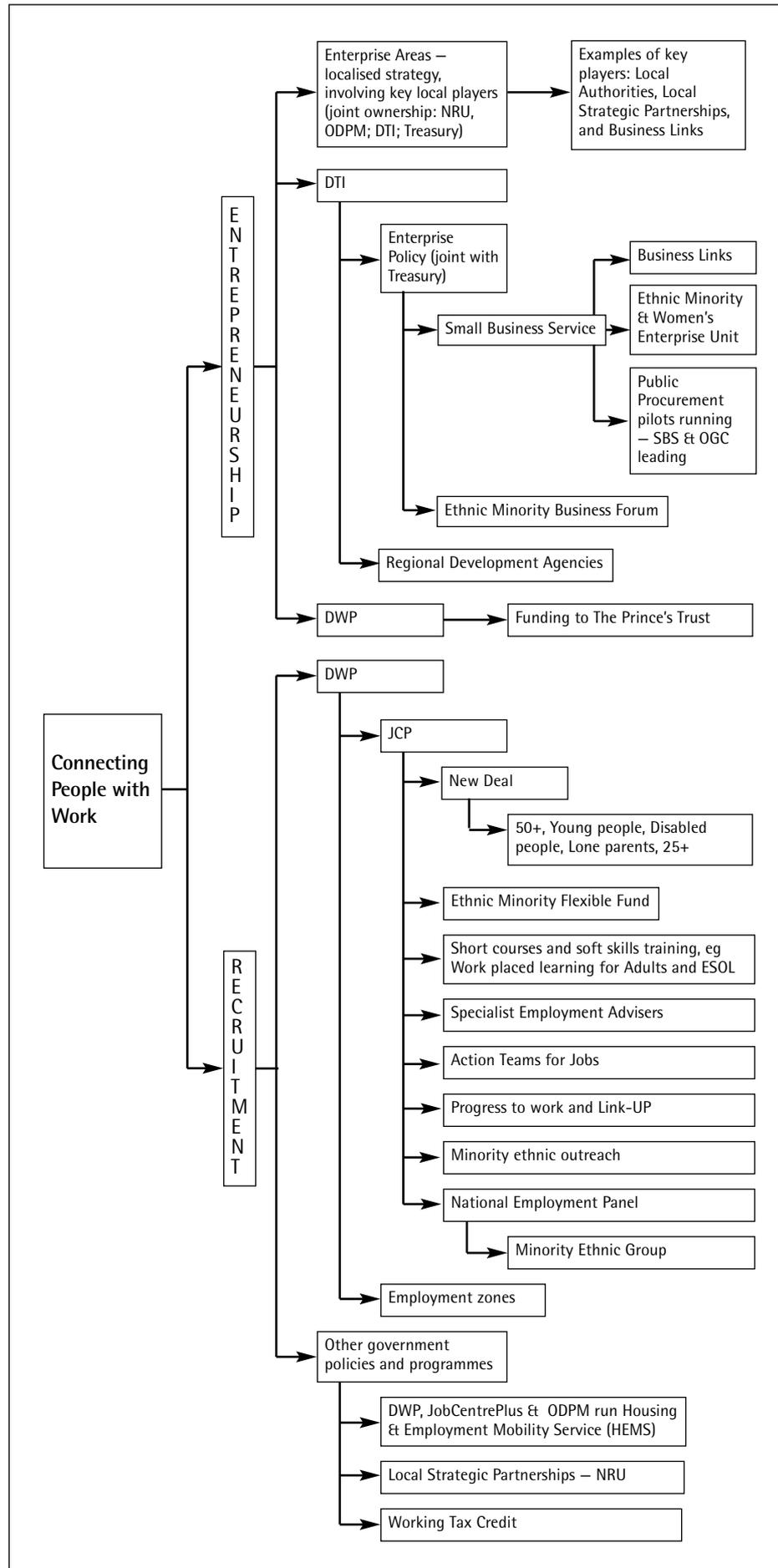
Recommendation	Action	Lead responsibility
24	DWP and DTI should develop a research programme to improve understanding of the nature, causes and extent of racial discrimination and harassment in the labour market. In the light of this improved understanding, the research programme should assess potentially promising future approaches to tackling racial discrimination and harassment in the labour market.	DWP and DTI
25	The CRE should examine ways to make greater use of its general enquiry powers to gather evidence of underlying patterns of discrimination and disadvantage, and to engage relevant stakeholders on appropriate action plans in response. It should implement action points as part of a strategic review of its overall enforcement and promotional powers and specific levers of influence.	Home Office and CRE
26	<p>In order for public authorities to feel confident in using public procurement to promote race equality, comprehensive and clear guidance on race equality issues in public procurement is now required. The Home Office, in consultation with OGC and ODPM, should consider how this can best be achieved, in the light of the existing work being undertaken by the Sustainable Procurement Group and the CRE. The guidance should explain:</p> <ul style="list-style-type: none"> ● Explain what is and is not permissible at each stage of the procurement process, including sanctions available for failing to meet relevant race equality contract provisions. ● Exercise use of the full extent of UK and EU law. ● Explicitly encourage public authorities to use this scope. ● Include several model approaches that authorities can adopt. <p>The guidance should be disseminated to relevant public authorities and potential tenderers through organisations such as LGA, CBI and CRE.</p>	Home Office, CRE, OGC and ODPM
27	<ul style="list-style-type: none"> ● The Home Office, in consultation with the CRE, should commission research to determine whether awareness campaigns are an effective instrument for changing the negative attitudes about individuals from different ethnic backgrounds. ● This research should include an examination on how to design, implement and assess such campaigns. The results of the research should be published and disseminated to a wide range of key stakeholders, including local authorities and private sector firms. In accordance with the findings of the research, the CRE as a principal user-groups should design, implement and assess an awareness campaign. 	Home Office and CRE
<i>Objective 4: Delivering change</i>		
28	<p>New structures and measures should be established to ensure the conclusions of this report are implemented effectively. This should be achieved by the following four key measures:</p> <ul style="list-style-type: none"> ● Responsibility for delivery on the conclusions of this report should be given to a Ministerial Champion, the Minister for Work in the Department for Work and Pensions. The Ministerial Champion should report on the progress to the Secretary of State for Work and Pensions, who should report to the Cabinet Committee on Economic Affairs, Productivity and Competitiveness at regular intervals. ● A Task Force should be established to take responsibility for issues relating to the labour market achievements of ethnic minorities. This should draw together relevant departments, agencies and key external stakeholders. The Task Force should be set up immediately and its effectiveness reviewed after three years. The Task Force should comply with guidance on consultation and Regulatory Impact Assessment best practice. 	DWP

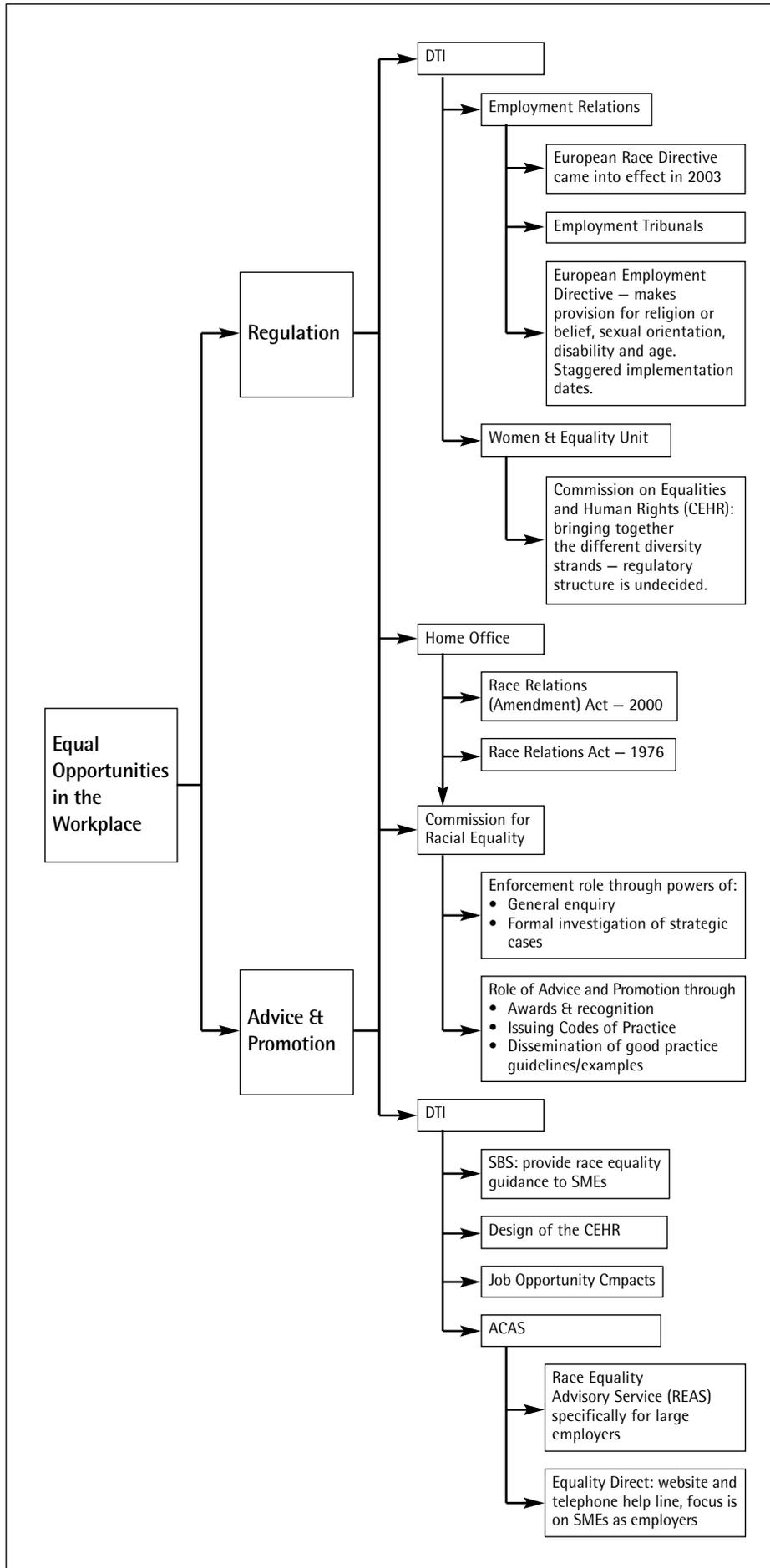
Recommendation	Action	Lead responsibility
	<ul style="list-style-type: none"><li data-bbox="635 248 1230 383">● The roles of key departments in meeting the DWP PSA target should be established by a PSA Plus team including representatives of the proposed Task Force. The team should review the case for a joint DTI/DWP/DfES PSA target for consideration in the 2004 Spending Review.<li data-bbox="635 405 1230 517">● Progress reports on the conclusions of the Strategy Unit report should be made public every 12 months and, after three years, a full review should be undertaken on the effectiveness of the Task Force in implementing these conclusions. DWP	

**appendix 5: government activity
related to race equality and labour
market outcomes**









appendix 6: current sources of support and advice on promoting race equality

Association of Conciliatory and Advisory Services (ACAS)

ACAS provides expert advice on employment relations, with the objective of helping people work together more effectively. This ranges from setting up the right structures and systems to finding a way of settling disputes when things go wrong.

www.acas.org.uk 08457 47 47 47 (ACAS Help line)

British Chambers of Commerce (BCC)

The BCC comprise a national network of quality-accredited Chambers of Commerce. Chambers can provide members with a variety of benefits, including: business training, information resources and networking. Given the regionalized focus of the BCC, individual chambers are able to decide on what services they offer members and the level of information available will vary by locality. All members have unlimited access to free 24 hour, professional advice on employment law, along with other issues.

www.chamberonline.co.uk British Chambers of Commerce London Office 020 7654 5800

Business in the Community (BITC)

BITC is a national association of 700 member companies with a further 1600 participating in the various programmes and campaigns – it describes itself as an independent business-led charity. Through its various programmes and campaigns, including Community Mark, Race for Opportunity and Opportunity Now, BITC seeks to inspire, challenge, engage and support business in continually improving its positive impact on society.

www.bitc.org.uk 0870 600 2482

Business Link

The Business Link network provides information, advice and access to experts on all issues relating to running a business. The network now comprises 45 local operators covering the whole of England, all of whom are selected by the Small Business Service. In relation to race equality and diversity, Business Links advisers are increasingly mainstreaming guidance and support into existing toolkits of information that are passed on to SMEs. Given that there is no one sole provider of Business Links services, across the country, the level of information available will vary by locality.

www.businesslink.gov.uk 0845 600 9 006

Commission for Racial Equality (CRE)

The CRE is the main body for both enforcing race equality legislation and providing advice and support on both domestic and European law. It does not offer one to one advice to companies, but does produce guidelines to assist all on implementing the law.

www.cre.gov.uk CRE Head Office (London) 020 7939 0000

Equality Direct

Equality Direct is a confidential telephone advice service for small businesses providing help on issues such as disability, race, sex, age and flexible working. It aims to give small businesses practical advice to help resolve particular issues or improve employee relations and people management practices more generally.

www.acas.org.uk/equality_diversity 08457 47 47 47

Equality North East

Equality North East provides a regional infrastructure for support on equal opportunities in the workplace. It aims to establish a central point of comprehensive information for all employers, to provide guidance and information in a manner suited to the needs of the employer and to ensure that there is an understanding of how equal opportunities translates into workplace practices. It operates on a regional basis only.

www.equality-ne.co.uk 0870 774 3780 or 0870 774 3781

Race and Equality Advisory Service (REAS)

REAS is a national, free confidential advisory service solely for employers on promoting race equality in the workplace. It is located within ACAS and works with large private sector organisations (those with more than 200 employees), which currently total at about 8500.

www.acas.org.uk/equality_diversity 08457 47 47 47

Race for Opportunity (RfO)

RfO is a national network of over 180 UK member organisations, from both the public and private sectors, working to promote race equality and diversity as a business agenda. It is located under the broad umbrella of Business in the Community.

www.raceforopportunity.org.uk 020 7566 8707

appendix 7: DTI and ACAS pilot programmes

Three separate pilot projects are currently being run by DTI and ACAS to evaluate different methods of support and advice provision to SMEs on equal opportunities and human resources.

DTI

The sources of the information below are the tender documents for potential contractors to run the pilot and discussions with the lead DTI official.

The pilot being run by DTI is evaluating the use of shared-Human Resource (HR) services and how they can be used by several SMEs simultaneously. The objective of the pilot is to identify how acting within the law adds value to the business. In theory this should allow small firms to balance implementing good HR systems, with the day to day running of their business and without feeling the need to hiring permanent HR staff. The nine different services being piloted are intended to provide advice on how employers can act within the parameters of the law, and add value to the business through doing so.

DTI, informed by the research of the Chartered Institute for Personnel Development, accepts the idea that good employment practices produce motivated employees and high levels of performance. In the current pilots, it highlights that 'handling issues about employment rights will be a key component of the pilot but the aim should be to place legal compliance within a framework of good employment practice, taking into account the specific circumstances and needs of the individual firm.'

Findings from focus groups that were held with small business owners steered the content of the pilot schemes. Key findings indicated that SMEs would like to work with advisors who know their sector, and also have experience of working across a number of businesses. Other findings included:

- small firms cannot justify the cost of a full-time HR manager, but [recognised] that not having the advice they provide could prove more expensive;
- some element of face-to-face contact will generally be essential, if not critical to the effectiveness of the service. It needs to offer more than a legal help line or one-off advice on specific queries;
- comprehensive shared HR services, supplied by for example a bank or large employment law firm was seen to be attractive, not least because it was seen as 'freeing the employer up to do his real business';

- support for the idea of a network of agencies pooling resources from a range of sources to provide an effective and comprehensive HR service; and
- the need for more effective signposting of existing sources of provision.

The nine pilots were conducted between September 2003 and ended in April 2004. The results and lessons from the pilot schemes are now being evaluated, and discussions with officials indicate that there is an intention of producing best practice guidance and recommendations for delivery that could be taken forward by a collection of agencies working at ground level – particularly RDAs. Initial findings show that no one model stood out, over and above others – although there was considerable support from business owners for the one-to-one approach (similar to that of a client and account manager).

ACAS

The sources of the information below are the ACAS website and discussions with key ACAS officials.

Mediation services

In an effort to reduce the number of employment tribunal hearings, and responding to a recommendation from the Better Regulation Task Force, ACAS is running a pilot scheme to provide better mediation services for the small business community. The intention is to provide free, simple, practical information and help on any employment law related problems.

An important recognition is made that employment tribunals (ETs) disproportionately negatively affect small businesses (for example, in terms of time lost due to court proceedings) and the service is being promoted as a resource to reduce the burden. The intention is to improve policies and practices, by taking a pro-active and responsible approach, so that the difficulties of an ET can be avoided.

Examples of the services being offered:

- visit the employer to go through existing policies and procedures, to make sure they comply with the law. The advice is simple, practical and confidential. Any consultation between the ACAS adviser and the employer is arranged to take place at the most convenient and appropriate time for the employer;
- discuss a particular employee problem with the employer, to provide guidance on how to address the issues;
- act as a facilitator between a manager and employee and provide face-to-face support with sorting out a specific problem: for example, presenting the options and coming to an agreement that is right for both parties;
- formally ACAS advisers can act as an impartial third party, to hear an appeal where an employee has already been through a formal disciplinary or grievance procedure with the employer.

All pilot schemes are aimed specifically at businesses employing less than 50 people. They were initially only being run in East London and the Yorkshire and Humberside regions, until Spring 2004. Since then, the pilot schemes have been extended to cover all of London, the

North East and the Midlands. All pilot schemes will now run until the end of September 2004, after which decisions will be taken on the feasibility and efficacy of delivering this kind of service on a national scale.

Equality services

ACAS is running a separate pilot project that is exploring methods for introducing and identifying the specific business benefits of addressing equality and diversity. This is achieved through the provision of free, tailored advice on the necessary processes and techniques businesses should implement to enable them to benefit from the opportunities from taking a more pro-active stance on equality-related issues. Funded by Yorkshire Forward, the Regional Development Agency – and operating specifically in the deprived areas of Yorkshire and Humberside – the pilot brings together ACAS employment relations specialists and REAS (Race & Equality Advisory Service) diversity experts.

Description of the types of services being offered:

- work jointly with small to medium businesses to help them to develop diversity awareness in the workplace;
- help to identify strategies and policies that will remove bias and discrimination from the workplace, and guard against possible Employment Tribunal claims;
- develop training events to cover issues such as effective and fair recruitment practices, compliance with legislation and diversity awareness;
- organise annual conferences aimed at building businesses that are competitive as a result of their diverse and inclusive approach.

This three-year project started in November 2002 and will run until March 2005, and is targeting businesses with 50-250 employees. ACAS will decide on the next steps once an evaluation of the pilot has been completed in 2005.

appendix 8: Equality North East

The sources of the information below are the Equality North East website (www.equality-ne.co.uk) and discussions with key people in the organisation.

Aims

Equality North East provides a regional infrastructure for support of businesses from all sectors on equal opportunities in the workplace. It aims to:

- establish one comprehensive, central information service giving advice and guidance on equal opportunities employment issues;
- provide this service 24 hours per day, 365 days per year;
- encourage employers to ensure equality of opportunity for their employees;
- support employers to maintain a skilled and committed workforce for the mutual benefit of both employers and employees.

The organisation delivers its aims through the provision of training to all employers, on all aspects of diversity, and sign-posting them to more specialist sources of guidance. Training is focussed on compliance with equal opportunities legislation, although a strong element of networking and sharing of good practice is built into the group-based training sessions. Real life examples of how employers have had to negotiate Employment Tribunals, due to inaction or non-compliance with the law, have been effective tools for making the case for action.

The website

The website is a comprehensive one-stop source of equal opportunities employment information, designed to give individuals and small businesses clear information about their rights and responsibilities. It includes information relating to race, gender, disability, age, religion and culture, sexual orientation and related issues such as work life balance, recruitment and selection, and harassment and bullying. It also incorporates fact sheets, a search facility, news items, events diary, recruitment page, best practice examples and signposting to other relevant organisations both regional and national.

One North East and the region's four Learning and Skills Councils fund the running of the website. There are over 100 free access points throughout the region, for example in community centres and libraries.

Work with SMEs

Equality North East delivers free support and training for to all SMEs (any business employing with less than 249 employees), particularly on the necessary procedures for businesses to stay on the 'right' side of the law. Often trainers will visit the business at their place of work. Small-scale seminars can be held elsewhere, particularly for micro sized businesses (those with 11 or fewer employees). Equality North East has access to over 11,000 SMEs in the North East, via regular contact through mail shots and newsletters.

When selling the 'business case' to SMEs both costs and opportunities are articulated: the cost of non-compliance in terms of litigation costs; better communication with the local community and consumers; accessing more talent from a wider pool; better staff retention rates.

An awards scheme specifically for SMEs has recently been launched, to give recognition for best practice according to six categories (race equality, age, gender, disability, refugees and ex-offenders). SME owners are incentivised to compete by:

- positive publicity – local newspaper coverage of the winners
- prizes – six large organisations are sponsoring each of the categories, in the form of prizes over £1000 in value in the form of free advertising space, help with developing websites, for example.

All sponsors will be at the awards ceremony, along with other larger organisations, providing a good opportunity for the SME owners to network and build the dialogue between big and small businesses.

appendix 9: public procurement initiatives

The West Midlands Forum (WMF)

The key sources used for the information below are the publication *Working for an Inclusive Britain: an evaluation of the West Midlands Forum Pilot Project* (Orton and Ratcliffe 2003) and discussions with the lead official from the West Midlands Forum.

The WMF, comprised of the procurement officers from six local authorities in the West Midlands area, has devised the 'Common Standard' – a tool for ensuring that potential contractors have a race equality policy and that it is implemented within the business. The member-authorities worked to align their own policies and practices, with those outlined in the CRE Code of Practice in Employment; and to use their leverage – as 'procurers' – to promote race equality within the businesses that work for the council. To this end the Standard has been made applicable to all contracts that the member-authorities put out to tender.

In simple terms, the aim of the Common Standard is to ensure that council contractors have a racial equality/equal opportunities policy, and that contractors implement their policy.

Forum members are clear that they do not want to persecute those businesses that do not comply, rather they want to work in partnership to deliver a 'win-win' situation for all. It is made clear to all tendering companies, that if they want to work with any of the six authorities they will need to show evidence of being an 'equal opportunities' employer. It is by tying the need to meet race equality objectives to the possibility of easier access to sustainable contracts and generating competitive edge, that the Forum has leveraged change within the companies. Mindful of the difference in resources available for different sized businesses, different requirements have been set for the different sized businesses (small, medium and large).

The Forum has been keen to promote the benefits of the Standard: mainly, that it cuts down on paperwork. For example, once a company has successfully met the requirements of the standard, its details are held on a central database that is accessed by procurement officers from all six authorities.

The need to work directly with businesses, to provide support and guidance where necessary, is written into the aims of the Standard, and is well understood by all members. For example, firms are given three opportunities to comply with the principles of the Standard. Should they not meet the requirements at any of the three stages, they are given feedback on how to improve their policy or practices. Examples of feedback include the provision of guidance and model policies and specific points on the use of ethnic monitoring.

Should the company fail on the third attempt they are suspended from the database for two years. A contractor's adherence to the aims of its own race equality policy is tested using:

- the 'three-yearly review': the business is sent a short questionnaire, requesting specific information on any progress on the its race equality policy and objectives, since its inclusion on the database; and
- 'post contract monitoring', which entails checking by procurement officers from the Forum, after the firm has completed the contract, that its equal opportunities policy has actually been implemented.

Pilot projects in Haringey and the West Midlands

The sources for the information below are the Supplying Government website (www.supplyinggovernment.gov.uk), the report *SME Procurement Pilot Phase I Report* (Haringey Council Corporate Procurement Unit, 2003), and discussions with lead officials from the Office of Government Commerce, the Small Business Service and Haringey Council.

Background

The government is keen to encourage increased access to government contracts from small and medium sized businesses (SMEs). It is intended that achieving a greater degree of participation will bring wider benefits to the economy, and promote competition and innovation in government procurement. However, SMEs as a group are often overlooked within public sector procurement.

A review conducted by the Better Regulation Task Force and the Small Business Council (BRTF 2003) found that SMEs often encounter greater barriers than other companies. Key barriers include the lengthy and cumbersome procurement processes and the perception that engaging SMEs is risky. In May 2003, the review made 11 recommendations to eliminate and address the obstacles that may prevent SMEs from participating in the government market place.

In parallel with this review, the Ethnic Minority Business Forum (EMBF) has highlighted the higher barriers perceived by ethnic minority businesses – the majority of which are represented in the small business sector – and promoted a greater emphasis on diversity issues.

In order to address some of these issues and work towards reducing the barriers faced by SMEs, the Office of Government Commerce (OGC) and the DTI's Small Business Service (SBS) are jointly-conducting two pilot projects in the West Midlands Region and Haringey. The OGC is monitoring the impact of the pilot in the West Midlands and the SBS is focussing on the Haringey pilot project, with some assistance from the DTI. The location of both pilot projects in areas of relatively high concentration of ethnic minority businesses will potentially mean that the pilots also test the efficacy of the tendering process for ethnic minority-owned businesses.

The objectives of the pilot project[s] are to:

- Realise the intent of recommendations 1, 3, 5, 6 and 9 from the BRTF report [mentioned above].
- Simplify the mechanism for small to medium sized business to find out and bid for government opportunities.

- Streamline the procurement processes to provide a simpler and more cost effective approach (Supplying Government 2004).

In essence both of the pilot projects are seeking to learn from the trial implementation of different means of improving access for SMEs to public contracts. Through a process of regular evaluation of the pilots, it is intended that the learning points will be built into any potential national initiatives, particularly those related to training and development.

West Midlands Procurement Pilot

The purpose of the pilot project is to implement and evaluate a number of measures to simplify the procurement process and address some of the barriers to the government marketplace perceived by SMEs, including ethnic minority owned businesses. The pilot is being run over a 12 month period, from July 2003 and to June 2004.

A representative group of 500 SMEs has been generated, all of whom have been surveyed prior to the start of the pilot – and will be surveyed after the pilot has ended – to evaluate whether there have been any changes with patterns in bidding for government contracts or the perceived barriers to winning those contracts. The businesses involved are sole traders or small business; are located in the West Midlands region; and are located in the following sectors: IT, Telecoms, Support Services, Professional Services, Construction, Transport.

Core components of the procurement pilot:

- The provision of training and advice to a group of targeted SMEs in understanding better the government procurement process.
- The provision of advice on where to look for government opportunities, and how to put together bid documents.
- The first 500 businesses that sign up to the pilot receive free access to tendering opportunities through a tendering portal. Using this Portal gives SMEs real-time access to low value contracts from all the government organisations taking part in the pilot, as well as relevant and professional advice on the quote process.
- The provision of training for government procurers on how to make contracts more accessible to all providers, and how to encourage opportunities to be passed down the supply chain.
- The establishment of a Regional Supplier Forum facilitated by Advantage West Midlands, where interested SMEs, government procurers and prime contractors can identify and discuss appropriate issues.

Haringey Procurement pilot

This pilot project is working to make policy and practical changes within the council, to allow all elements of the supply chain to be opened up to small and medium sized companies (SMEs). This is to help ensure that a level playing field exists for all SMEs when tendering for contracts with Haringey Council. The pilot project started in August 2003 and is due to end in early Spring 2005.

The project is investigate current legislation and case law around the assessment of tenders and letting and management of contracts, by developing Council policy and guidelines on:

- encouraging/obliging prime contractors to offer sub-contracting opportunities to SMEs, and
- developing common pre-qualification information documents that do not make unnecessary demands on SMEs.

Specifically, the pilot project will involve further development of the existing Trade Local project to:

- target procurement training and information sharing opportunities at minority ethnic businesses and businesses owned by women and people with a disability, and
- further develop the Trade Local portal to include information about how the public sector buys its goods and services, and details of opportunities to bid for contracts of all values, also details of prime contractors to the public sector, locally.

It is intended that as a result of these activities, and the work of Trade Local, a 'toolkit' of policies, documentation and good practice will be developed that can be fed into:

- the work of the Regional Development Agencies, and
- the Local Government Procurement Forum's SME-friendly procurement concordat and used by other local authorities in developing their procurement strategies.

appendix 10: European Supplier Diversity Project (ESDP)

The European Supplier Diversity Project is a member-led initiative that is facilitated by The Migration Policy Group. Through their involvement in the ESDP, Hewlett-Packard, BT, Goldman Sachs, BP, Cushman & Wakefield, Healey & Baker, IBM, Citigroup, Cendant, Deutsche Bank, Weil, Gotshal & Manges and the London Borough of Haringey seek to create long-term strategies to strengthen their supply base, enhance their relationships with customers, government, increase employee commitment and contribute to the economic growth and social cohesion of Europe. This project is supported by the Commission for Racial Equality.

ESDP mission statement

The European Supplier Diversity Project is committed to fostering an environment amongst participating organisations that will offer under-represented businesses, including but not limited to race, disability and gender, the same opportunity to compete for the supply of quality goods and services as other suppliers.

By tapping the unique expertise of businesses owned by under-represented groups, participating organisations will gain access to innovative ideas, a broader customer base and new avenues of opportunity, all of which enable them to better serve their customers, stakeholders and the community.

The ESDP seeks to establish a European Forum on Supplier Diversity by the end of 2004, with the support of Chief Secretary of the Treasury Rt Hon Paul Boateng MP and his European colleagues. With the experience of UK pilots of all ESDP members and several additional pilot projects in France and in Germany, the ESDP membership will invite all companies to join the Forum on Supplier Diversity, in order to collectively advance this important agenda.

Project management

The Migration Policy Group facilitates the work of the European Supplier Diversity Project on behalf of its membership. Beth Ginsburg is manager of the ESDP, and directs the research and can be contacted at bginsburg@migpolgroup.com.

appendix 11: the Oldham United campaign

In March 2002 a number of companies and the Commission for Racial Equality (CRE) agreed to develop activities that would drive community cohesion within Oldham. The resulting initiative Oldham United (Oldham Business achieving Community Cohesion), focuses on the role of the private sector in integrating communities through implementing good practice on diversity policies, work experience, organisational mentoring, supplier diversity, awareness raising schemes, community outreach, and marketing strategies.

The campaign brings together partners from the private public voluntary sector and communities.

Aim

To create a community of shared values, shared challenges and equal opportunity based on a sense of trust, hope and respect – by proving that engaging in the community and demonstrating an understanding of the community's needs adds value to a business's bottom line.

Objectives of the campaign:

- to identify, promote and support events or initiatives that will positively effect community cohesion;
- to develop, prove and publicise the business case for investment in Oldham, resulting from improvements from community cohesion since the disturbances of 2001;
- to provide an evaluation that illustrates both the 'business case' for future engagement in community cohesion by the local business community, and the qualitative benefits for the community of the campaign. It is hoped that the evaluation will identify a transferable model.

For further information please contact:

Bhavna Patel
CRE Offices, Manchester
0161 835 5500